

Earnings potential begins to show

Finnair reports Q2 results on Jul 21. The recent profit warning indicates this year will already see decent results, however valuation also requires further improvement.

A lot of volume potential over the summer and beyond

The summer travel season is once again set to be busy, as indicated by Finnair's recent positive profit warning and high load factors already in June. Finnair's positioning has meant its Q2'23 RPK was still some 30% below the Q2'19 comparison figure, however we estimate continued high passenger yields and achieved cost cuts to have helped Q2 EBIT to EUR 44m (close to the EUR 47m Q2'19 figure). We estimate FY '23 EBIT at EUR 165m, by itself a decent figure and which Finnair could well top if yields and volumes develop favorably also in H2. Volume recovery is set to continue due to Finnair's positioning; pricing levels don't seem to be declining any time soon, but neither may they have much further potential to advance from here on.

Finnair's volumes are still building up after years of crisis

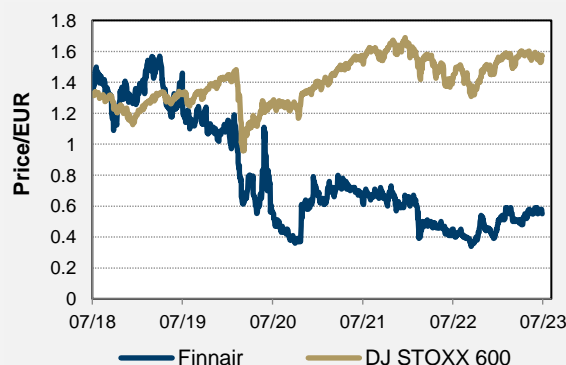
Lately Asia and the Middle East have been most visibly driving Finnair's volume recovery. Neither region has yet quite reached their potential as the former's volumes were still only 50% of their Q2'19 levels while the latter is a new focus area. European volumes were a bit above 80% of the Q2'19 levels and so may not have that much further potential as Asian volumes will not recover fully to generate enough transit passengers, whereas North American traffic is another piece of the puzzle for Finnair to build its network large enough to sustain the current fleet.

Valuation demands at least some more earnings gains

Many airlines reached decent figures already last year, and margins are to improve across the board this year. Finnair will see a much steeper improvement than a typical airline due to its positioning. Next year is unlikely to be too bad as a typical peer's EBIT margin is expected to improve by another two percentage points. We estimate Finnair's similar improvement at less than half that rate even though it starts from a considerably lower base. Finnair trades roughly 10x EV/EBIT on our FY '23 estimates, some 20% premium relative to peers. The multiple is 8x on our FY '24 estimates, still an above 10% premium but which we view acceptable given Finnair's potential to achieve some more catch-up relative to peers. We retain our EUR 0.53 TP and HOLD rating.

Rating

■ HOLD



Share price, EUR (Last trading day's closing price) 0.55
Target price, EUR 0.53

Latest change in recommendation 24-Apr-23
Latest report on company 14-Jun-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 1.12
Reuters code FIA1S.HE
Bloomberg code FIA1S.FH
Average daily volume, EURm 1.0
Next interim report 21-Jul-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
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	3,031.0	165.1	5.4%	-8.0	0.02	23.1	0.5	9.6	-1.0	0.00
2024E	3,182.6	197.3	6.2%	38.4	0.03	16.5	0.5	7.8	5.0	0.01
2025E	3,278.0	213.1	6.5%	56.8	0.04	12.6	0.5	7.0	7.3	0.01
Market cap, EURm	773		Gearing 2023E, %	146.6		CAGR EPS 2022-25, %		0.0		
Net debt 2023E, EURm	805		Price/book 2023E	1.4		CAGR sales 2022-25, %		11.6		
Enterprise value, EURm	1,578		Dividend yield 2023E, %	0.0		ROE 2023E, %		7.0		
Total assets 2023E, EURm	3,992		Tax rate 2023E, %	3.5		ROCE 2023E, %		2.4		
Goodwill 2023E, EURm	0		Equity ratio 2023E, %	15.7		PEG, P/E 23/CAGR		0.0		

