

20E profit hampered by coronavirus

Finnair came out with revised 20E outlook and issued a profit warning as the impacts of the coronavirus are more severe and far reaching than first estimated. We have cut our 20E revenue estimate by ~1% and comparable EBIT estimate by ~23%. We keep our rating "HOLD" with TP of EUR 5.0 (EUR 6.3).

Revised outlook for 2020E

Finnair revised its 20E outlook due to the larger than first estimated impacts of the coronavirus. During Q4'19 result, the company indicated that the impacts on Q1'20E result will be limited and expected 20E capacity growth of ~4% y/y. According to the new guidance, Finnair expects Q1'20E comparable EBIT to be lower than in the previous year. The company foresees decreasing demand also in Q2'20E, resulting in a negative impact on revenue. Q2'20E comparable EBIT is expected to be significantly lower compared to Q2'19. Therefore, comparable EBIT for 20E is also expected to be significantly lower than in FY19. In addition, the company withdrew its capacity (ASK) growth estimate (~4%) for 20E and aims to adjust its capacity to the current situation. Finnair has also commenced to seek how to adjust its costs by EUR 40-50m to mitigate the negative financial impact resulting from the virus.

20E estimates cut

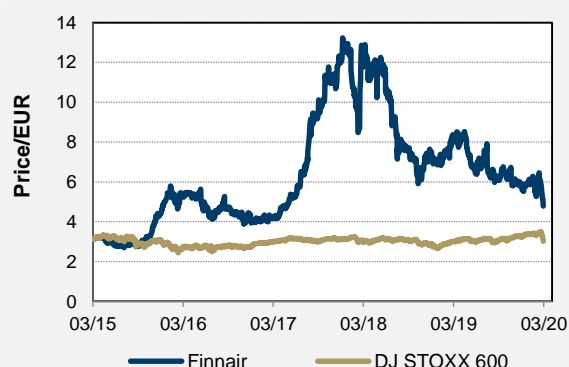
We have made small adjustments to our Q1'20E revenue expectation and cut our already rather conservative Q1'20E comparable EBIT estimate by ~15%. We also cut our Q2'20E revenue estimate by ~4% and our comparable EBIT estimate by ~48%. Thereby, our FY20E revenue estimate is reduced by ~1% and comparable EBIT estimate by ~23%. We now expect 20E revenue growth of 1.8% y/y (EUR 3154m) while we expect comparable EBIT to decline by ~19% y/y (EUR 133m). We foresee 20E capacity (ASK) growth of 2.4% y/y (prev. estimate of 3.5% y/y). We expect negative impacts especially on Asian routes (Finnair suspended all the flights to mainland China, which might continue until the end of March) but also on European routes and on global cargo during H1'20E. We also expect weaker demand in travel services.

"HOLD" with TP of EUR 5.0 (prev. EUR 6.3)

We have kept our 21E-22E estimates intact as we don't expect long-term financial impacts resulting from the coronavirus. However, as the visibility around the coronavirus and its development remain weak, there are uncertainties especially with our short-term estimates. We keep our rating "HOLD" with TP of EUR 5.0 (6.3).

Rating

■ HOLD



Share price, EUR (Last trading day's closing price) 4.78

Target price, EUR 5.0

Latest change in rating 23-Oct-19

Latest report on company 10-Feb-20

Research paid by issuer: YES

No. of shares outstanding, '000's 128,136

No. of shares fully diluted, '000's 128,136

Market cap, EURm 612

Free float, % 44.0

Exchange rate EUR/USD 1.170

Reuters code FIA1S.HE

Bloomberg code FIA1S.FH

Average daily volume, EURm na.

