

Flying high again

Finnair announced the terms of its rights offering, which in our view contained no material surprises. We still expect Finnair's earnings to remain high going forward, however we see current trading levels elevating multiples too high.

The rights offering terms included no material surprises

The offering has a ratio of 27/2 for new shares vs existing ones, and the 19bn shares offered at the EUR 0.03 per share subscription price will raise Finnair some EUR 570m in gross proceeds. The fully underwritten offering has its subscription period Nov 3-17; the rights can be traded Nov 3-13. The TERP is a bit below EUR 0.05, to which the EUR 0.03 subscription price implies a 39% discount, and the value of a right is thus EUR 0.23.

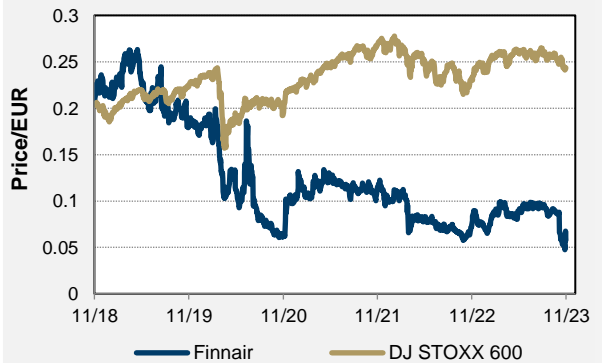
Strong balance sheet and high earnings going forward

Finnair targets financial leverage of 1-2x (net debt to comparable EBITDA, which will now be about 1.5x) by the end of FY '25 and looks to reinstate dividends from the same year onwards (based on FY '24 earnings). In our view the strengthened balance sheet and recovered earnings level mean the company will be positioned to begin the renewal of its narrow-body fleet in a few years' time. In our opinion it shouldn't be too hard for Finnair to hit the EUR 180m EBIT midpoint of its guidance range for the year even though airline profitability outlook has weakened a bit since the summer months. Finnair might well have topped EUR 200m in a more favorable environment, however we still expect EBIT to stay at around EUR 190m despite the headwind caused by higher jet fuel prices.

Current earnings multiples limit potential for gains

Finnair now trades around 10.5x EV/EBIT and would be valued a bit above 9x EV/EBIT on our updated TP of EUR 0.05, compared to the median peer level of slightly below 7x. Airlines' earnings levels are still expected to advance next year as FY '24 top line growth is estimated at around 7% while y/y EBIT margin gains are seen to be roughly around 100bps. In this light our estimates for Finnair are rather conservative as we estimate only 3.5% growth and flat margins going forward; from this perspective downside risks to our estimates seem quite limited for now, however Finnair's current earnings multiples in our view limit upside potential even in the case of continued profitability improvement. Our new rating is therefore SELL (HOLD).