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	2023 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	9 213	9 832	9 188	36 782
<i>y/y change</i>	9 %	15 %	11 %	-73 %	-7 %	476 %	453 %	154 %	32 %	159 %	24 %	17 %	18 %	12 %	17.5%-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	7 031	8 178	7 304	28 931
<i>y/y change</i>	14 %	13 %	11 %	-79 %	-36 %	967 %	1114 %	389 %	93 %	309 %	96 %	33 %	22 %	23 %	37 %
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 %	76.3 %	83.2 %	79.5 %	78.7 %
<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	9.1%-p	3.1%-p	7.2%-p	11.1%-p
Ancillary and retail	145	161	176	62	44	27	28	36	32	123	33	37	45	37	152
Cargo	197	207	212	178	335	121	90	73	69	352	53	55	48	52	208
Travel services	206	223	230	61	39	25	39	56	51	170	55	60	67	57	239
Total revenue	2569	2835	3098	829	838	400	550	719	687	2356	695	724	840	772	3031
<i>YoY change</i>	11 %	10 %	9 %	-73 %	1 %	252 %	392 %	261 %	66 %	181 %	74 %	32 %	17 %	12 %	29 %
Other income	77	74	56	48	63	20	41	56	37	154	34	43	51	35	163
Staff costs	-423	-500	-535	-284	-249	-102	-114	-117	-115	-447	-129	-122	-131	-123	-505
<i>y/y change</i>	17 %	18 %	7 %	-47 %	-12 %	93 %	111 %	101 %	36 %	80 %	27 %	7 %	12 %	7 %	13 %
<i>% of revenue</i>	16 %	18 %	17 %	34 %	30 %	25 %	21 %	16 %	17 %	19 %	19 %	17 %	16 %	16 %	17 %
Fuel	-472	-581	-687	-233	-212	-137	-229	-242	-228	-836	-220	-221	-250	-244	-935
<i>y/y change</i>	-4 %	23 %	18 %	-66 %	-9 %	350 %	644 %	405 %	123 %	295 %	61 %	-4 %	3 %	7 %	12 %
<i>% of revenue</i>	18 %	20 %	22 %	28 %	25 %	34 %	42 %	34 %	33 %	35 %	32 %	31 %	30 %	32 %	31 %
Other OPEX	-1314	-1316	-1444	-613	-566	-231	-251	-302	-283	-1067	-294	-293	-340	-310	-1237
<i>y/y change</i>	4 %	0 %	10 %	-58 %	-8 %	130 %	139 %	126 %	24 %	88 %	27 %	17 %	13 %	10 %	16 %
<i>% of revenue</i>	51 %	46 %	47 %	74 %	68 %	58 %	46 %	42 %	41 %	45 %	42 %	40 %	40 %	40 %	41 %
Comparable EBIT	171	218	163	-595	-469	-133	-84	35	18	-164	1	44	82	39	165
<i>Comp. EBIT-%</i>	6.6 %	7.7 %	5.3 %	-71.8 %	-56.0 %	-33.2 %	-15.3 %	4.9 %	2.6 %	-7.0 %	0.1 %	6.0 %	9.8 %	5.0 %	5.4 %