Next interim report 29-Apr-20

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■ BUY ■ HOLD ■ SELL

KEY FIGURES

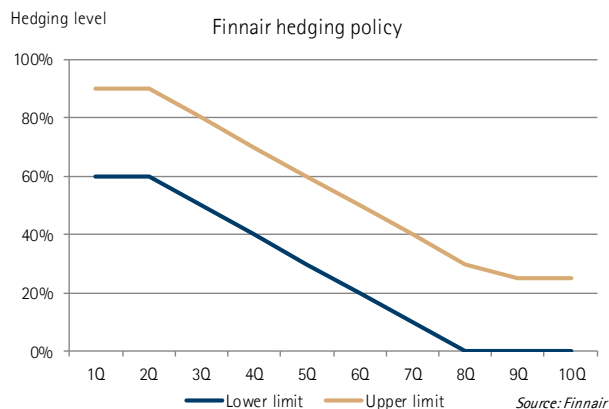
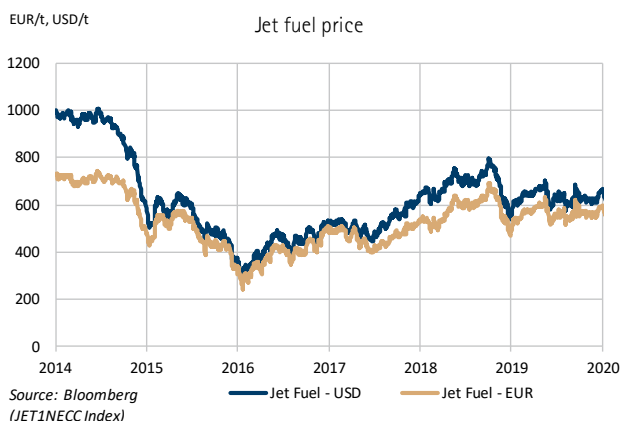
	Sales EURm	EBIT EURm	EBIT %	FCF EURm	EPS EUR	P/E (x)	EV/Sales (x)	EV/EBIT (x)	FCF yield %	DPS EUR
2018	2,836.1	218.4	7.7%	267.6	0.40	10.2	0.6	7.4	29.5	0.27
2019	3,097.7	162.8	5.3%	-12.3	0.50	11.7	0.4	8.5	-1.6	0.20
2020E	3,153.7	132.5	4.2%	-211.2	0.20	24.5	0.5	11.1	-34.5	0.06
2021E	3,316.6	216.1	6.5%	-224.4	0.67	7.1	0.5	7.9	-36.6	0.22
2022E	3,449.0	242.3	7.0%	-157.6	0.76	6.3	0.5	7.8	-25.7	0.25
Market cap, EURm		612	Gearing 2020E, %			89.1	CAGR EPS 2019-22, %			14.7
Net debt 2020E, EURm		860	Price/book 2020E			0.6	CAGR sales 2019-22, %			3.6
Enterprise value, EURm		1,472	Dividend yield 2020E, %			1.3	ROE 2020E, %			2.6
Total assets 2020E, EURm		4,136	Tax rate 2020E, %			28.4	ROCE 2020E, %			5.0
Goodwill 2020E, EURm		0	Equity ratio 2020E, %			25.6	PEG, P/E 20/CAGR			0.4

