

Profitability largely recovered

Finnair should still have scope for further improvement, however current market conditions also inform some caution with respect to long-term financial targets.

Very high profitability even ahead of the summer season

Finnair's EUR 749m Q2 revenue landed near the EUR 724m/760m Evli/cons. estimates, while passenger revenue was EUR 40m above our estimate as unit yields were higher than we expected (RASK was 27% above the Q2'19 level). Finnair had its best Q2 in history in terms of EBIT; there were no big cost surprises relative to our estimates and hence the higher-than-estimated top line translated well to comparable EBIT, which was EUR 66m vs the EUR 44m/51m Evli/cons. estimates. Capacity constraints meant maintenance costs were low, but the issue had no major impact on numbers. The capacity issues also led to a further lag in ASK compared to pre-pandemic levels, an industry-wide challenge which however has helped profitability in the short-term.

Out of the woods, yet strategy execution work continues

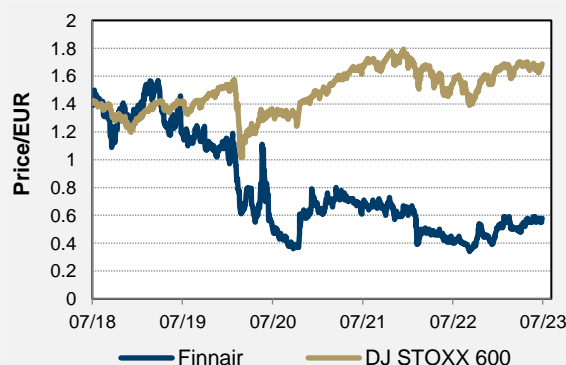
On the one hand airlines are in a spot from where it's unlikely to get much better, considering the high yields and current supply bottlenecks as well as improved cost competitiveness in the wake of the pandemic, while on the other hand certain demand trends may prove to be secular. Experience consumption has so far showed resiliency against inflation, and hybrid work has expanded the market for leisure travel. Competitive landscape appears stable especially in Europe, while the field is level in markets like Japan and Korea, but Atlantic competition is more intense. Finnair still does some further network optimization, while long-term strategy requires new fuel-efficient planes.

6% EBIT margin already has a rather solid basis

The low end of the EUR 150-210m range seems very cautious as we believe Finnair will achieve more than EUR 150m in combined Q2 & Q3 EBIT alone. Finnair is likely to achieve an EBIT of 6% already this year, which makes the new long-term target of 6% by the end of '25 look muted. We estimated above 6% levels for the coming years already before the update and thus make only marginal revisions. Finnair trades ca. 8.5x EV/EBIT on our FY '23 estimates, a double-digit premium to peers which we find acceptable as above 6% EBIT looks realistic already quite soon. Our new TP is EUR 0.54 (0.53) as we retain our HOLD rating.

Rating

HOLD



Share price, EUR (Last trading day's closing price) 0.58

Target price, EUR 0.54

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 815

Free float, % 42.9

Exchange rate EUR/USD 1.11

Reuters code FIA1S.HE

Bloomberg code FIA1S.FH

Average daily volume, EURm 1.0

Next interim report 31-Oct-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	3,060.5	191.2	6.2%	-19.5	0.13	4.4	0.5	8.5	-2.4	0.00
2024E	3,213.5	205.7	6.4%	26.6	0.05	11.0	0.5	7.8	3.3	0.02
2025E	3,309.9	218.5	6.6%	43.6	0.06	9.5	0.5	7.3	5.3	0.02
Market cap, EURm	815 Gearing 2023E, %			116.8 CAGR EPS 2022-25, %			0.0			
Net debt 2023E, EURm	817 Price/book 2023E			1.2 CAGR sales 2022-25, %			12.0			
Enterprise value, EURm	1,632 Dividend yield 2023E, %			0.0 ROE 2023E, %			33.1			
Total assets 2023E, EURm	4,171 Tax rate 2023E, %			-93.2 ROCE 2023E, %			3.3			
Goodwill 2023E, EURm	0 Equity ratio 2023E, %			19.0 PEG, P/E 23/CAGR			-0.1			