Sources: Finnair, Evli estimates

FINNAIR PEER GROUP	MCAP MEUR	EV/EBITDA			EV/EBIT			EBIT-%		
		22	23	24	22	23	24	22	23	24
SAS	228	38.0x	20.0x	6.8x	38.4x	-10.0 %	-5.8 %	2.7 %		
International Consolidated Airlines Group	8941	5.4x	4.3x	3.8x	14.6x	7.8x	6.6x	5.3 %	9.2 %	10.6 %
Air France-KLM	4165	3.1x	2.9x	2.7x	9.4x	7.0x	6.4x	4.5 %	6.2 %	6.6 %
Deutsche Lufthansa	10571	4.3x	3.5x	3.4x	11.2x	6.9x	6.4x	4.4 %	6.9 %	7.0 %
Norwegian Air Shuttle	885	11.3x	2.8x	2.4x	8.2x	6.6x	5.0x	8.0 %	9.2 %	11.3 %
Aegean Airlines	1078	3.5x	4.4x	4.0x	6.9x	9.4x	8.2x	10.5 %	10.5 %	11.5 %
easyJet	4251	4.3x	3.1x	2.8x	24.6x	7.2x	5.9x	2.0 %	6.3 %	6.9 %
Ryanair Holdings	18970	7.6x	6.4x	5.3x	13.7x	9.8x	7.7x	11.6 %	15.1 %	17.2 %
Wizz Air Holdings	3307	54.7x	7.3x	4.6x	24.2x	9.4x	-14.0 %	6.1 %	12.5 %	
American Airlines Group	10729	10.9x	6.6x	6.3x	23.5x	9.8x	9.7x	3.6 %	8.4 %	8.1 %
Delta Air Lines	27256	7.2x	5.6x	5.2x	12.6x	7.8x	7.1x	7.8 %	12.1 %	13.0 %
Peer Group Average	8216	13.7x	6.1x	4.3x	13.9x	9.7x	10.1x	3.1 %	7.6 %	9.7 %
Peer Group Median	4251	7.2x	4.4x	4.0x	12.6x	7.8x	7.1x	4.5 %	8.4 %	10.6 %
Finnair (Evli est.)	773	7.8x	3.2x	2.9x	-8.8x	9.6x	7.8x	-7.0 %	5.4 %	6.2 %

Finnair prem./disc. to peer median

Source FactSet, Evli Research

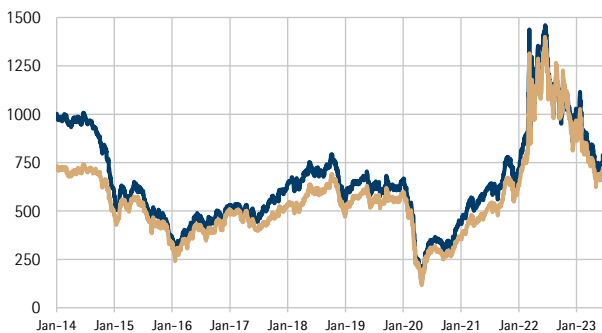
Jet fuel cost

EUR/t, USD/t

Jet fuel price

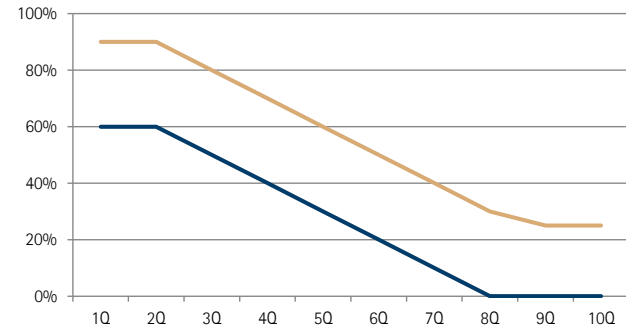
Hedging level

Finnair hedging policy



Source: Bloomberg (JET1NECC Index)

Jet Fuel - USD (blue line), Jet Fuel - EUR (orange line)



Lower limit (blue line), Upper limit (orange line)

 Under normal conditions
 Source: Finnair

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC
Current share price	0.55 PV of Free Cash Flow	1,966 Long-term growth, %	2.0 Risk-free interest rate, %