Estimates

FINNAIR EURm	2017 FY	2018 FY	2019 Q1	2019 Q2	2019 Q3	2019 Q4	2019 FY	2020E Q1	2020E Q2	2020E Q3	2020E Q4	2020E FY	2021E FY	2022E FY
Passengers (thousands)	11905	13281	3148	3910	4088	3504	14650	3222	3906	4239	3633	15000	15705	16255
<i>y/y change</i>	10 %	12 %	4 %	13 %	12 %	11 %	10 %	2 %	0 %	4 %	4 %	2 %	5 %	4 %
ASK (mkm)	36 922	42 386	10 670	12 308	12 624	11 587	47 190	10 920	12 295	13 091	12 016	48 322	50 590	52 361
<i>y/y change</i>	9 %	15 %	10 %	15 %	10 %	11 %	11 %	2 %	0 %	4 %	4 %	2 %	5 %	4 %
RPK (mkm)	30 749	34 660	8 356	10 152	10 879	9 151	38 538	8 547	10 142	11 283	9 490	39 463	41 324	42 777
<i>y/y change</i>	14 %	13 %	4 %	15 %	12 %	14 %	11 %	2 %	0 %	4 %	4 %	2 %	5 %	4 %
Load factor (RPK/ASK), PLF	83.3 %	81.8 %	78.3%	82.5%	86.2%	79.0%	81.7%	78 %	82 %	86 %	79 %	82 %	82 %	82 %
<i>y/y change</i>	3.5% <i>-p</i>	-1.5% <i>-p</i>	-4.6% <i>-p</i>	-0.1% <i>-p</i>	1.7% <i>-p</i>	2.1% <i>-p</i>	-0.1% <i>-p</i>	0.0% <i>-p</i>	0.0% <i>-p</i>	0.0% <i>-p</i>	0.0% <i>-p</i>	0.0% <i>-p</i>	0.0% <i>-p</i>	0.0% <i>-p</i>
Total revenue	2569	2835	668.3	789	865	775	3098	679	787	896	791	3154	3317	3449
<i>YoY change</i>	11 %	10 %	5 %	10 %	8 %	13 %	9 %	2 %	0 %	4 %	2 %	2 %	5 %	4 %
Other income	77	74	15	13	13	15	56	16	12	14	15	57	68	68
Staff costs	-423	-500	-130	-137	-132	-136	-535	-132	-138	-136	-140	-546	-564	-584
<i>y/y change</i>	17 %	18 %	5 %	3 %	6 %	14 %	7 %	1 %	1 %	3 %	3 %	2 %	3 %	3 %
<i>% of revenue</i>	16 %	18 %	19 %	17 %	15 %	18 %	17 %	19 %	18 %	15 %	18 %	17 %	17 %	17 %
Fuel	-472	-581	-145	-181	-190	-171	-687	-153	-177	-193	-170	-693	-699	-705
<i>y/y change</i>	-4 %	23 %	14 %	24 %	17 %	18 %	18 %	5 %	-2 %	2 %	-1 %	1 %	1 %	1 %
<i>% of revenue</i>	18 %	20 %	22 %	23 %	22 %	22 %	22 %	22 %	22 %	22 %	21 %	22 %	21 %	20 %
Other OPEX	-1314	-1330	-348	-359	-375	-362	-1444	-363	-374	-392	-374	-1504	-1559	-1630
<i>y/y change</i>	4 %	1 %	8 %	10 %	8 %	9 %	9 %	4 %	4 %	5 %	3 %	4 %	4 %	5 %
<i>% of revenue</i>	51 %	47 %	52 %	45 %	43 %	47 %	47 %	54 %	47 %	44 %	47 %	48 %	47 %	47 %
Comparable EBITDA	300	501	60	126	182	121	488	47	111	188	122	468	562	598
Depreciation	-129	-294	-76	-79	-81	-90	-325	-78	-82	-84	-92	-336	-346	-356
Comparable EBIT	171	218	-16	47	101	31	163	-30	29	104	30	133	216	242
<i>Comp. EBIT-%</i>	6.6 %	7.7 %	-2.4 %	5.9 %	11.6 %	4.0 %	5.3 %	-4.5 %	3.7 %	11.7 %	3.8 %	4.2 %	6.5 %	7.0 %
IAC Et fair value changes	54	49	-2	1	-6	4	-3	0	0	0	0	0	0	0
EBIT	225	256	-18	48	95	35	160	-30	29	104	30	133	216	242

