

Summer is coming

Finnair reports Q1 results on Apr 23. Q1 is always seasonally soft and so the summer months are to deliver most of the EBIT, this time probably even more so than last year.

Asian volumes can still recover slightly

Finnair's Q4 results didn't quite meet estimates as unit yields were somewhat softer than expected, but profitability didn't miss estimates that much considering the normal seasonal variability patterns in EBIT. Q1 RPK, however, only remained flat y/y while PLF declined by some 300bps. Finnair's Q1'23 EBIT was slightly positive, but we now estimate the Q1'24 figure to have been negative at EUR -13m. Q1 is seasonally the weakest and this time there were also political strikes. Focus thus again rests on the summer season. Finnair's volume growth has in recent months relied on the recovery in Asian traffic, although even there Q1 RPK only grew by 4% y/y. Finnair will not guide FY '24 EBIT before July, yet we continue to believe the summer season has enough going for it so that EBIT should not decline y/y (while volumes and revenue grow at mid-to-high single digits).

The European summer season is full of stadium-size events

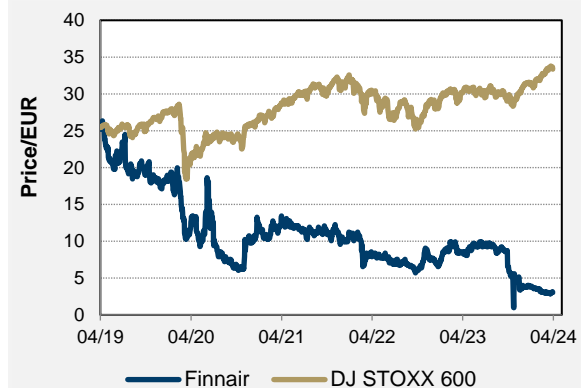
Finnair said it expects growth to stem mostly from Asia and Europe going forward. In our view Finnair is positioned for double-digit volume growth over the summer months as Europe has a very busy event summer in terms of stadium-filling sports and live music productions. Meanwhile both unit yields and jet fuel prices seem now to be flatlining, which we believe should help some further marginal bottom line improvement. Our estimates beyond Q1 stay largely intact, and so we expect Finnair's FY '24 EBIT to reach EUR 190m.

Valuation implies quite moderate expectations

We estimate Finnair's revenue to grow 6% this year, in line with peers. Most airlines, like Finnair, saw significant EBIT improvement already last year and so there may not be that much potential left for further gains; a typical airline is however still expected to see EBIT margin improve by ca. 100bps, whereas we estimate a minor decline for Finnair. Finnair is valued around 8x EV/EBIT on our FY '24 estimates, not much above the peer median. We continue to view the valuation modest as our earnings estimates are relatively conservative. Our TP is EUR 3.5 as we retain our BUY rating.

Rating

+ BUY



Share price, EUR (Last trading day's closing price) 3.06

Target price, EUR 3.5

Latest change in recommendation 08-Feb-24

Latest report on company 15-Feb-24

Research paid by issuer: YES

No. of shares outstanding, '000's 204,811

No. of shares fully diluted, '000's 204,811

Market cap, EURm 626

Free float, % 42.9

Exchange rate EUR/USD 1.08

Reuters code FIA1S.HE

Bloomberg code FIA1S FH

Average daily volume, EURm 0.5

Next interim report 23-Apr-24

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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
2022	2,356.6	-163.9	-7.0%	146.7	-5.25	-1.2	0.6	-8.8	26.9	0.00
2023	2,988.5	184.0	6.2%	92.1	1.21	3.3	0.6	9.5	11.3	0.00
2024E	3,170.5	190.0	6.0%	58.2	0.52	5.9	0.5	7.9	9.3	0.10
2025E	3,265.7	202.5	6.2%	-19.1	0.50	6.1	0.5	7.6	-3.1	0.12
2026E	3,331.0	216.5	6.5%	43.9	0.56	5.5	0.5	7.1	7.0	0.13
Market cap, EURm		626	Gearing 2024E, %			129.0	CAGR EPS 2023-26, %			-22.7
Net debt 2024E, EURm		881	Price/book 2024E			0.9	CAGR sales 2023-26, %			3.7
Enterprise value, EURm		1,507	Dividend yield 2024E, %			3.3	ROE 2024E, %			16.9
Total assets 2024E, EURm		4,123	Tax rate 2024E, %			14.4	ROCE 2024E, %			3.6
Goodwill 2024E, EURm		0	Equity ratio 2024E, %			18.9	PEG, P/E 24/CAGR			0.0