DCF share value	2.13 PV of Horizon value	1,937 WACC, %	9.6 Market risk premium, %
Share price potential, %	288.1 Unconsolidated equity	0 Spread, %	0.5 Debt risk premium, %
Maximum value	2.3 Marketable securities	1,524 Minimum WACC, %	9.1 Equity beta coefficient
Minimum value	2.0 Debt - dividend	-2,426 Maximum WACC, %	10.1 Target debt ratio, %
Horizon value, %	49.6 Value of stock	3,001 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	3,031	3,183	3,278	3,344	3,410	3,479	3,548	3,619	3,692	3,765	3,841
<i>Sales growth, %</i>	<i>181.1</i>	<i>28.6</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	165	197	213	201	205	209	213	235	240	245	250
<i>Operating income margin, %</i>	<i>-7.0</i>	<i>5.4</i>	<i>6.2</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	331	342	325	324	334	346	358	368	378	387	
EBITDA	186	496	539	538	524	538	555	571	603	618	632	
- Paid taxes	60	-6	-39	-43	-40	-41	-42	-43	-47	-48	-49	
- Change in NWC	274	220	21	13	9	9	9	10	10	10	10	
<i>NWC / Sales, %</i>	<i>-27.3</i>	<i>-28.5</i>	<i>-27.7</i>	<i>-27.3</i>	<i>-27.1</i>	<i>-26.8</i>	<i>-26.5</i>	<i>-26.3</i>	<i>-26.1</i>	<i>-25.8</i>	<i>-25.6</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>19.5</i>	<i>11.7</i>	<i>10.4</i>	<i>12.3</i>	<i>12.7</i>	<i>12.6</i>	<i>12.4</i>	<i>12.3</i>	<i>12.2</i>	<i>6.4</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	-9	-13	-13	-13	-13	-13	-13	-13	-13	-13	
= FCFF	603	450	258	245	230	254	270	285	314	327	341	4,595
= Discounted FCFF		432	225	196	168	169	164	158	159	151	144	1,937
= DFCF min WACC		433	227	198	171	172	168	163	164	157	150	2,166
= DFCF max WACC		431	224	194	165	166	160	153	153	145	138	1,740