Rating ■ SELL



Share price, EUR (Last trading day's closing price) 0.06

Target price, EUR 0.05

Latest change in recommendation	01-Nov-23
Latest report on company	25-Oct-23
Research paid by issuer:	YES
No. of shares outstanding, '000's	20,421,000
No. of shares fully diluted, '000's	20,421,000
Market cap, EURm	1,225
Free float, %	42.9
Exchange rate EUR/USD	1.07
Reuters code	FIA1S.HE
Bloomberg code	FIA1S FH
Average daily volume, EURm	0.5
Next interim report	14-Feb-24
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	-0.03	-1.7	2.8	-5.1	-76.4	0.00
2022	2,356.6	-163.9	-7.0%	146.7	-0.02	-1.2	0.6	-8.8	26.9	0.00
2023E	3,015.9	189.9	6.3%	36.6	0.01	6.4	0.7	10.5	3.0	0.00
2024E	3,121.4	193.5	6.2%	18.5	0.00	14.8	0.6	10.2	1.5	0.00
2025E	3,215.1	199.3	6.2%	46.0	0.00	13.5	0.6	9.8	3.8	0.00
Market cap, EURm	1,225		Gearing 2023E, %	107.6		CAGR EPS 2022-25, %		0.0		
Net debt 2023E, EURm	761		Price/book 2023E	1.7		CAGR sales 2022-25, %		10.9		
Enterprise value, EURm	1,986		Dividend yield 2023E, %	0.0		ROE 2023E, %		34.2		
Total assets 2023E, EURm	4,096		Tax rate 2023E, %	-87.6		ROCE 2023E, %		3.3		
Goodwill 2023E, EURm	0		Equity ratio 2023E, %	19.6		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	2023 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	9 344	8 954	36 061
y/y change	9 %	15 %	11 %	-73 %	-7 %	476 %	453 %	154 %	32 %	159 %	24 %	17 %	12 %	9 %	15.2%-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	7 562	7 063	28 075
y/y change	14 %	13 %	11 %	-79 %	-36 %	967 %	1114 %	389 %	93 %	309 %	96 %	33 %	13 %	19 %	33 %
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 %	80.9 %	78.9 %	77.9 %
y/y change	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	0.8%-p	6.6%-p	10.3%-p
Ancillary and retail	145	161	176	62	44	27	28	36	32	123	33	33	38	34	138
Cargo	197	207	212	178	335	121	90	73	69	352	53	47	41	49	191
Travel services	206	223	230	61	39	25	39	56	51	170	55	57	66	57	235
Total revenue	2569	2835	3098	829	838	400	550	719	687	2356	695	749	817	755	3016
YoY change	11 %	10 %	9 %	-73 %	1 %	252 %	392 %	261 %	66 %	181 %	74 %	36 %	14 %	10 %	28 %
Other income	77	74	56	48	63	20	41	56	37	154	34	28	27	23	112
Staff costs	-423	-500	-535	-284	-249	-102	-114	-117	-115	-447	-129	-125	-120	-120	-494
y/y change	17 %	18 %	7 %	-47 %	-12 %	93 %	111 %	101 %	36 %	80 %	27 %	10 %	2 %	5 %	11 %
% of revenue	16 %	18 %	17 %	34 %	30 %	25 %	21 %	16 %	17 %	19 %	19 %	17 %	15 %	16 %	16 %
Fuel	-472	-581	-687	-233	-212	-137	-229	-242	-228	-836	-220	-220	-238	-252	-930
y/y change	-4 %	23 %	18 %	-66 %	-9 %	350 %	644 %	405 %	123 %	295 %	61 %	-4 %	-2 %	11 %	11 %
% of revenue	18 %	20 %	22 %	28 %	25 %	34 %	42 %	34 %	33 %	35 %	32 %	29 %	29 %	33 %	31 %
Other OPEX	-1314	-1316	-1444	-613	-566	-231	-251	-302	-283	-1067	-294	-282	-309	-285	-1170
y/y change	4 %	0 %	10 %	-58 %	-8 %	130 %	139 %	126 %	24 %	88 %	27 %	12 %	2 %	1 %	10 %
% of revenue	51 %	46 %	47 %	74 %	68 %	58 %	46 %	42 %	41 %	45 %	42 %	38 %	38 %	38 %	39 %
Comparable EBIT	171	218	163	-595	-469	-133	-84	35	18	-164	1	66	94	29	190
Comp. EBIT-%	6.6 %	7.7 %	5.3 %	-71.8 %	-56.0 %	-33.2 %	-15.3 %	4.9 %	2.6 %	-7.0 %	0.1 %	8.8 %	11.5 %	3.8 %	6.3 %

Sources: Finnair, Evli estimates

FINNAIR PEER GROUP	MCAP MEUR	EV/EBITDA			EV/EBIT			P/B		
		22	23	24	22	23	24	22	23	24
SAS	30						43.7x			
International Consolidated	8178	5.4x	3.1x	3.0x	14.6x	5.1x	5.0x	4.1x	2.1x	1.4x
Air France-KLM	2797	3.1x			9.4x					
Deutsche Lufthansa	7959	4.3x	2.8x	2.7x	11.2x	5.2x	5.1x	1.0x	0.8x	0.7x
Norwegian Air Shuttle	653	11.3x	2.3x	2.1x	8.2x	6.5x	5.7x	1.9x	1.5x	1.1x
Aegean Airlines	931	3.5x	3.8x	3.3x	6.9x	8.7x	6.8x	2.7x		
easyJet	3235	4.4x	2.5x	2.2x	25.8x	5.9x	4.9x	1.1x	1.0x	0.9x
Ryanair Holdings	16385	7.6x	5.2x	4.4x	13.7x	8.0x	6.4x	2.9x	2.4x	1.8x
Wizz Air Holdings	1896	54.7x	5.9x	3.8x		19.9x	8.2x			4.9x
American Airlines Group	6880	10.9x	6.3x	6.6x	23.5x	10.0x	11.2x			
Delta Air Lines	18923	7.2x	4.7x	4.5x	12.6x	6.8x	6.5x	4.2x	1.8x	1.3x
Peer Group Average	6170	11.2x	4.1x	3.6x	14.0x	8.4x	10.4x	2.6x	1.6x	1.7x
Peer Group Median	3235	6.3x	3.8x	3.3x	12.6x	6.8x	6.5x	2.7x	1.6x	1.3x
Finnair (Evli est.)	1225	7.8x	3.8x	3.6x	-8.8x	10.5x	10.2x	1.3x	1.7x	1.6x

