

Profitability climbed above estimates

Finnair's Q2 revenue was well in line with estimates while the EUR 66m comparable EBIT was clearly stronger than expected. Finnair also specified its profitability guidance range for the year and updated its long-term profitability target to 6% by the end of 2025.

- Finnair Q2 revenue grew by 36.2% y/y and amounted to EUR 749.2m, compared to the EUR 724.1m/759.6m Evli/consensus estimates. Passenger revenue grew 55.5% y/y to EUR 612.1m. Demand remains strong and is already at a good level for the upcoming winter season.
- Comparable EBIT was EUR 66.2m vs the EUR 43.7m/50.7m Evli/consensus estimates.
- Fuel costs amounted to EUR 220m vs our EUR 221m estimate, while staff costs were EUR 125m, compared to our EUR 122m estimate. All other OPEX+D&A amounted to EUR 365m vs our EUR 376m estimate.
- Cost per Available Seat Kilometer was 7.41 eurocents, compared to our estimate of 7.39 eurocents.
- Finnair specifies its guidance in terms of comparable EBIT and now estimates the figure to be in the range of EUR 150-210m for the year, based on current fuel prices and exchange rates. Finnair expects FY '23 revenue not yet to reach the level of FY '19.
- Finnair updates its strategic profitability target to 6% comparable EBIT margin by the end of 2025 and also intends to call its EUR 200m hybrid bond in early September.

Rating 🟡 HOLD				
Q2'23	Actual	Evli	Year ago	Q1'23
Revenue	749.2	724.1	550.3	694.7
Adj. EBIT	66.2	43.7	-84.2	0.9
Adj. EBIT-%	8.8 %	6.0 %	-15.3 %	0.1 %
Share price, EUR (Last trading day's closing price)				0.57
Target price, EUR				0.53
Latest change in recommendation				24-Apr-23
Latest report on company				17-Jul-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				801
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
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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	3,031.0	165.1	5.4%	-8.0	0.02	24.0	0.5	9.7	-1.0	0.00
2024E	3,182.6	197.3	6.2%	38.4	0.03	17.1	0.5	7.9	4.8	0.01
2025E	3,278.0	213.1	6.5%	56.8	0.04	13.0	0.5	7.2	7.1	0.01
Market cap, EURm	801		BV per share 2023E, EUR		146.6		CAGR EPS 2022-25, %		0.0	
Net debt 2023E, EURm	805		Price/book 2023E		1.5		CAGR sales 2022-25, %		11.6	
Enterprise value, EURm	1,606		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	

All the important disclosures can be found on the last pages of this report.

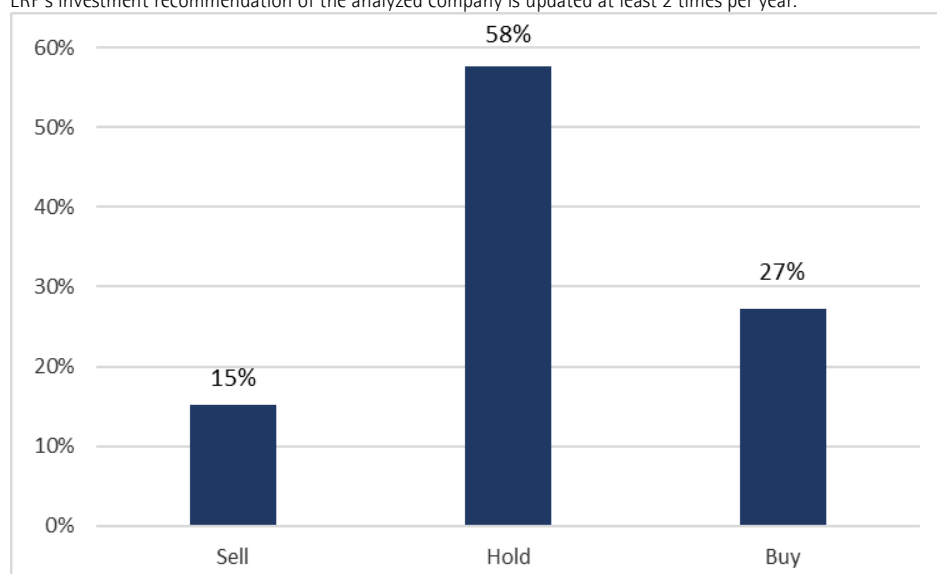
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Investment recommendations are defined as follows:

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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