Estimates and valuation

FINNAIR	2017	2018	2019	2020	2021	2022	2023	2023	2023	2023	2023	2024E	2024E	2024E	2024E	2024E
EURm	FY	FY	FY	FY	FY	FY	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY
ASK (mkm)	36 922	42 386	47 189	12 938	12 094	31 299	8 550	9 213	9 344	9 047	36 154	8 923	10 295	10 239	9 662	39 119
<i>y/y change</i>	9 %	15 %	11 %	-73 %	-7 %	159 %	24 %	17 %	12 %	11 %	16 %	4 %	12 %	10 %	7 %	8 %
RPK (mkm)	30 749	34 660	38 534	8 150	5 178	21 157	6 419	7 031	7 562	6 615	27 627	6 435	8 042	8 387	7 237	30 101
<i>y/y change</i>	14 %	13 %	11 %	-79 %	-36 %	309 %	96 %	33 %	13 %	12 %	31 %	0 %	14 %	11 %	9 %	9 %
Load factor (RPK/ASK), PLF	83.3 %	81.8 %	81.7 %	63.0 %	42.8 %	67.6 %	75.1 %	76.3 %	80.9 %	73.1 %	76.4 %	72.1 %	78.1 %	81.9 %	74.9 %	76.9 %
<i>y/y change</i>	3.5%-p	-1.5%-p	-0.1%-p	-18.7%-p	-20.2%-p	24.8%-p	27.8%-p	9.1%-p	0.8%-p	0.8%-p	8.8%-p	-2.9%-p	1.8%-p	1.0%-p	1.8%-p	0.5%-p
Ancillary and retail	145	161	176	62	44	123	33	33	38	44	148	33	36	40	45	155
Cargo	197	207	212	178	335	352	53	47	41	51	192	38	34	29	36	138
Travel services	206	223	230	61	39	170	55	57	66	60	237	62	64	74	68	268
Total revenue	2569	2835	3098	829	838	2356	695	749	817	727	2989	710	816	874	770	3171
<i>YoY change</i>	11 %	10 %	9 %	-73 %	1 %	181 %	74 %	36 %	14 %	6 %	27 %	2 %	9 %	7 %	6 %	6 %
Other income	77	74	56	48	63	154	34	28	27	42	130	27	23	22	25	97
Staff costs	-423	-500	-535	-284	-249	-447	-129	-125	-120	-124	-498	-138	-141	-135	-133	-548
<i>y/y change</i>	17 %	18 %	7 %	-47 %	-12 %	80 %	27 %	10 %	2 %	8 %	11 %	7 %	13 %	13 %	7 %	10 %
% of revenue	16 %	18 %	17 %	34 %	30 %	19 %	19 %	17 %	15 %	17 %	17 %	19 %	17 %	15 %	17 %	17 %
Fuel	-472	-581	-687	-233	-212	-836	-220	-220	-238	-222	-900	-212	-231	-247	-229	-919
<i>y/y change</i>	-4 %	23 %	18 %	-66 %	-9 %	295 %	61 %	-4 %	-2 %	-3 %	8 %	-3 %	5 %	4 %	3 %	2 %
% of revenue	18 %	20 %	22 %	28 %	25 %	35 %	32 %	29 %	29 %	31 %	30 %	30 %	28 %	28 %	30 %	29 %
Other OPEX	-1314	-1316	-1444	-613	-566	-1067	-294	-282	-309	-306	-1191	-318	-309	-334	-324	-1285
<i>y/y change</i>	4 %	0 %	10 %	-58 %	-8 %	88 %	27 %	12 %	2 %	8 %	12 %	8 %	9 %	8 %	6 %	8 %
% of revenue	51 %	46 %	47 %	74 %	68 %	45 %	42 %	38 %	38 %	42 %	40 %	45 %	38 %	38 %	42 %	41 %
Comparable EBIT	171	218	163	-595	-469	-164	1	66	94	23	184	-13	77	98	28	190
<i>Comp. EBIT-%</i>	6.6 %	7.7 %	5.3 %	-71.8 %	-56.0 %	-7.0 %	0.1 %	8.8 %	11.5 %	3.1 %	6.2 %	-1.8 %	9.4 %	11.2 %	3.6 %	6.0 %