Finnair prem./disc. to peer median

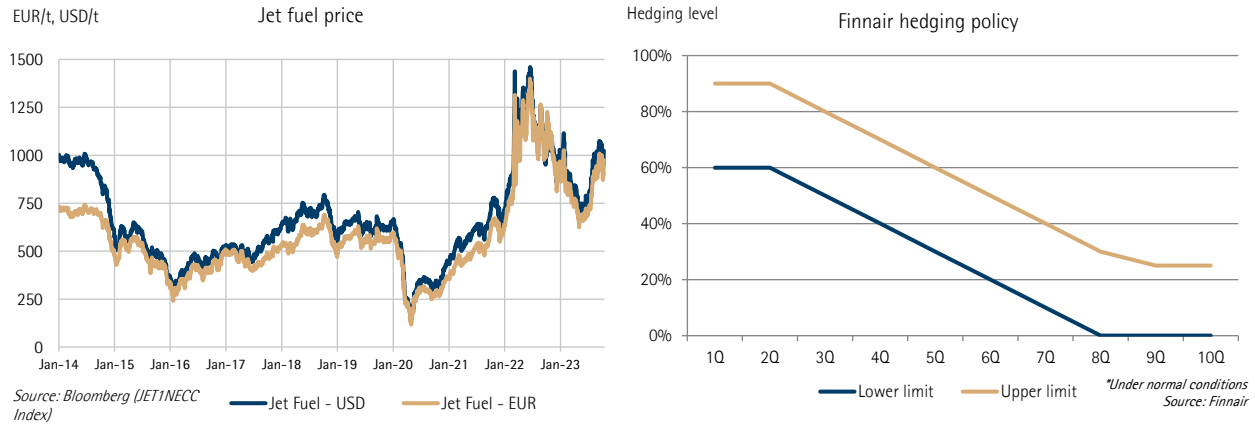
Source FactSet, Evli Research

FINNAIR PEER GROUP	Sales 21	Sales gr.			EBIT-%			Div. yield		
		22	23	24	22	23	24	22	23	24
SAS	1366	120.8%	21.1%	6.9%	-9.4 %	-3.5 %	2.1 %			
International Consolidated	8450	173.0%	25.2%	2.9%	5.3 %	11.1 %	10.8 %	0.0 %	0.7 %	1.1 %
Air France-KLM	14315	84.4%	13.5%	4.3%	4.5 %	6.1 %	6.2 %	0.0 %	0.0 %	0.3 %
Deutsche Lufthansa	16811	94.9%	13.3%	6.8%	4.4 %	7.2 %	6.9 %	0.0 %	3.0 %	4.6 %
Norwegian Air Shuttle	497	246.8%	20.5%	8.0%	8.0 %	7.5 %	7.9 %	0.0 %	0.0 %	0.8 %
Aegean Airlines	675	96.3%	15.5%	3.3%	10.5 %	10.4 %	12.8 %	0.0 %	4.4 %	7.0 %
easyJet	1714	329.3%	31.5%	12.3%	1.9 %	5.9 %	6.4 %	0.2 %	1.4 %	3.0 %
Ryanair Holdings	4801	93.8%	34.8%	13.2%	11.6 %	15.3 %	16.8 %	0.0 %	1.3 %	2.2 %
Wizz Air Holdings	1663	101.1%	48.2%	22.4%	-14.0 %	5.8 %	11.4 %	0.0 %	0.0 %	0.0 %
American Airlines Group	26332	71.3%	10.0%	4.3%	3.6 %	7.1 %	6.1 %	0.0 %	0.0 %	0.0 %
Delta Air Lines	26089	61.4%	22.7%	3.2%	7.8 %	11.2 %	11.3 %	0.0 %	0.5 %	1.0 %
Peer Group Average	9338	133.9%	23.3%	8.0%	3.1 %	7.7 %	9.0 %	0.0 %	1.1 %	2.0 %
Peer Group Median	4801	96.3%	21.1%	6.8%	4.5 %	7.2 %	7.9 %	0.0 %	0.6 %	1.1 %
Finnair (Evli est.)	838	181.1%	28.0%	3.5%	-7.0 %	6.3 %	6.2 %	0.0 %	0.0 %	2.2 %