INTERIM FIGURES

EVLI ESTIMATES, EURm	2022Q1	2022Q2	2022Q3	2022Q4	2022	2023Q1	2023Q2E	2023Q3E	2023Q4E	2023E	2024E	2025E
Net sales	399.8	550.3	719.2	687.3	2,356.6	694.7	724.1	840.0	772.1	3,031.0	3,182.6	3,278.0
EBITDA	-54.7	-5.4	114.2	131.8	185.9	82.9	126.7	165.0	121.6	496.1	539.0	537.6
<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>11.9</i>	<i>17.5</i>	<i>19.6</i>	<i>15.7</i>	<i>16.4</i>	<i>16.9</i>	<i>16.4</i>
EBIT	-132.9	-84.2	35.3	17.9	-163.9	0.9	43.7	82.0	38.6	165.1	197.3	213.1
<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>0.1</i>	<i>6.0</i>	<i>9.8</i>	<i>5.0</i>	<i>5.4</i>	<i>6.2</i>	<i>6.5</i>
Net financial items	-47.1	-76.5	-63.8	17.2	-170.2	-15.7	-35.0	-35.0	-35.0	-120.7	-122.9	-120.4
Pre-tax profit	-180.0	-160.7	-28.5	35.1	-334.1	-14.8	8.7	47.0	3.6	44.4	74.4	92.6
Tax	-0.7	-110.3	7.6	-2.0	-105.4	10.3	-1.7	-9.4	-0.7	-1.5	-14.9	-18.5
<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>69.6</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>3.5</i>	<i>20.0</i>	<i>20.0</i>
Net profit	-180.7	-271.0	-20.9	33.1	-439.5	-4.5	3.8	34.5	-0.3	33.4	46.9	61.5
EPS	-0.13	-0.19	-0.01	0.02	-0.31	0.00	0.00	0.02	0.00	0.02	0.03	0.04
EPS adjusted (diluted no. of shares)	-0.13	-0.19	-0.01	0.02	-0.31	0.00	0.00	0.02	0.00	0.02	0.03	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	694.7	724.1	840.0	772.1	3,031.0	3,182.6	3,278.0
Total	399.8	550.3	719.2	687.3	2,356.6	694.7	724.1	840.0	772.1	3,031.0	3,182.6	3,278.0
SALES GROWTH, Y/Y %												
Group total	251.9	392.2	260.5	66.2	181.1	73.8	31.6	16.8	12.3	28.6	5.0	3.0
Total	251.9	392.2	260.5	66.2	181.1	73.8	31.6	16.8	12.3	28.6	5.0	3.0
EBIT, EURm												
Group total	-132.9	-84.2	35.3	17.9	-163.9	0.9	43.7	82.0	38.6	165.1	197.3	213.1
Total	-132.9	-84.2	35.3	17.9	-163.9	0.9	43.7	82.0	38.6	165.1	197.3	213.1
EBIT margin, %												
Group total	-33.2	-15.3	4.9	2.6	-7.0	0.1	6.0	9.8	5.0	5.4	6.2	6.5
Total	-33.2	-15.3	4.9	2.6	-7.0	0.1	6.0	9.8	5.0	5.4	6.2	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	3,031.0	3,182.6	3,278.0
<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>28.6</i>	<i>5.0</i>	<i>3.0</i>
EBITDA	512.6	488.2	-251.5	-149.0	185.9	496.1	539.0	537.6
<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>16.4</i>	<i>16.9</i>	<i>16.4</i>
Depreciation	-294.2	-325.4	-343.8	-319.9	-349.8	-331.0	-341.7	-324.5
EBITA	218.4	162.8	-595.3	-468.9	-163.9	165.1	197.3	213.1
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	165.1	197.3	213.1
<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>5.4</i>	<i>6.2</i>	<i>6.5</i>
Reported EBIT	218.3	160.0	-597.7	-474.7	-163.9	165.1	197.3	213.1
<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>5.4</i>	<i>6.2</i>	<i>6.5</i>
Net financials	-129.0	-67.0	-190.1	-127.5	-170.2	-120.7	-122.9	-120.4
Pre-tax profit	89.4	95.8	-785.4	-596.4	-334.1	44.4	74.4	92.6
Taxes	-25.6	-18.4	131.2	117.6	-105.4	-1.5	-14.9	-18.5
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	33.4	46.9	61.5
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	1,236	1,297	1,408
Goodwill	0	0	0	0	0	0	0	0
Right of use assets	999	878	918	1,182	1,083	1,273	1,241	1,147
Inventory	121	80	68	56	122	76	80	82
Receivables	210	217	70	137	158	114	119	122
Liquid funds	1,067	952	824	1,266	1,524	1,212	1,273	1,311
Total assets	3,944	3,878	3,646	4,047	4,133	3,992	4,090	4,151
Liabilities								
Shareholder's equity	918	966	897	476	411	549	596	642
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	1,273	1,241	1,147
Deferred taxes	48	64	0	0	0	0	0	0
Interest bearing debt	615	521	1,182	1,428	1,299	745	799	889
Non-interest bearing current liabilities	285	243	176	291	452	581	610	629
Other interest-free debt	811	873	215	271	658	658	658	658
Total liabilities	3,944	3,878	3,647	4,047	4,133	3,992	4,090	4,151
CASH FLOW, EURm								
+ EBITDA	513	488	-251	-149	186	496	539	538
- Net financial items	-129	-67	-190	-127	-170	-121	-123	-120
- Taxes	-52	-2	-18	11	6	-2	-15	-19
- Increase in Net Working Capital	50	-7	-489	117	274	220	21	13
+/- Other	1	-16	-17	-6	0	-9	-13	-13
= Cash flow from operations	383	397	-966	-155	296	584	409	399
- Capex	-330	-409	-315	-484	-149	-592	-371	-342
- 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	-8	38	57
+/- New issues/buybacks	-110	21	602	64	374	105	0	0
- Paid dividend	-38	-35	0	0	0	0	0	-15
+/- Other	-17	-89	551	1,018	-262	-409	22	-3
Change in cash	103	-116	-128	442	259	-312	61	38