Sources: Finnair, Evli estimates

FINNAIR PEER GROUP	MCAP MEUR	EV/EBITDA			EV/EBIT			P/B		
		23	24	25	23	24	25	23	24	25
United Airlines Holdings	13080	4.6x	4.6x	4.0x	7.0x	7.2x	6.1x	1.5x	1.2x	0.9x
International Consolidated	9839	3.4x	3.5x	3.2x	5.4x	5.8x	5.3x	2.9x	1.7x	1.2x
Air France-KLM	2526									3.6x
Deutsche Lufthansa	8384	3.2x	2.9x	2.7x	5.7x	5.5x	5.1x	0.9x	0.8x	0.7x
Norwegian Air Shuttle	1345	2.9x	3.3x	3.1x	7.4x	7.8x	7.2x	2.8x	1.7x	1.4x
Aegean Airlines	1118	3.5x	3.9x	3.7x	5.6x	7.3x	7.0x	2.3x	2.1x	1.7x
easyJet	4894	3.2x	2.9x	2.8x	7.3x	6.1x	5.7x	1.5x	1.3x	1.1x
Ryanair Holdings	23257	7.3x	6.1x	5.6x	11.2x	8.9x	8.0x	3.3x	2.6x	2.1x
Wizz Air Holdings	2643	7.3x	4.6x	3.8x	30.4x	10.6x	8.6x		7.2x	3.0x
American Airlines Group	8354	7.1x	7.2x	6.4x	10.5x	10.9x	9.6x			
Delta Air Lines	27231	5.4x	5.7x	5.2x	7.7x	8.2x	7.4x	2.8x	1.9x	1.5x
Peer Group Average	9334	4.8x	4.5x	4.1x	9.8x	7.8x	7.0x	2.2x	2.3x	1.7x
Peer Group Median	8354	4.0x	4.3x	3.8x	7.4x	7.5x	7.1x	2.5x	1.7x	1.5x
Finnair (Evli est.)	626	3.3x	2.9x	3.0x	9.5x	7.9x	7.6x	1.4x	0.9x	0.8x