Finnair prem./disc. to peer median

Source FactSet, Evli Research

Jet fuel cost



VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC	
Current share price	0.06 PV of Free Cash Flow	2,166 Long-term growth, %	2.0 Risk-free interest rate, %	2.25
DCF share value	0.16 PV of Horizon value	1,945 WACC, %	9.6 Market risk premium, %	5.8
Share price potential, %	161.9 Unconsolidated equity	0 Spread, %	0.5 Debt risk premium, %	2.8
Maximum value	0.2 Marketable securities	1,524 Minimum WACC, %	9.1 Equity beta coefficient	1.35
Minimum value	0.1 Debt - dividend	-2,426 Maximum WACC, %	10.1 Target debt ratio, %	20
Horizon value, %	47.3 Value of stock	3,209 Nr of shares, Mn	20,421. Effective tax rate, %	25
			0	

DCF valuation, EURm	2022	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	Horizon
Net sales	2,357	3,016	3,121	3,215	3,279	3,345	3,412	3,480	3,550	3,621	3,693	3,767
<i>Sales growth, %</i>	<i>181.1</i>	<i>28.0</i>	<i>3.5</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	190	194	199	213	201	205	209	231	235	240	245
<i>Operating income margin, %</i>	<i>-7.0</i>	<i>6.3</i>	<i>6.2</i>	<i>6.2</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	355	349	354	330	343	354	365	374	383	
EBITDA	186	521	548	548	567	531	547	563	595	610	624	
- Paid taxes	60	69	-39	-40	-43	-40	-41	-42	-46	-47	-48	
- Change in NWC	274	217	14	13	9	9	9	9	10	10	10	
<i>NWC / Sales, %</i>	<i>-27.3</i>	<i>-28.5</i>	<i>-28.0</i>	<i>-27.6</i>	<i>-27.3</i>	<i>-27.1</i>	<i>-26.8</i>	<i>-26.5</i>	<i>-26.3</i>	<i>-26.0</i>	<i>-25.8</i>	
+ Change in other liabs	171	0	0	0	0	0	0	0	0	0	0	
- Operative CAPEX	-88	-225	-250	-250	-250	-240	-240	-240	-240	-240	-240	
<i>opCAPEX / Sales, %</i>	<i>6.3</i>	<i>23.3</i>	<i>13.9</i>	<i>12.6</i>	<i>6.6</i>	<i>12.8</i>	<i>12.7</i>	<i>12.6</i>	<i>12.4</i>	<i>12.3</i>	<i>6.5</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	-3	-13	-13	-13	-13	-13	-13	-13	-13	-13	
= FCFF	603	580	261	258	270	247	263	278	306	320	333	4,491
= Discounted FCFF		571	235	212	203	169	164	158	159	152	144	1,945
= DFCF min WACC		571	236	214	206	172	168	163	164	157	150	2,171
= DFCF max WACC		570	234	210	200	166	160	154	154	146	138	1,749