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	2023 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	33	43	37	146
Cargo	197	207	212	178	335	121	90	73	69	352	53	47	41	52	193
Travel services	206	223	230	61	39	25	39	56	51	170	55	57	63	54	229
Total revenue	2569	2835	3098	829	838	400	550	719	687	2356	695	749	851	766	3061
<i>YoY change</i>	11 %	10 %	9 %	-73 %	1 %	252 %	392 %	261 %	66 %	181 %	74 %	36 %	18 %	11 %	30 %
Other income	77	74	56	48	63	20	41	56	37	154	34	28	39	32	133
Staff costs	-423	-500	-535	-284	-249	-102	-114	-117	-115	-447	-129	-125	-131	-123	-508
<i>y/y change</i>	17 %	18 %	7 %	-47 %	-12 %	93 %	111 %	101 %	36 %	80 %	27 %	10 %	12 %	7 %	14 %
<i>% of revenue</i>	16 %	18 %	17 %	34 %	30 %	25 %	21 %	16 %	17 %	19 %	19 %	17 %	15 %	16 %	17 %
Fuel	-472	-581	-687	-233	-212	-137	-229	-242	-228	-836	-220	-220	-250	-244	-934
<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 %	29 %	29 %	32 %	31 %
Other OPEX	-1314	-1316	-1444	-613	-566	-231	-251	-302	-283	-1067	-294	-282	-336	-300	-1213
<i>y/y change</i>	4 %	0 %	10 %	-58 %	-8 %	130 %	139 %	126 %	24 %	88 %	27 %	12 %	11 %	6 %	14 %
<i>% of revenue</i>	51 %	46 %	47 %	74 %	68 %	58 %	46 %	42 %	41 %	45 %	42 %	38 %	39 %	39 %	40 %
Comparable EBIT	171	218	163	-595	-469	-133	-84	35	18	-164	1	66	85	39	191
<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 %	8.8 %	10.0 %	5.1 %	6.2 %

Sources: Finnair, Evli estimates

FINNAIR PEER GROUP	MCAP MEUR	EV/EBITDA			EV/EBIT			EBIT-%		
		22	23	24	22	23	24	22	23	24
SAS	220	38.0x	19.9x	6.8x			38.3x	-10.0 %	-5.8 %	2.7 %
International Consolidated Airlines Group	8807	5.4x	4.2x	3.8x	14.6x	7.7x	6.6x	5.3 %	9.3 %	10.7 %
Air France-KLM	4115	3.1x	2.9x	2.7x	9.4x	6.8x	6.3x	4.5 %	6.3 %	6.6 %
Deutsche Lufthansa	10529	4.3x	3.5x	3.3x	11.2x	6.8x	6.4x	4.4 %	6.9 %	7.0 %
Norwegian Air Shuttle	890	11.3x	2.8x	2.4x	8.2x	6.6x	5.0x	8.0 %	9.2 %	11.3 %
Aegean Airlines	1145	3.5x	4.6x	4.2x	6.9x	9.0x	7.9x	10.5 %	11.4 %	12.5 %
easyJet	4165	4.3x	3.0x	2.7x	23.2x	6.8x	5.8x	2.1 %	6.5 %	7.0 %
Ryanair Holdings	18663	7.6x	6.3x	5.2x	13.7x	9.6x	7.5x	11.6 %	15.2 %	17.3 %
Wizz Air Holdings	3165	54.7x	7.0x	4.4x		22.9x	9.0x	-14.0 %	6.2 %	12.6 %
American Airlines Group	10079	10.9x	6.2x	6.1x	23.5x	9.0x	9.2x	3.6 %	8.7 %	8.2 %
Delta Air Lines	28043	7.2x	5.6x	5.2x	12.6x	7.8x	7.1x	7.8 %	12.3 %	13.1 %
Peer Group Average	8166	13.7x	6.0x	4.3x	13.7x	9.3x	9.9x	3.1 %	7.8 %	9.9 %
Peer Group Median	4165	7.2x	4.6x	4.2x	12.6x	7.8x	7.1x	4.5 %	8.7 %	10.7 %
Finnair (Evli est.)	818	7.8x	3.1x	2.8x	-8.8x	8.6x	7.8x	-7.0 %	6.2 %	6.4 %