Finnair prem./disc. to peer median

-18 % -31 % -19 % 30 % 5 % 8 % -44 % -47 % -44 %

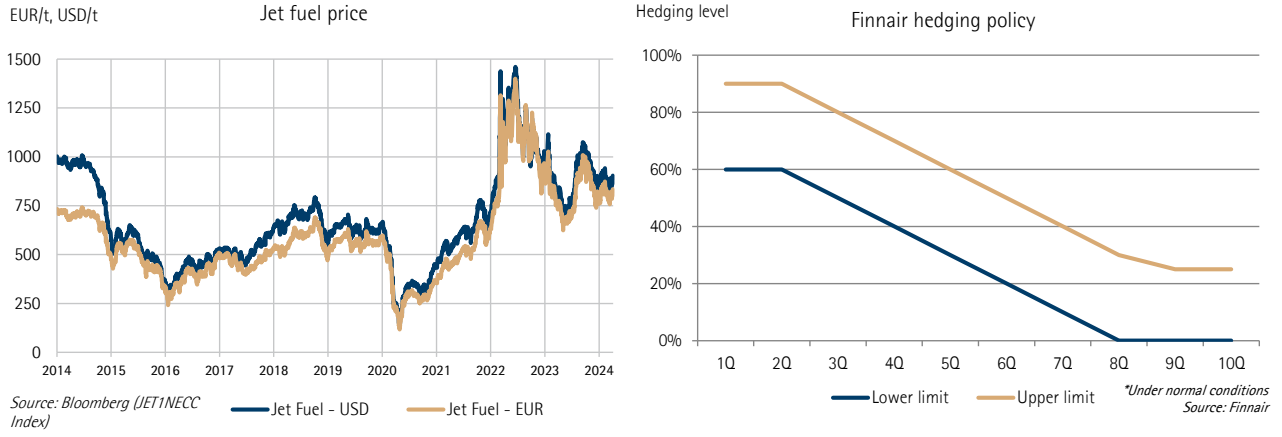
Source FactSet, Evli Research

FINNAIR PEER GROUP	Sales	Sales gr.			EBIT-%			Div. yield		
		23	24	25	23	24	25	23	24	25
United Airlines Holdings	41504	19.5%	6.3%	5.7%	9.6 %	8.9 %	9.9 %	0.0 %	0.0 %	0.0 %
International Consolidated	23066	27.7%	5.3%	3.8%	11.9 %	11.0 %	11.7 %	0.0 %	2.3 %	3.4 %
Air France-KLM	26393	13.7%	4.9%	3.9%	5.7 %	5.6 %	6.2 %	0.0 %	0.0 %	0.0 %
Deutsche Lufthansa	32770	8.1%	9.8%	4.4%	7.6 %	6.6 %	6.8 %	3.9 %	4.7 %	5.3 %
Norwegian Air Shuttle	1724	30.8%	12.1%	7.6%	8.8 %	10.0 %	10.1 %	0.3 %	0.7 %	1.2 %
Aegean Airlines	1337	26.1%	3.4%	8.0%	15.3 %	12.1 %	11.7 %	2.6 %	4.0 %	3.3 %
easyJet	6684	46.9%	13.9%	6.7%	6.2 %	7.1 %	7.1 %	1.2 %	2.6 %	3.0 %
Ryanair Holdings	10775	18.2%	14.2%	9.5%	15.1 %	18.0 %	18.2 %	1.2 %	2.3 %	2.8 %
Wizz Air Holdings	3896	24.2%	11.7%	22.6%	4.6 %	11.9 %	11.9 %	0.0 %	0.0 %	0.0 %
American Airlines Group	45118	8.0%	4.0%	4.9%	7.6 %	7.0 %	7.6 %	0.0 %	0.0 %	0.0 %
Delta Air Lines	42112	18.4%	5.6%	4.9%	11.6 %	11.3 %	11.9 %	0.4 %	0.9 %	1.0 %
Peer Group Average	21398	22.0%	8.3%	7.4%	9.5 %	9.9 %	10.3 %	0.9 %	1.6 %	1.8 %
Peer Group Median	23066	19.5%	6.3%	5.7%	8.8 %	10.0 %	10.1 %	0.3 %	0.9 %	1.2 %
Finnair (Evli est.)	2357	26.8%	6.1%	3.0%	6.2 %	6.0 %	6.2 %	0.0 %	3.3 %	3.9 %

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	3.06 PV of Free Cash Flow	1,806 Long-term growth, %	2.0 Risk-free interest rate, %	2.25
DCF share value	11.59 PV of Horizon value	1,508 WACC, %	9.6 Market risk premium, %	5.8
Share price potential, %	279.4 Unconsolidated equity	0 Spread, %	0.5 Debt risk premium, %	2.8
Maximum value	12.7 Marketable securities	922 Minimum WACC, %	9.1 Equity beta coefficient	1.35
Minimum value	10.7 Debt - dividend	-1,861 Maximum WACC, %	10.1 Target debt ratio, %	20
Horizon value, %	45.5 Value of stock	2,375 Nr of shares, Mn	204.8 Effective tax rate, %	25