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	805	767	725
Enterprise value	1,377	2,443	2,380	1,448	1,578	1,540	1,499
Sales	3,098	829	838	2,357	3,031	3,183	3,278
EBITDA	488	-251	-149	186	496	539	538
EBIT	163	-595	-469	-164	165	197	213
Pre-tax	96	-785	-596	-334	44	74	93
Earnings	65	-669	-479	-439	33	47	62
Equity book value (excl. minorities)	966	897	476	411	549	596	642
Valuation multiples							
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	3.2	2.9	2.8
EV/EBITA	8.5	-4.1	-5.1	-8.8	9.6	7.8	7.0
EV/EBIT	8.5	-4.1	-5.1	-8.8	9.6	7.8	7.0
EV/OCF	3.5	-2.5	-15.4	4.9	2.7	3.8	3.8
EV/FCFF	8.4	-2.4	-26.4	2.4	3.5	6.0	6.1
P/FCFE	-333.2	-0.8	-1.3	3.7	-96.2	20.2	13.6
P/E	11.7	-1.6	-1.7	-1.2	23.1	16.5	12.6
P/B	0.8	1.2	1.8	1.3	1.4	1.3	1.2
Target EV/EBITDA	0.0	0.0	0.0	0.0	3.1	2.8	2.7
Target EV/EBIT	0.0	0.0	0.0	0.0	9.4	7.7	6.9
Target EV/FCF	0.0	0.0	0.0	0.0	-192.8	39.4	25.9
Target P/B	0.0	0.0	0.0	0.0	1.4	1.3	1.2
Target P/E	0.0	0.0	0.0	0.0	22.3	15.9	12.1
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	0.02	0.03	0.04
Operating cash flow per share	0.57	-0.69	-0.11	0.21	0.42	0.29	0.28
Free cash flow per share	-0.02	-0.91	-0.45	0.10	-0.01	0.03	0.04
Book value per share	1.39	0.64	0.34	0.29	0.39	0.42	0.46
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	2.0	2.6
FCF yield, %	-1.6	-119.8	-76.4	26.9	-1.0	5.0	7.3
Efficiency measures							
ROE	6.9	-71.8	-69.8	-99.2	7.0	8.2	9.9
ROCE	6.2	-21.1	-17.9	-8.9	2.4	3.0	4.2
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	3.7	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	-28.5	-27.7	-27.3
Operative CAPEX/sales, %	13.2	38.0	57.8	6.3	19.5	11.7	10.4
CAPEX/sales (incl. acquisitions), %	13.2	38.0	57.8	6.3	19.5	11.7	10.4
FCFF/EBITDA	0.3	4.0	0.6	3.2	0.9	0.5	0.5
Net debt/EBITDA, book-weighted	1.3	-5.5	-10.4	4.9	1.6	1.4	1.3
Debt/equity, market-weighted	0.7	1.1	1.7	2.4	1.0	1.0	1.2
Equity ratio, book-weighted	27.4	25.5	12.2	10.9	15.7	16.7	17.7
Gearing, %	64.5	153.3	324.4	219.7	146.6	128.7	113.0

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 Henkilöstöraho Ho.	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

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

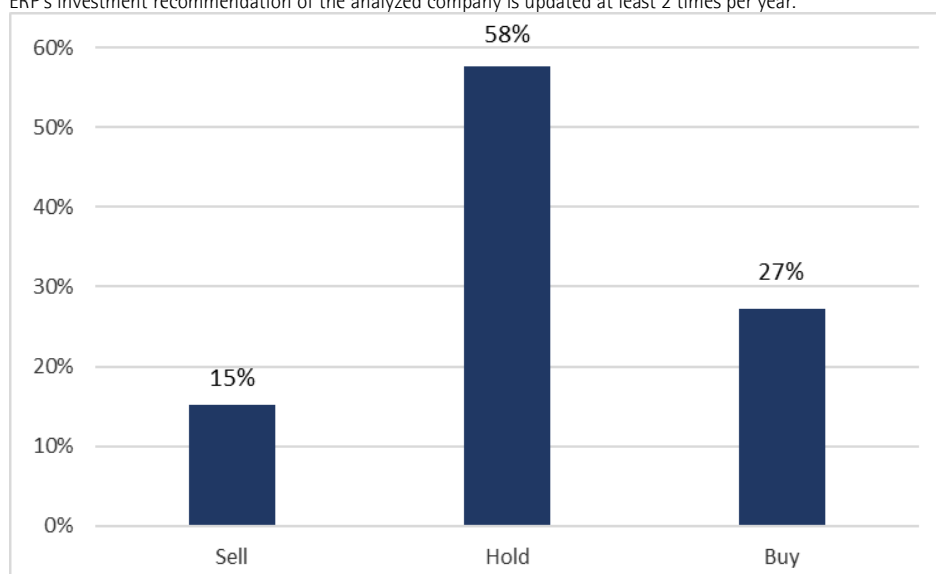
Important Disclosures

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 [17.7.2023, 9:15]. This report has been published on [17.7.2023, 9:35].

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

Arttu Heikura	+358 40 082 8098
Joonas Ilvonen	+358 44 430 9071
Jerker Salokivi	+358 9 4766 9149

Evli Investment Solutions

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



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

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