Finnair prem./disc. to peer median

Source FactSet, Evli Research

Jet fuel cost

EUR/t, USD/t

Jet fuel price

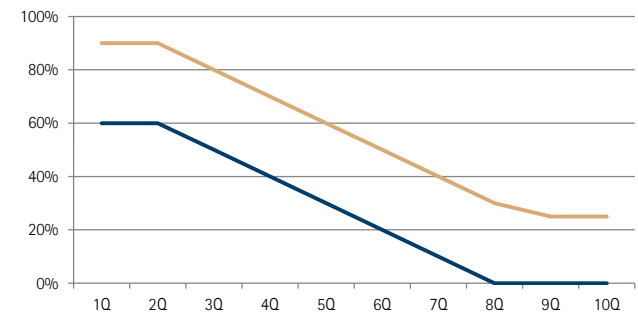


Source: Bloomberg (JFET1NECC Index)

Jet Fuel - USD Jet Fuel - EUR

Hedging level

Finnair hedging policy



Lower limit Upper limit

*Under normal conditions

Source: Finnair

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC
Current share price	0.58 PV of Free Cash Flow	2,173 Long-term growth, %	2.0 Risk-free interest rate, %
DCF share value	2.30 PV of Horizon value	1,962 WACC, %	9.6 Market risk premium, %
Share price potential, %	296.5 Unconsolidated equity	0 Spread, %	0.5 Debt risk premium, %
Maximum value	2.5 Marketable securities	1,524 Minimum WACC, %	9.1 Equity beta coefficient
Minimum value	2.1 Debt - dividend	-2,426 Maximum WACC, %	10.1 Target debt ratio, %
Horizon value, %	47.5 Value of stock	3,233 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	3,061	3,214	3,310	3,376	3,444	3,513	3,583	3,654	3,728	3,802	3,878
<i>Sales growth, %</i>	<i>181.1</i>	<i>29.9</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	191	206	218	219	207	211	215	238	242	247	252
<i>Operating income margin, %</i>	<i>-7.0</i>	<i>6.2</i>	<i>6.4</i>	<i>6.6</i>	<i>6.5</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	362	355	360	335	348	359	370	380	389	
EBITDA	186	522	567	574	580	542	559	574	608	622	636	
- Paid taxes	60	68	-41	-44	-44	-41	-42	-43	-48	-48	-49	
- Change in NWC	274	224	21	13	9	9	9	10	10	10	10	
<i>NWC / Sales, %</i>	<i>-27.3</i>	<i>-28.3</i>	<i>-27.6</i>	<i>-27.2</i>	<i>-26.9</i>	<i>-26.7</i>	<i>-26.4</i>	<i>-26.2</i>	<i>-25.9</i>	<i>-25.7</i>	<i>-25.5</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>24.7</i>	<i>13.4</i>	<i>12.4</i>	<i>6.4</i>	<i>12.6</i>	<i>12.5</i>	<i>12.4</i>	<i>12.2</i>	<i>12.1</i>	<i>6.3</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	-6	-13	-13	-13	-13	-13	-13	-13	-13	-13	
= FCFF	603	558	284	281	282	257	273	288	317	331	344	4,647
= Discounted FCFF		536	249	225	206	172	166	160	161	153	145	1,962
= DFCF min WACC		537	251	227	209	175	170	165	166	159	152	2,194
= DFCF max WACC		535	248	222	203	168	162	156	155	147	139	1,763