DCF valuation, EURm	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	Horizon
Net sales	2,989	3,171	3,266	3,331	3,398	3,466	3,535	3,606	3,678	3,751	3,826	3,903
<i>Sales growth, %</i>	<i>26.8</i>	<i>6.1</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>	<i>2.0</i>
Operating income (EBIT)	184	190	202	217	204	208	212	234	239	225	230	234
<i>Operating income margin, %</i>	<i>6.2</i>	<i>6.0</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>6.0</i>	<i>6.0</i>	<i>6.0</i>
+ Depreciation+amort.	346	326	305	322	331	347	363	373	382	391	417	
EBITDA	530	516	508	539	535	555	575	607	621	616	647	
- Paid taxes	-36	-27	-40	-43	-41	-42	-42	-47	-48	-45	-46	
- Change in NWC	64	145	11	7	8	8	8	8	8	8	9	
<i>NWC / Sales, %</i>	<i>-23.7</i>	<i>-26.9</i>	<i>-26.4</i>	<i>-26.1</i>	<i>-25.9</i>	<i>-25.6</i>	<i>-25.3</i>	<i>-25.0</i>	<i>-24.8</i>	<i>-24.5</i>	<i>-24.2</i>	
+ Change in other liabs	-121	0	0	0	0	0	0	0	0	0	0	
- Operative CAPEX	-404	-250	-250	-250	-240	-240	-240	-240	-240	-300	-325	
<i>opCAPEX / Sales, %</i>	<i>13.8</i>	<i>16.4</i>	<i>13.4</i>	<i>12.0</i>	<i>13.4</i>	<i>13.4</i>	<i>12.5</i>	<i>12.3</i>	<i>12.2</i>	<i>15.7</i>	<i>8.5</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	-13	-13	-13	-13	-13	-13	-13	-13	-13	-13	
= FCFF	33	371	216	240	249	269	288	316	329	267	272	3,667
= Discounted FCFF		347	184	187	177	175	171	171	162	120	112	1,508
= DFCF min WACC		349	186	189	180	178	175	176	168	125	117	1,688
= DFCF max WACC		346	183	185	174	171	166	166	157	115	107	1,353

INTERIM FIGURES

EVLI ESTIMATES, EURm	2023Q1	2023Q2	2023Q3	2023Q4	2023	2024Q1E	2024Q2E	2024Q3E	2024Q4E	2024E	2025E	2026E
Net sales	694.7	749.2	817.4	727.2	2,988.5	709.8	816.3	874.5	770.0	3,170.5	3,265.7	3,331.0
EBITDA	82.9	149.0	177.8	120.5	530.2	68.5	158.3	179.6	109.4	515.8	507.8	538.5
<i>EBITDA margin (%)</i>	<i>11.9</i>	<i>19.9</i>	<i>21.8</i>	<i>16.6</i>	<i>17.7</i>	<i>9.7</i>	<i>19.4</i>	<i>20.5</i>	<i>14.2</i>	<i>16.3</i>	<i>15.5</i>	<i>16.2</i>
EBIT	0.9	66.2	94.3	22.6	184.0	-12.9	76.8	98.1	28.0	190.0	202.5	216.5
<i>EBIT margin (%)</i>	<i>0.1</i>	<i>8.8</i>	<i>11.5</i>	<i>3.1</i>	<i>6.2</i>	<i>-1.8</i>	<i>9.4</i>	<i>11.2</i>	<i>3.6</i>	<i>6.0</i>	<i>6.2</i>	<i>6.5</i>
Net financial items	-15.7	-22.2	-23.5	-10.9	-72.3	-13.0	-12.0	-13.0	-13.0	-51.0	-58.0	-57.9
Pre-tax profit	-14.8	44.0	70.8	11.7	111.7	-25.9	64.8	85.1	15.0	139.0	144.5	158.7
Tax	10.3	95.1	-14.0	43.8	135.2	-5.0	-5.0	-5.0	-5.0	-20.0	-28.9	-31.7
<i>Tax rate (%)</i>	<i>69.6</i>	<i>-216.1</i>	<i>19.8</i>	<i>-374.4</i>	<i>-121.0</i>	<i>-19.3</i>	<i>7.7</i>	<i>5.9</i>	<i>33.4</i>	<i>14.4</i>	<i>20.0</i>	<i>20.0</i>
Net profit	-4.5	139.1	56.8	55.5	246.9	-34.1	56.7	77.0	6.8	106.4	103.0	114.3
EPS	-0.02	0.68	0.28	0.27	1.21	-0.17	0.28	0.38	0.03	0.52	0.50	0.56
EPS adjusted (diluted no. of shares)	-0.02	0.68	0.28	0.27	1.21	-0.17	0.28	0.38	0.03	0.52	0.50	0.56
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.10	0.12	0.13
SALES, EURm												
Group total	694.7	749.2	817.4	727.2	2,988.5	709.8	816.3	874.5	770.0	3,170.5	3,265.7	3,331.0
Total	694.7	749.2	817.4	727.2	2,988.5	709.8	816.3	874.5	770.0	3,170.5	3,265.7	3,331.0
SALES GROWTH, Y/Y %												
Group total	73.8	36.1	13.7	5.8	26.8	2.2	9.0	7.0	5.9	6.1	3.0	2.0
Total	73.8	36.1	13.7	5.8	26.8	2.2	9.0	7.0	5.9	6.1	3.0	2.0
EBIT, EURm												
Group total	0.9	66.2	94.3	22.6	184.0	-12.9	76.8	98.1	28.0	190.0	202.5	216.5
Total	0.9	66.2	94.3	22.6	184.0	-12.9	76.8	98.1	28.0	190.0	202.5	216.5
EBIT margin, %												
Group total	0.1	8.8	11.5	3.1	6.2	-1.8	9.4	11.2	3.6	6.0	6.2	6.5
Total	0.1	8.8	11.5	3.1	6.2	-1.8	9.4	11.2	3.6	6.0	6.2	6.5