Sources: Finnair, Evli estimates

Fuel price



Valuation

FINNAIR PEER GROUP	MCAP local FX	EV/EBITDA	EV/EBITDA	EV/EBITDA	EV/EBIT	EV/EBIT	EV/EBIT	P/E	P/E	P/E	P/B	P/B	P/B
		19	20	21	19	20	21	19	20	21	19	20	21
Primary European peers													
SAS AB	3830	6.9x	3.4x	3.0x	18.7x	13.3x	8.7x	6.4x	7.7x	3.0x	0.8x	0.8x	0.6x
International Consolidated Airlines Group	9370	4.1x	3.2x	2.8x	6.8x	5.1x	4.5x	4.7x	4.7x	4.3x	1.6x	1.3x	1.1x
Air France-KLM SA	2953	2.6x	2.3x	2.0x	9.6x	7.8x	6.2x	7.3x	4.8x	3.6x	1.3x	1.1x	0.9x
Deutsche Lufthansa AG	5590	3.0x	2.3x	2.1x	6.7x	5.1x	4.2x	4.3x	3.7x	3.0x	0.6x	0.5x	0.4x
Norwegian Air Shuttle ASA	3097	8.5x	7.2x	6.0x	72.7x	27.1x	16.2x			4.2x	0.6x	0.7x	0.6x
Other European peers													
Aegean Airlines SA	450	2.1x	1.1x		2.9x	1.7x		6.3x	6.5x	5.7x	1.5x	1.4x	1.3x
easyJet plc	4356	6.2x	4.6x	4.2x	12.8x	9.0x	7.8x	12.5x	10.3x	9.1x	1.4x	1.3x	1.2x
Ryanair Holdings Plc	13427	8.7x	5.9x	5.3x	14.1x	8.9x	8.1x	13.2x	10.0x	9.2x	2.3x	1.9x	1.6x
Wizz Air Holdings Plc	2491	4.2x	2.9x	2.3x	8.1x	5.3x	4.2x	14.1x	11.0x	9.3x	2.5x	2.0x	1.6x
North American peers													
American Airlines Group, Inc.	8116	6.5x	5.7x	4.9x	10.2x	9.4x	8.1x	3.9x	3.7x	3.3x	12.6x	3.9x	1.9x
Delta Air Lines, Inc.	29528	5.0x	4.2x	4.0x	7.1x	6.1x	5.8x	6.4x	6.2x	5.8x	2.0x	1.6x	1.3x
JetBlue Airways Corporation	4453	5.0x	3.7x	3.5x	8.2x	5.7x	5.5x	8.4x	6.3x	5.6x	0.9x	0.8x	0.7x
Southwest Airlines Co.	23894	6.6x	5.4x	4.9x	9.4x	7.7x	6.8x	10.9x	10.1x	8.5x	2.1x	1.9x	1.7x
Spirit Airlines, Inc.	1948	6.0x	4.8x	4.1x	8.6x	6.8x	5.9x	5.6x	5.0x	4.6x	0.9x	0.8x	0.7x
Primary European peers median		4.1x	3.2x	2.8x	9.6x	7.8x	6.2x	5.5x	4.7x	3.6x	0.8x	0.8x	0.6x
Finnair (Evli est)*		2.8x	3.1x	3.0x	8.5x	11.1x	7.9x	11.7x	24.4x	7.1x	0.8x	0.6x	0.6x
<i>Finnair discount/premium to primary peer group median*</i>		-31 %	-1 %	7 %	-12 %	42 %	28 %	111 %	418 %	99 %	2 %	-16 %	-7 %