INTERIM FIGURES

EVLI ESTIMATES, EURm	2022Q1	2022Q2	2022Q3	2022Q4	2022	2023Q1	2023Q2	2023Q3	2023Q4E	2023E	2024E	2025E
Net sales	399.8	550.3	719.2	687.3	2,356.6	694.7	749.2	817.4	754.6	3,015.9	3,121.4	3,215.1
EBITDA	-54.7	-5.4	146.9	99.1	185.9	82.9	149.0	177.8	111.5	521.2	548.3	548.0
<i>EBITDA margin (%)</i>	<i>-13.7</i>	<i>-1.0</i>	<i>20.4</i>	<i>14.4</i>	<i>7.9</i>	<i>11.9</i>	<i>19.9</i>	<i>21.8</i>	<i>14.8</i>	<i>17.3</i>	<i>17.6</i>	<i>17.0</i>
EBIT	-132.9	-84.2	35.3	17.9	-163.9	0.9	66.2	94.3	28.5	189.9	193.5	199.3
<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>0.1</i>	<i>8.8</i>	<i>11.5</i>	<i>3.8</i>	<i>6.3</i>	<i>6.2</i>	<i>6.2</i>
Net financial items	-47.1	-76.5	-63.8	17.2	-170.2	-15.7	-22.2	-23.5	-25.0	-86.4	-74.0	-70.0
Pre-tax profit	-180.0	-160.7	-28.5	35.1	-334.1	-14.8	44.0	70.8	3.5	103.5	119.5	129.3
Tax	-0.7	-110.3	7.6	-2.0	-105.4	10.3	95.1	-14.0	-0.7	90.7	-23.9	-25.9
<i>Tax rate (%)</i>	<i>-0.4</i>	<i>-68.6</i>	<i>-181.0</i>	<i>83.3</i>	<i>-31.5</i>	<i>69.6</i>	<i>-216.1</i>	<i>19.8</i>	<i>20.0</i>	<i>-87.6</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	56.8	-0.3	191.1	83.0	90.9
EPS	-0.01	-0.01	0.00	0.00	-0.02	0.00	0.01	0.00	0.00	0.01	0.00	0.00
EPS adjusted (diluted no. of shares)	-0.01	-0.01	0.00	0.00	-0.02	0.00	0.01	0.00	0.00	0.01	0.00	0.00
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
SALES, EURm												
Group total	399.8	550.3	719.2	687.3	2,356.6	694.7	749.2	817.4	754.6	3,015.9	3,121.4	3,215.1
Total	399.8	550.3	719.2	687.3	2,356.6	694.7	749.2	817.4	754.6	3,015.9	3,121.4	3,215.1
SALES GROWTH, Y/Y %												
Group total	251.9	392.2	260.5	66.2	181.1	73.8	36.1	13.7	9.8	28.0	3.5	3.0
Total	251.9	392.2	260.5	66.2	181.1	73.8	36.1	13.7	9.8	28.0	3.5	3.0
EBIT, EURm												
Group total	-132.9	-84.2	35.3	17.9	-163.9	0.9	66.2	94.3	28.5	189.9	193.5	199.3
Total	-132.9	-84.2	35.3	17.9	-163.9	0.9	66.2	94.3	28.5	189.9	193.5	199.3
EBIT margin, %												
Group total	-33.2	-15.3	4.9	2.6	-7.0	0.1	8.8	11.5	3.8	6.3	6.2	6.2
Total	-33.2	-15.3	4.9	2.6	-7.0	0.1	8.8	11.5	3.8	6.3	6.2	6.2