INTERIM FIGURES

EVLI ESTIMATES, EURm	2022Q1	2022Q2	2022Q3	2022Q4	2022	2023Q1	2023Q2	2023Q3E	2023Q4E	2023E	2024E	2025E
Net sales	399.8	550.3	719.2	687.3	2,356.6	694.7	749.2	850.9	765.7	3,060.5	3,213.5	3,309.9
EBITDA	-54.7	-5.4	114.2	131.8	185.9	82.9	149.0	167.9	122.1	522.0	567.2	573.7
<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>11.9</i>	<i>19.9</i>	<i>19.7</i>	<i>15.9</i>	<i>17.1</i>	<i>17.7</i>	<i>17.3</i>
EBIT	-132.9	-84.2	35.3	17.9	-163.9	0.9	66.2	84.9	39.1	191.2	205.7	218.5
<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>0.1</i>	<i>8.8</i>	<i>10.0</i>	<i>5.1</i>	<i>6.2</i>	<i>6.4</i>	<i>6.6</i>
Net financial items	-47.1	-76.5	-63.8	17.2	-170.2	-15.7	-22.2	-30.0	-25.0	-92.9	-97.0	-95.0
Pre-tax profit	-180.0	-160.7	-28.5	35.1	-334.1	-14.8	44.0	54.9	14.1	98.3	108.7	123.5
Tax	-0.7	-110.3	7.6	-2.0	-105.4	10.3	95.1	-11.0	-2.8	91.6	-21.7	-24.7
<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>69.6</i>	<i>-216.1</i>	<i>20.0</i>	<i>20.0</i>	<i>-93.2</i>	<i>20.0</i>	<i>20.0</i>
Net profit	-180.7	-271.0	-20.9	33.1	-439.5	-4.5	139.1	40.8	8.1	183.5	74.3	86.2
EPS	-0.13	-0.19	-0.01	0.02	-0.31	0.00	0.10	0.03	0.01	0.13	0.05	0.06
EPS adjusted (diluted no. of shares)	-0.13	-0.19	-0.01	0.02	-0.31	0.00	0.10	0.03	0.01	0.13	0.05	0.06
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.02	0.02
SALES, EURm												
Group total	399.8	550.3	719.2	687.3	2,356.6	694.7	749.2	850.9	765.7	3,060.5	3,213.5	3,309.9
Total	399.8	550.3	719.2	687.3	2,356.6	694.7	749.2	850.9	765.7	3,060.5	3,213.5	3,309.9
SALES GROWTH, Y/Y %												
Group total	251.9	392.2	260.5	66.2	181.1	73.8	36.1	18.3	11.4	29.9	5.0	3.0
Total	251.9	392.2	260.5	66.2	181.1	73.8	36.1	18.3	11.4	29.9	5.0	3.0
EBIT, EURm												
Group total	-132.9	-84.2	35.3	17.9	-163.9	0.9	66.2	84.9	39.1	191.2	205.7	218.5
Total	-132.9	-84.2	35.3	17.9	-163.9	0.9	66.2	84.9	39.1	191.2	205.7	218.5
EBIT margin, %												
Group total	-33.2	-15.3	4.9	2.6	-7.0	0.1	8.8	10.0	5.1	6.2	6.4	6.6
Total	-33.2	-15.3	4.9	2.6	-7.0	0.1	8.8	10.0	5.1	6.2	6.4	6.6