FINNAIR PEER GROUP	Ticker	Div yield	Div yield	Div yield	EBIT-%	EBIT-%	EBIT-%	ROCE-%	ROCE-%	ROCE-%	ROE-%	ROE-%	ROE-%
		19	20	21	19	20	21	19	20	21	19	20	21
Primary European peers													
SAS AB	SAS-SE	0.0%	0.0%	0.0%	2.4%	3.6%	5.3%	4.3%	6.2%	8.9%	12.0%	9.8%	20.1%
International Consolidated Airlines Group	IAG-GB	5.6%	5.7%	6.2%	12.4%	13.4%	14.0%	14.3%	15.5%	15.7%	33.8%	28.0%	25.3%
Air France-KLM SA	AF-FR	0.4%	0.6%	0.9%	4.2%	4.5%	5.4%	6.3%	7.3%	8.3%	18.1%	23.2%	24.0%
Deutsche Lufthansa AG	LHA-DE	6.3%	6.9%	8.3%	5.6%	5.9%	6.9%	8.6%	8.8%	10.1%	13.3%	13.8%	14.9%
Norwegian Air Shuttle ASA	NAS-NO	0.0%	0.0%	0.0%	2.0%	5.6%	8.9%	1.3%	3.3%	5.4%	-50.4%	-9.0%	15.1%
Other European peers													
Aegean Airlines SA	AEGN-GR	8.6%	9.2%	9.8%	8.6%	8.7%	9.5%	11.1%	11.6%	12.7%	24.1%	21.5%	22.3%
easyJet plc	EZJ-GB	4.0%	4.8%	5.4%	7.3%	8.1%	8.7%	8.6%	9.4%	9.9%	11.5%	13.0%	13.5%
Ryanair Holdings Plc	RY4C-IE	0.2%	0.3%	0.5%	13.5%	16.8%	16.4%	11.9%	14.6%	14.4%	17.9%	19.3%	17.6%
Wizz Air Holdings Plc	WIZZ-GB	0.0%	0.0%	0.0%	14.9%	16.4%	16.6%	12.4%	13.7%	13.8%	17.9%	18.2%	16.8%
North American peers													
American Airlines Group, Inc.	AAL-US	2.1%	2.2%	2.2%	8.1%	7.3%	7.5%	8.9%	8.1%	8.5%	323.0%	103.9%	58.0%
Delta Air Lines, Inc.	DAL-US	3.2%	3.5%	3.9%	14.1%	13.1%	13.0%	14.9%	13.8%	13.6%	31.2%	25.8%	23.3%
JetBlue Airways Corporation	JBLU-US	0.0%	0.0%	0.0%	10.0%	11.8%	11.8%	9.5%	10.7%	10.4%	10.6%	12.2%	11.9%
Southwest Airlines Co.	LUV-US	1.5%	1.6%	1.7%	13.3%	13.1%	13.8%	17.9%	17.6%	19.1%	19.5%	18.8%	19.6%
Spirit Airlines, Inc.	SAVE-US	0.0%	0.0%	0.0%	13.6%	12.9%	12.4%	8.8%	5.8%	4.6%	16.0%	15.2%	14.1%
Primary European peers median		0.4%	0.6%	0.9%	4.2%	5.6%	6.9%	6.3%	7.3%	8.9%	13.3%	13.8%	20.1%
Finnair (Evli est)*	FIA1S-FI	3.4%	1.3%	4.6%	5.3%	4.2%	6.5%	6.2%	5.0%	7.3%	6.9%	2.6%	8.6%

Source: Factset, Evli Research

Note: Our model treats Finnair's EUR 200m hybrid bond as 100% equity. Our estimates exclude IAC and fair value changes, but include hybrid interest.