INCOME STATEMENT, EURm	2019	2020	2021	2022	2023	2024E	2025E	2026E
Sales	3,097.7	829.2	838.4	2,356.6	2,988.5	3,170.5	3,265.7	3,331.0
<i>Sales growth (%)</i>	<i>9.2</i>	<i>-73.2</i>	<i>1.1</i>	<i>181.1</i>	<i>26.8</i>	<i>6.1</i>	<i>3.0</i>	<i>2.0</i>
EBITDA	488.2	-251.5	-149.0	185.9	530.2	515.8	507.8	538.5
<i>EBITDA margin (%)</i>	<i>15.8</i>	<i>-30.3</i>	<i>-17.8</i>	<i>7.9</i>	<i>17.7</i>	<i>16.3</i>	<i>15.5</i>	<i>16.2</i>
Depreciation	-325.4	-343.8	-319.9	-349.8	-346.2	-325.8	-305.3	-322.0
EBITA	162.8	-595.3	-468.9	-163.9	184.0	190.0	202.5	216.5
Goodwill amortization / writedown	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	162.8	-595.3	-468.9	-163.9	184.0	190.0	202.5	216.5
<i>EBIT margin (%)</i>	<i>5.3</i>	<i>-71.8</i>	<i>-55.9</i>	<i>-7.0</i>	<i>6.2</i>	<i>6.0</i>	<i>6.2</i>	<i>6.5</i>
Reported EBIT	160.0	-597.7	-474.7	-163.9	184.0	190.0	202.5	216.5
<i>EBIT margin (reported) (%)</i>	<i>5.2</i>	<i>-72.1</i>	<i>-56.6</i>	<i>-7.0</i>	<i>6.2</i>	<i>6.0</i>	<i>6.2</i>	<i>6.5</i>
Net financials	-67.0	-190.1	-127.5	-170.2	-72.3	-51.0	-58.0	-57.9
Pre-tax profit	95.8	-785.4	-596.4	-334.1	111.7	139.0	144.5	158.7
Taxes	-18.4	131.2	117.6	-105.4	135.2	-20.0	-28.9	-31.7
Minority shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit	61.8	-671.4	-484.6	-439.5	246.9	106.4	103.0	114.3
Cash NRIs	-2.8	-2.4	-5.8	0.0	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	1,751	1,683	1,215	1,165	1,325	1,389	1,490	1,580
Goodwill	0	0	0	0	0	0	0	0
Right of use assets	878	918	1,182	1,083	917	1,046	1,078	1,066
Inventory	80	68	56	122	135	79	82	83
Receivables	217	70	137	158	166	107	110	112
Liquid funds	952	824	1,266	1,524	922	1,268	1,306	1,332
Total assets	3,878	3,646	4,047	4,133	3,698	4,123	4,300	4,407
Liabilities								
Shareholder's equity	966	897	476	411	577	683	766	856
Minority interest	0	0	0	0	0	0	0	0
Convertibles	0	0	0	0	0	0	0	0
Lease liabilities	1,054	1,016	1,381	1,128	951	1,046	1,078	1,066
Deferred taxes	64	0	0	0	0	0	0	0
Interest bearing debt	521	1,182	1,428	1,299	911	1,103	1,150	1,168
Non-interest bearing current liabilities	243	176	291	452	507	538	554	565
Other interest-free debt	873	215	271	658	627	627	627	627
Total liabilities	3,878	3,647	4,047	4,133	3,698	4,123	4,300	4,407
CASH FLOW, EURm								
+ EBITDA	488	-251	-149	186	530	516	508	539
- Net financial items	-67	-190	-127	-170	-72	-51	-58	-58
- Taxes	-2	-18	11	6	-18	-20	-29	-32
- Increase in Net Working Capital	-7	-489	117	274	64	145	11	7
+/- Other	-16	-17	-6	0	0	-13	-13	-13
= Cash flow from operations	397	-966	-155	296	504	578	419	444
- Capex	-409	-315	-484	-149	-412	-519	-438	-400
- Acquisitions	0	0	0	0	0	0	0	0
+ Divestments	0	0	0	0	0	0	0	0
= Free cash flow	-12	-1,281	-639	147	92	58	-19	44
+/- New issues/buybacks	21	602	64	374	-81	0	0	0
- Paid dividend	-35	0	0	0	0	0	-20	-25
+/- Other	-89	551	1,018	-262	-614	288	78	7
Change in cash	-116	-128	442	259	-602	346	38	26