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	3,015.9	3,121.4	3,215.1
<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>28.0</i>	<i>3.5</i>	<i>3.0</i>
EBITDA	512.6	488.2	-251.5	-149.0	185.9	521.2	548.3	548.0
<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>17.3</i>	<i>17.6</i>	<i>17.0</i>
Depreciation	-294.2	-325.4	-343.8	-319.9	-349.8	-331.3	-354.8	-348.7
EBITA	218.4	162.8	-595.3	-468.9	-163.9	189.9	193.5	199.3
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	189.9	193.5	199.3
<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>6.3</i>	<i>6.2</i>	<i>6.2</i>
Reported EBIT	218.3	160.0	-597.7	-474.7	-163.9	189.9	193.5	199.3
<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>6.3</i>	<i>6.2</i>	<i>6.2</i>
Net financials	-129.0	-67.0	-190.1	-127.5	-170.2	-86.4	-74.0	-70.0
Pre-tax profit	89.4	95.8	-785.4	-596.4	-334.1	103.5	119.5	129.3
Taxes	-25.6	-18.4	131.2	117.6	-105.4	90.7	-23.9	-25.9
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	191.1	83.0	90.9
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	1,232	1,294	1,406
Goodwill	0	0	0	0	0	0	0	0
Right of use assets	999	878	918	1,182	1,083	1,387	1,405	1,350
Inventory	121	80	68	56	122	75	78	80
Receivables	210	217	70	137	158	114	117	120
Liquid funds	1,067	952	824	1,266	1,524	1,206	1,249	1,286
Total assets	3,944	3,878	3,646	4,047	4,133	4,096	4,223	4,323
Liabilities								
Shareholder's equity	918	966	897	476	411	707	790	853
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	1,387	1,405	1,350
Deferred taxes	48	64	0	0	0	0	0	0
Interest bearing debt	615	521	1,182	1,428	1,299	580	586	659
Non-interest bearing current liabilities	285	243	176	291	452	578	599	617
Other interest-free debt	811	873	215	271	658	658	658	658
Total liabilities	3,944	3,878	3,647	4,047	4,133	4,096	4,223	4,323
CASH FLOW, EURm								
+ EBITDA	513	488	-251	-149	186	521	548	548
- Net financial items	-129	-67	-190	-127	-170	-86	-74	-70
- Taxes	-52	-2	-18	11	6	91	-24	-26
- Increase in Net Working Capital	50	-7	-489	117	274	217	14	13
+/- Other	1	-16	-17	-6	0	-3	-13	-13
= Cash flow from operations	383	397	-966	-155	296	740	452	452
- Capex	-330	-409	-315	-484	-149	-703	-434	-406
- 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	37	18	46
+/- New issues/buybacks	-110	21	602	64	374	105	0	0
- Paid dividend	-38	-35	0	0	0	0	0	-27
+/- Other	-17	-89	551	1,018	-262	-460	24	19
Change in cash	103	-116	-128	442	259	-318	42	37

KEY FIGURES	2019	2020	2021	2022	2023E	2024E	2025E
M-cap	753	1,069	837	546	1,225	1,225	1,225
Net debt (excl. convertibles)	623	1,374	1,543	902	761	742	723
Enterprise value	1,377	2,443	2,380	1,448	1,986	1,967	1,949
Sales	3,098	829	838	2,357	3,016	3,121	3,215
EBITDA	488	-251	-149	186	521	548	548
EBIT	163	-595	-469	-164	190	194	199
Pre-tax	96	-785	-596	-334	104	120	129
Earnings	65	-669	-479	-439	191	83	91
Equity book value (excl. minorities)	966	897	476	411	707	790	853
Valuation multiples							
EV/sales	0.4	2.9	2.8	0.6	0.7	0.6	0.6
EV/EBITDA	2.8	-9.7	-16.0	7.8	3.8	3.6	3.6
EV/EBITA	8.5	-4.1	-5.1	-8.8	10.5	10.2	9.8
EV/EBIT	8.5	-4.1	-5.1	-8.8	10.5	10.2	9.8
EV/OCF	3.5	-2.5	-15.4	4.9	2.7	4.3	4.3
EV/FCFF	8.4	-2.4	-26.4	2.4	3.4	7.5	7.5
P/FCFE	-4,498.7	-11.3	-17.7	50.2	33.5	66.4	26.6
P/E	11.7	-1.6	-1.7	-1.2	6.4	14.8	13.5
P/B	0.8	1.2	1.8	1.3	1.7	1.6	1.4
Target EV/EBITDA	0.0	0.0	0.0	0.0	3.4	3.2	3.2
Target EV/EBIT	0.0	0.0	0.0	0.0	9.4	9.1	8.8
Target EV/FCF	0.0	0.0	0.0	0.0	48.7	95.5	37.9
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	5.3	12.3	11.2
Per share measures							
Number of shares	9,394,575	18,997,613	18,980,515	18,980,515	20,421,000	20,421,000	20,421,000
Number of shares (diluted)	9,394,575	18,997,613	18,980,515	18,980,515	20,421,000	20,421,000	20,421,000
EPS	0.01	-0.04	-0.03	-0.02	0.01	0.00	0.00
Operating cash flow per share	0.04	-0.05	-0.01	0.02	0.04	0.02	0.02
Free cash flow per share	0.00	-0.07	-0.03	0.01	0.00	0.00	0.00
Book value per share	0.10	0.05	0.03	0.02	0.03	0.04	0.04
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.00	0.00
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	2.2	2.4
FCF yield, %	-1.6	-119.8	-76.4	26.9	3.0	1.5	3.8
Efficiency measures							
ROE	6.9	-71.8	-69.8	-99.2	34.2	11.1	11.1
ROCE	6.2	-21.1	-17.9	-8.9	3.3	3.6	4.8
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	3.8	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	-28.5	-28.0	-27.6
Operative CAPEX/sales, %	13.2	38.0	57.8	6.3	23.3	13.9	12.6
CAPEX/sales (incl. acquisitions), %	13.2	38.0	57.8	6.3	23.3	13.9	12.6
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	1.5	1.4	1.3
Debt/equity, market-weighted	0.7	1.1	1.7	2.4	0.5	0.5	0.5
Equity ratio, book-weighted	27.4	25.5	12.2	10.9	19.6	21.2	22.4
Gearing, %	64.5	153.3	324.4	219.7	107.6	94.0	84.8