INTERIM FIGURES

EVLI ESTIMATES, EURm	2019Q1	2019Q2	2019Q3	2019Q4	2019	2020Q1E	2020Q2E	2020Q3E	2020Q4E	2020E	2021E	2022E
Net sales	668.3	789.1	865.4	774.9	3,097.7	678.9	787.5	895.9	791.4	3,153.7	3,316.6	3,449.0
EBITDA	60.2	125.6	181.8	120.7	488.2	47.1	110.7	188.4	121.7	468.0	564.6	598.6
<i>EBITDA margin (%)</i>	<i>9.0</i>	<i>15.9</i>	<i>21.0</i>	<i>15.6</i>	<i>15.8</i>	<i>6.9</i>	<i>14.1</i>	<i>21.0</i>	<i>15.4</i>	<i>14.8</i>	<i>17.0</i>	<i>17.4</i>
EBIT	-15.8	46.9	100.6	31.2	162.8	-30.4	28.7	104.4	29.7	132.5	216.1	242.3
<i>EBIT margin (%)</i>	<i>-2.4</i>	<i>5.9</i>	<i>11.6</i>	<i>4.0</i>	<i>5.3</i>	<i>-4.5</i>	<i>3.7</i>	<i>11.7</i>	<i>3.8</i>	<i>4.2</i>	<i>6.5</i>	<i>7.0</i>
Net financial items	-31.0	-8.8	-22.9	-4.3	-67.0	-20.0	-20.0	-20.0	-20.0	-80.0	-92.6	-104.6
Pre-tax profit	-46.8	38.1	77.7	26.9	95.8	-50.4	8.7	84.4	9.7	52.5	123.5	137.8
Tax	9.7	-7.8	-14.4	-5.9	-18.4	9.1	-5.9	-16.5	-1.6	-14.9	-24.7	-27.6
<i>Tax rate (%)</i>	<i>20.7</i>	<i>20.5</i>	<i>18.5</i>	<i>21.9</i>	<i>19.2</i>	<i>18.1</i>	<i>67.4</i>	<i>19.5</i>	<i>16.4</i>	<i>28.4</i>	<i>20.0</i>	<i>20.0</i>
Net profit	-40.3	27.1	60.1	17.8	64.6	-44.4	-0.3	64.8	5.0	25.0	86.2	97.6
EPS	-0.31	0.21	0.47	0.14	0.50	-0.35	0.00	0.51	0.04	0.20	0.67	0.76
EPS adjusted (diluted no. of shares)	-0.31	0.21	0.47	0.14	0.50	-0.35	0.00	0.51	0.04	0.20	0.67	0.76
Dividend per share	0.00	0.00	0.00	0.00	0.20	0.00	0.00	0.00	0.00	0.06	0.22	0.25
SALES, EURm												
Group total	668.3	789.1	865.4	774.9	3,097.7	678.9	787.5	895.9	791.4	3,153.7	3,316.6	3,449.0
Total	668.3	789.1	865.4	774.9	3,097.7	678.9	787.5	895.9	791.4	3,153.7	3,316.6	3,449.0
SALES GROWTH, Y/Y %												
Group total	4.2	9.9	7.2	15.7	9.2	1.6	-0.2	3.5	2.1	1.8	5.2	4.0
Total	4.2	9.9	7.2	15.7	9.2	1.6	-0.2	3.5	2.1	1.8	5.2	4.0
EBIT, EURm												
Group total	-15.8	46.9	100.6	31.2	162.8	-30.4	28.7	104.4	29.7	132.5	216.1	242.3
Total	-15.8	46.9	100.6	31.2	162.8	-30.4	28.7	104.4	29.7	132.5	216.1	242.3
EBIT margin, %												
Group total	-2.4	5.9	11.6	4.0	5.3	-4.5	3.7	11.7	3.8	4.2	6.5	7.0
Total	-2.4	5.9	11.6	4.0	5.3	-4.5	3.7	11.7	3.8	4.2	6.5	7.0