KEY FIGURES	2020	2021	2022	2023	2024E	2025E	2026E
M-cap	1,069	837	546	817	626	626	626
Net debt (excl. convertibles)	1,374	1,543	902	940	881	921	902
Enterprise value	2,443	2,380	1,448	1,756	1,507	1,547	1,527
Sales	829	838	2,357	2,989	3,171	3,266	3,331
EBITDA	-251	-149	186	530	516	508	539
EBIT	-595	-469	-164	184	190	202	217
Pre-tax	-785	-596	-334	112	139	144	159
Earnings	-669	-479	-439	247	106	103	114
Equity book value (excl. minorities)	897	476	411	577	683	766	856
Valuation multiples							
EV/sales	2.9	2.8	0.6	0.6	0.5	0.5	0.5
EV/EBITDA	-9.7	-16.0	7.8	3.3	2.9	3.0	2.8
EV/EBITA	-4.1	-5.1	-8.8	9.5	7.9	7.6	7.1
EV/EBIT	-4.1	-5.1	-8.8	9.5	7.9	7.6	7.1
EV/OCF	-2.5	-15.4	4.9	3.5	2.6	3.7	3.4
EV/FCFF	-2.4	-26.4	2.4	53.0	4.1	7.2	6.4
P/FCFE	0.0	-0.1	0.2	0.1	10.8	-32.7	14.2
P/E	-1.6	-1.7	-1.2	3.3	5.9	6.1	5.5
P/B	1.2	1.8	1.3	1.4	0.9	0.8	0.7
Target EV/EBITDA	0.0	0.0	0.0	0.0	3.1	3.2	3.0
Target EV/EBIT	0.0	0.0	0.0	0.0	8.4	8.1	7.5
Target EV/FCF	0.0	0.0	0.0	0.0	27.5	-85.7	36.8
Target P/B	0.0	0.0	0.0	0.0	1.0	0.9	0.8
Target P/E	0.0	0.0	0.0	0.0	6.7	7.0	6.3
Per share measures							
Number of shares	83,825	83,749	83,749	204,210	204,811	204,811	204,811
Number of shares (diluted)	83,825	83,749	83,749	204,210	204,811	204,811	204,811
EPS	-7.98	-5.72	-5.25	1.21	0.52	0.50	0.56
Operating cash flow per share	-11.52	-1.85	3.53	2.47	2.82	2.05	2.17
Free cash flow per share	-15.28	-7.63	1.75	0.45	0.28	-0.09	0.21
Book value per share	10.70	5.68	4.90	2.83	3.34	3.74	4.18
Dividend per share	0.00	0.00	0.00	0.00	0.10	0.12	0.13
Dividend payout ratio, %	0.0	0.0	0.0	0.0	19.2	23.9	23.3
Dividend yield, %	0.0	0.0	0.0	0.0	3.3	3.9	4.3
FCF yield, %	-119.8	-76.4	26.9	11.3	9.3	-3.1	7.0
Efficiency measures							
ROE	-71.8	-69.8	-99.2	50.0	16.9	14.2	14.1
ROCE	-21.1	-17.9	-8.9	3.2	3.6	4.7	3.6
Financial ratios							
Inventories as % of sales	8.2	6.7	5.2	4.5	2.5	2.5	2.5
Receivables as % of sales	8.4	16.3	6.7	5.6	3.4	3.4	3.4
Non-interest bearing liabilities as % of sales	21.2	34.7	19.2	17.0	17.0	17.0	17.0
NWC/sales, %	-30.3	-43.9	-27.3	-23.7	-26.9	-26.4	-26.1
Operative CAPEX/sales, %	38.0	57.8	6.3	13.8	16.4	13.4	12.0
CAPEX/sales (incl. acquisitions), %	38.0	57.8	6.3	13.8	16.4	13.4	12.0
FCFF/EBITDA	4.0	0.6	3.2	0.1	0.7	0.4	0.4
Net debt/EBITDA, book-weighted	-5.5	-10.4	4.9	1.8	1.7	1.8	1.7
Debt/equity, market-weighted	1.1	1.7	2.4	1.1	1.8	1.8	1.9
Equity ratio, book-weighted	25.5	12.2	10.9	17.9	18.9	20.3	22.1
Gearing, %	153.3	324.4	219.7	162.9	129.0	120.3	105.4