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	786,669,688	47.200	3.9%
Varma Mutual Pension Insurance Company	50,081,257	3.005	0.2%
Ilmarinen Mutual Pension Insurance Company	30,000,001	1.800	0.1%
Elo Mutual Pension Insurance Company	14,008,112	0.840	0.1%
The State Pension Fund	10,999,996	0.660	0.1%
Finnairin Henkilöstöraho Hr.	3,772,902	0.226	0.0%
OP Life Assurance Company Ltd	1,954,800	0.117	0.0%
Finnairin Eläkesäätiö	1,505,252	0.090	0.0%
Finnair Oyj	1,421,138	0.085	0.0%
Mäkitalo Allan Risto Pekka	1,195,547	0.072	0.0%
Ten largest	901,608,694	54.097	4%
Residual	19519391306	1,171.163	96%
Total	20421000000	1,225.260	100%

EARNINGS CALENDAR

February 14, 2024	FY 2023 Results
April 23, 2024	Q1 report
July 19, 2024	Q2 report
October 29, 2024	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, %	$\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes}}{\text{Shareholder's equity} + \text{minority interest} + \text{taxed provisions (average)}}$		

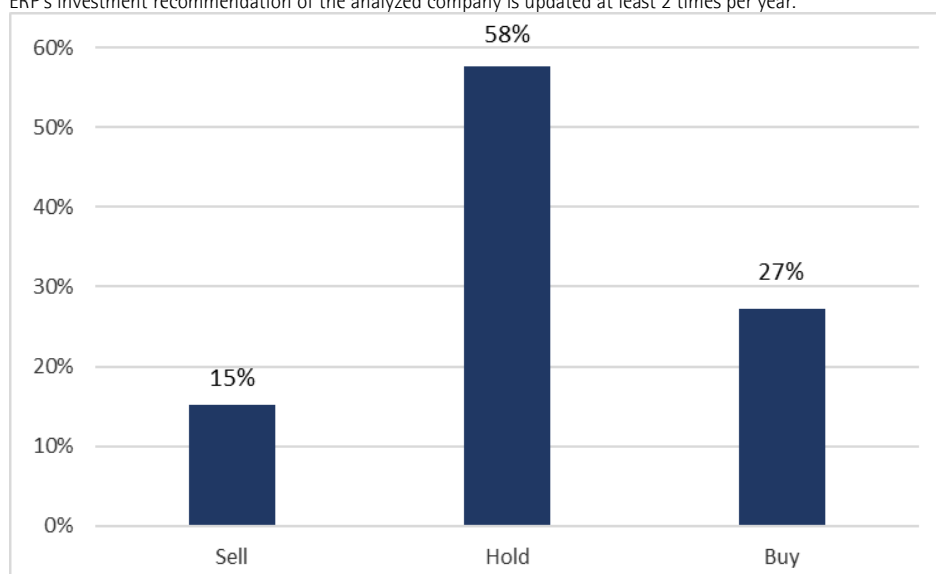
Important Disclosures

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 [1.11.2023, 9:05]. This report has been published on [1.11.2023, 9:30].

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