INCOME STATEMENT, EURm	2015	2016	2017	2018	2019	2020E	2021E	2022E
Sales	2,254.5	2,316.8	2,568.4	2,836.1	3,097.7	3,153.7	3,316.6	3,449.0
<i>Sales growth (%)</i>	-1.3	2.8	10.9	10.4	9.2	1.8	5.2	4.0
EBITDA	131.8	161.0	299.6	512.6	488.2	468.0	564.6	598.6
<i>EBITDA margin (%)</i>	5.8	6.9	11.7	18.1	15.8	14.8	17.0	17.4
Depreciation	-108.1	-105.8	-129.2	-294.2	-325.4	-335.5	-348.5	-356.2
EBITA	23.7	55.2	170.4	218.4	162.8	132.5	216.1	242.3
Goodwill amortization / writedown	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	23.7	55.2	170.4	218.4	162.8	132.5	216.1	242.3
<i>EBIT margin (%)</i>	1.1	2.4	6.6	7.7	5.3	4.2	6.5	7.0
Reported EBIT	12.4	53.8	169.5	218.3	160.0	132.5	216.1	242.3
<i>EBIT margin (reported) (%)</i>	0.6	2.3	6.6	7.7	5.2	4.2	6.5	7.0
Net financials	-8.3	-10.5	-13.7	-129.0	-67.0	-80.0	-92.6	-104.6
Pre-tax profit	15.4	44.7	156.7	89.4	95.8	52.5	123.5	137.8
Taxes	-3.1	-8.9	-31.3	-25.6	-18.4	-14.9	-24.7	-27.6
Minority shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit	-17.8	19.4	111.9	51.1	61.8	25.0	86.2	97.6
Cash NRIs	-11.3	-1.4	-0.9	-0.1	-2.8	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	957	1,189	1,446	1,547	1,751	1,982	2,247	2,465
Goodwill	0	0	0	0	0	0	0	0
Right of use assets	0	0	0	999	878	883	929	966
Inventory	12	15	17	121	80	82	86	89
Receivables	364	512	460	210	217	220	229	236
Liquid funds	708	814	965	1,067	952	969	1,019	1,060
Total assets	2,050	2,529	2,887	3,944	3,878	4,136	4,509	4,815
Liabilities								
Shareholder's equity	727	857	1,016	918	966	966	1,044	1,113
Minority interest	0	0	0	0	0	0	0	0
Convertibles	0	0	0	0	0	0	0	0
Lease liabilities	0	0	0	1,159	1,054	883	929	966
Deferred taxes	0	33	74	48	64	64	64	64
Interest bearing debt	346	718	719	615	521	946	1,183	1,373
Non-interest bearing current liabilities	682	519	566	285	243	247	260	271
Other interest-free debt	201	339	428	811	873	873	873	873
Total liabilities	2,050	2,529	2,887	3,944	3,878	4,136	4,509	4,815
CASH FLOW, EURm								
+ EBITDA	132	161	300	513	488	468	565	599
- Net financial items	-8	-10	-14	-129	-67	-80	-93	-105
- Taxes	0	33	-1	-52	-2	-15	-25	-28
- Increase in Net Working Capital	43	56	57	50	-7	0	0	0
+/- Other	-2	-19	40	1	-16	-13	-13	-13
= Cash flow from operations	164	220	382	383	397	361	435	454
- Capex	-81	-486	-405	-330	-409	-572	-659	-612
- Acquisitions	0	0	0	0	0	0	0	0
+ Divestments	448	153	157	214	0	0	0	0
= Free cash flow	531	-113	134	268	-12	-211	-224	-158
+/- New issues/buybacks	231	110	60	-110	21	0	0	0
- Paid dividend	0	0	-13	-38	-35	-26	-8	-28
+/- Other	-480	108	-30	-17	-89	254	283	227
Change in cash	282	105	151	103	-116	17	50	41