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	114,067,105	348.589	55.7%
Varma Mutual Pension Insurance Company	5,827,783	17.810	2.8%
Ilmarinen Mutual Pension Insurance Company	2,788,500	8.522	1.4%
Elo Mutual Pension Insurance Company	1,974,505	6.034	1.0%
The State Pension Fund	1,795,000	5.486	0.9%
Sijoitusrahasto Danske Invest Suomi Osake	1,447,328	4.423	0.7%
Sijoitusrahasto Säästöpankki Pienyhtiöt	729,000	2.228	0.4%
Sijoitusrahasto Nordea Pro Suomi	589,326	1.801	0.3%
Nordea Bank ABP	372,241	1.138	0.2%
Finnair Oyj	354,315	1.083	0.2%
Ten largest	129,945,103	397.112	63%
Residual	74,865,897	228.790	37%
Total	204,811,000	625.902	100%

EARNINGS CALENDAR

April 23, 2024	Q1 report
July 19, 2024	Q2 report
October 29, 2024	Q3 report

OTHER EVENTS

COMPANY MISCELLANEOUS

CEO: Jaakko Schildt	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

<p>ROE, %</p> $\frac{\text{Profit before extraordinary items and taxes - income taxes}}{\text{Shareholder's equity + minority interest + taxed provisions (average)}}$	
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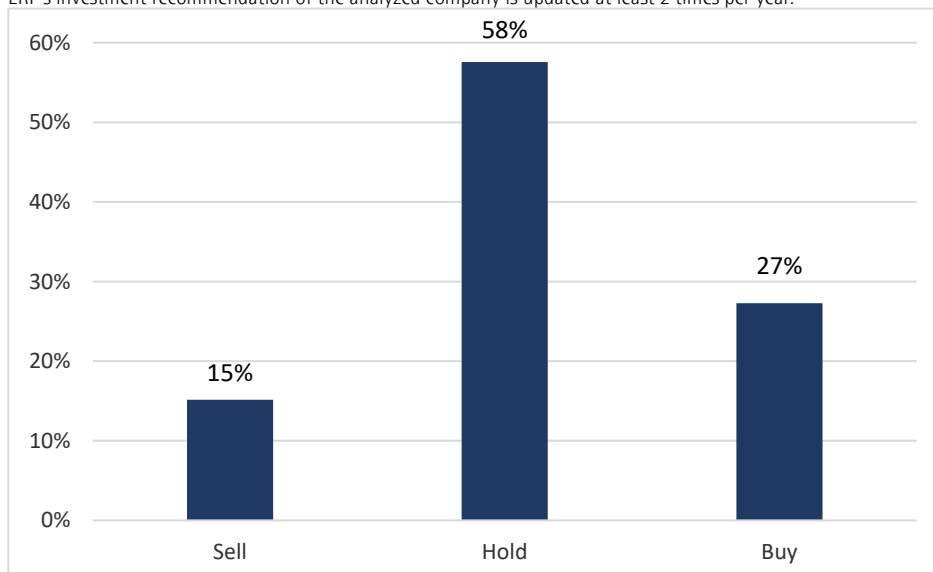
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Investment recommendations are defined as follows:

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

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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

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