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	3,060.5	3,213.5	3,309.9
<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>29.9</i>	<i>5.0</i>	<i>3.0</i>
EBITDA	512.6	488.2	-251.5	-149.0	185.9	522.0	567.2	573.7
<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>17.1</i>	<i>17.7</i>	<i>17.3</i>
Depreciation	-294.2	-325.4	-343.8	-319.9	-349.8	-330.8	-361.6	-355.3
EBITA	218.4	162.8	-595.3	-468.9	-163.9	191.2	205.7	218.5
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	191.2	205.7	218.5
<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>6.2</i>	<i>6.4</i>	<i>6.6</i>
Reported EBIT	218.3	160.0	-597.7	-474.7	-163.9	191.2	205.7	218.5
<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>6.2</i>	<i>6.4</i>	<i>6.6</i>
Net financials	-129.0	-67.0	-190.1	-127.5	-170.2	-92.9	-97.0	-95.0
Pre-tax profit	89.4	95.8	-785.4	-596.4	-334.1	98.3	108.7	123.5
Taxes	-25.6	-18.4	131.2	117.6	-105.4	91.6	-21.7	-24.7
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	183.5	74.3	86.2
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	1,409
Goodwill	0	0	0	0	0	0	0	0
Right of use assets	999	878	918	1,182	1,083	1,438	1,446	1,390
Inventory	121	80	68	56	122	77	80	83
Receivables	210	217	70	137	158	115	120	123
Liquid funds	1,067	952	824	1,266	1,524	1,224	1,285	1,324
Total assets	3,944	3,878	3,646	4,047	4,133	4,171	4,309	4,409
Liabilities								
Shareholder's equity	918	966	897	476	411	699	773	835
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	1,438	1,446	1,390
Deferred taxes	48	64	0	0	0	0	0	0
Interest bearing debt	615	521	1,182	1,428	1,299	602	629	705
Non-interest bearing current liabilities	285	243	176	291	452	587	616	635
Other interest-free debt	811	873	215	271	658	658	658	658
Total liabilities	3,944	3,878	3,647	4,047	4,133	4,171	4,309	4,409
CASH FLOW, EURm								
+ EBITDA	513	488	-251	-149	186	522	567	574
- Net financial items	-129	-67	-190	-127	-170	-93	-97	-95
- Taxes	-52	-2	-18	11	6	92	-22	-25
- Increase in Net Working Capital	50	-7	-489	117	274	224	21	13
+/- Other	1	-16	-17	-6	0	-6	-13	-13
= Cash flow from operations	383	397	-966	-155	296	738	457	455
- Capex	-330	-409	-315	-484	-149	-757	-430	-411
- 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	-20	27	44
+/- New issues/buybacks	-110	21	602	64	374	105	0	0
- Paid dividend	-38	-35	0	0	0	0	0	-25
+/- Other	-17	-89	551	1,018	-262	-386	35	19
Change in cash	103	-116	-128	442	259	-300	61	39

KEY FIGURES	2019	2020	2021	2022	2023E	2024E	2025E
M-cap	753	1,069	837	546	815	815	815
Net debt (excl. convertibles)	623	1,374	1,543	902	817	790	771
Enterprise value	1,377	2,443	2,380	1,448	1,632	1,605	1,586
Sales	3,098	829	838	2,357	3,061	3,214	3,310
EBITDA	488	-251	-149	186	522	567	574
EBIT	163	-595	-469	-164	191	206	218
Pre-tax	96	-785	-596	-334	98	109	123
Earnings	65	-669	-479	-439	184	74	86
Equity book value (excl. minorities)	966	897	476	411	699	773	835
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	3.1	2.8	2.8
EV/EBITA	8.5	-4.1	-5.1	-8.8	8.5	7.8	7.3
EV/EBIT	8.5	-4.1	-5.1	-8.8	8.5	7.8	7.3
EV/OCF	3.5	-2.5	-15.4	4.9	2.2	3.5	3.5
EV/FCFF	8.4	-2.4	-26.4	2.4	2.9	5.6	5.7
P/FCFE	-333.2	-0.8	-1.3	3.7	-41.8	30.7	18.7
P/E	11.7	-1.6	-1.7	-1.2	4.4	11.0	9.5
P/B	0.8	1.2	1.8	1.3	1.2	1.1	1.0
Target EV/EBITDA	0.0	0.0	0.0	0.0	3.0	2.7	2.7
Target EV/EBIT	0.0	0.0	0.0	0.0	8.2	7.5	7.0
Target EV/FCF	0.0	0.0	0.0	0.0	-80.7	58.3	35.1
Target P/B	0.0	0.0	0.0	0.0	1.1	1.0	0.9
Target P/E	0.0	0.0	0.0	0.0	4.1	10.2	8.8
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	0.13	0.05	0.06
Operating cash flow per share	0.57	-0.69	-0.11	0.21	0.52	0.32	0.32
Free cash flow per share	-0.02	-0.91	-0.45	0.10	-0.01	0.02	0.03
Book value per share	1.39	0.64	0.34	0.29	0.50	0.55	0.59
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.02	0.02
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	3.0	3.5
FCF yield, %	-1.6	-119.8	-76.4	26.9	-2.4	3.3	5.3
Efficiency measures							
ROE	6.9	-71.8	-69.8	-99.2	33.1	10.1	10.7
ROCE	6.2	-21.1	-17.9	-8.9	3.3	4.0	4.4
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	-28.3	-27.6	-27.2
Operative CAPEX/sales, %	13.2	38.0	57.8	6.3	24.7	13.4	12.4
CAPEX/sales (incl. acquisitions), %	13.2	38.0	57.8	6.3	24.7	13.4	12.4
FCFF/EBITDA	0.3	4.0	0.6	3.2	1.1	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	0.7	0.8	0.9
Equity ratio, book-weighted	27.4	25.5	12.2	10.9	19.0	20.4	21.5
Gearing, %	64.5	153.3	324.4	219.7	116.8	102.1	92.3