KEY FIGURES	2016	2017	2018	2019	2020E	2021E	2022E
M-cap	516	1,643	908	753	612	612	612
Net debt (excl. convertibles)	-96	-246	707	623	860	1,093	1,279
Enterprise value	420	1,397	1,615	1,377	1,472	1,705	1,891
Sales	2,317	2,568	2,836	3,098	3,154	3,317	3,449
EBITDA	161	300	513	488	468	565	599
EBIT	55	170	218	163	133	216	242
Pre-tax	45	157	89	96	53	123	138
Earnings	21	113	51	65	25	86	98
Equity book value (excl. minorities)	857	1,016	918	966	966	1,044	1,113
Valuation multiples							
EV/sales	0.2	0.5	0.6	0.4	0.5	0.5	0.5
EV/EBITDA	2.6	4.7	3.2	2.8	3.1	3.0	3.2
EV/EBITA	7.6	8.2	7.4	8.5	11.1	7.9	7.8
EV/EBIT	7.6	8.2	7.4	8.5	11.1	7.9	7.8
EV/OCF	1.9	3.7	4.2	3.5	4.1	3.9	4.2
EV/FCFF	-1.5	6.3	6.1	8.4	-104.3	90.2	21.6
P/FCFE	-4.6	12.2	3.4	-61.4	-2.9	-2.7	-3.9
P/E	24.9	14.6	10.2	11.7	24.5	7.1	6.3
P/B	0.6	1.6	1.0	0.8	0.6	0.6	0.6
Target EV/EBITDA	0.0	0.0	0.0	0.0	3.2	3.1	3.2
Target EV/EBIT	0.0	0.0	0.0	0.0	11.3	8.0	7.9
Target EV/FCF	0.0	0.0	0.0	0.0	-7.1	-7.7	-12.2
Target P/B	0.0	0.0	0.0	0.0	0.7	0.6	0.6
Target P/E	0.0	0.0	0.0	0.0	25.6	7.4	6.6
Per share measures							
Number of shares	128,136	128,136	128,136	128,136	128,136	128,136	128,136
Number of shares (diluted)	128,136	128,136	128,136	128,136	128,136	128,136	128,136
EPS	0.16	0.88	0.40	0.50	0.20	0.67	0.76
Operating cash flow per share	1.71	2.98	2.99	3.09	2.81	3.39	3.54
Free cash flow per share	-0.88	1.05	2.09	-0.10	-1.65	-1.75	-1.23
Book value per share	6.69	7.93	7.17	7.54	7.54	8.14	8.68
Dividend per share	0.10	0.30	0.27	0.20	0.06	0.22	0.25
Dividend payout ratio, %	61.7	34.1	68.6	39.7	33.0	33.0	33.0
Dividend yield, %	2.5	2.3	3.9	4.2	1.3	4.6	5.3
FCF yield, %	-21.9	8.2	29.5	-1.6	-34.5	-36.6	-25.7
Efficiency measures							
ROE	2.6	12.0	5.3	6.9	2.6	8.6	9.1
ROCE	4.2	10.3	9.9	6.2	5.0	7.3	7.3
Financial ratios							
Inventories as % of sales	0.6	0.7	4.3	2.6	2.6	2.6	2.6
Receivables as % of sales	22.1	17.9	7.4	7.0	7.0	6.9	6.8
Non-interest bearing liabilities as % of sales	22.4	22.0	10.1	7.8	7.8	7.8	7.8
NWC/sales, %	-12.7	-18.7	-26.4	-23.9	-23.5	-22.3	-21.5
Operative CAPEX/sales, %	21.0	15.8	11.6	13.2	18.1	19.9	17.7
CAPEX/sales (incl. acquisitions), %	21.0	15.8	11.6	13.2	18.1	19.9	17.7
FCFF/EBITDA	-1.8	0.7	0.5	0.3	0.0	0.0	0.1
Net debt/EBITDA, book-weighted	-0.6	-0.8	1.4	1.3	1.8	1.9	2.1
Debt/equity, market-weighted	1.4	0.4	0.7	0.7	1.5	1.9	2.2
Equity ratio, book-weighted	37.8	39.1	25.4	27.4	25.6	25.2	25.1
Gearing, %	-11.2	-24.2	77.0	64.5	89.1	104.7	114.9

COMPANY DESCRIPTION: Finnair is a network airline established in 1923. The company specializes in passenger and cargo traffic between Asia and Europe 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 growth and profitability improvement which stems from its competitive advantage of operating the transfer traffic between Europe and Asia due to its geographical position and operating a growing cost efficient and eco-friendly modern fleet.

OWNERSHIP STRUCTURE	SHARES	EURm	%
Prime Minister's Office	71,515,426	341.844	55.8%
The local Government Pensions Institution	5,750,875	27.489	4.5%
Varma Mutual Pension Insurance Company	3,261,933	15.592	2.5%
Ilmarinen Mutual Pension Insurance Company	2,870,642	13.722	2.2%
Tiiviste-Group Oy	2,150,000	10.277	1.7%
The State Pension Fund	1,720,000	8.222	1.3%
Oy Etra Invest Ab	1,000,000	4.780	0.8%
Elo Mutual Pension Insurance Company	832,652	3.980	0.6%
Veritas Pension Insurance Company	777,656	3.717	0.6%
Laakkonen Mikko Kalervo	740,000	3.537	0.6%
Ten largest	90,619,184	433.160	71%
Residual	37,516,931	179.331	29%
Total	128,136,115	612.491	100%

EARNINGS CALENDAR	
April 29, 2020	Q1 report
July 17, 2020	Q2 report
October 28, 2020	Q3 report
OTHER EVENTS	
March 20, 2018	AGM

COMPANY MISCELLANEOUS	
CEO: Topi Manner	Tietotie 9, 01053 FINNAIR (VANTAA AIRPORT)
CFO: Mika Stirkkinen	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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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.

Recommendation	Percentage
Sell	8%
Hold	53%
Buy	39%

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

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