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	456.268	56.0%
Varma Mutual Pension Insurance Company	50,081,263	29.047	3.6%
Ilmarinen Mutual Pension Insurance Company	30,000,000	17.400	2.1%
Elo Mutual Pension Insurance Company	14,008,115	8.125	1.0%
The State Pension Fund	11,000,000	6.380	0.8%
Finnairin Henkilöstöraho Hr.	3,772,902	2.188	0.3%
OP Life Assurance Company Ltd	1,954,798	1.134	0.1%
Finnairin Eläkesäätiö	1,505,262	0.873	0.1%
Finnair Oyj	1,421,133	0.824	0.1%
Mäkitalo Allan Risto Pekka	1,195,547	0.693	0.1%
Ten largest	901,608,705	522.933	64%
Residual	504,355,367	292.526	36%
Total	1,405,964,072	815.459	100%

EARNINGS CALENDAR

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

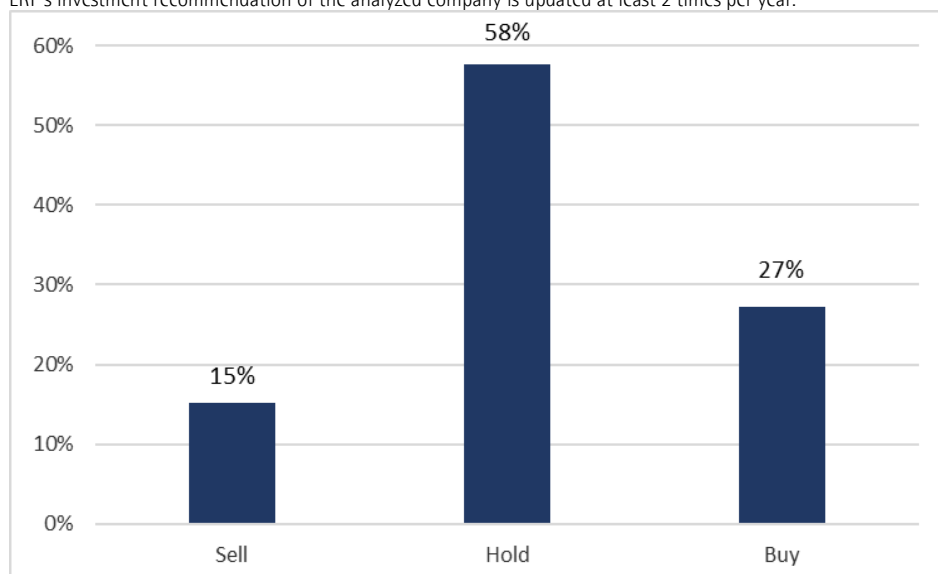
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Target price compared to share price	Recommendation
< -10 %	SELL
-10 – (+10) %	HOLD
> 10 %	BUY

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Name(s) of the analyst(s): Ilvonen

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