

Significant losses due to COVID-19

Finnair's Q1'20 adj. EBIT was EUR -91m vs. our expectation of EUR -73m and consensus of EUR -59m. Revenue decreased by 16% and was EUR 561m vs. our expectation of EUR 585m and consensus of EUR 555m.

- Q1 revenue was EUR 561m vs. EUR 585m/555m Evli/cons.
- ASK decreased by 9.4% y/y in Q1. RASK decreased by 7.3% y/y.
- Q1 adj. EBIT was EUR -91m vs. EUR -73m/-59m Evli/cons. Q1 comparable EBITDA was EUR -8.6m vs. EUR 4.5m our view.
- Absolute costs in Q1: Fuel costs were EUR 144m vs. EUR 132m our view. Staff costs were EUR 136m vs. EUR 117m our view. All other OPEX+D&A combined were EUR 386m vs. EUR 425m our view.
- Unit costs: CASK was 6.75 eurocents vs. 6.81 eurocents our view.
- Q1 EPS was EUR -1.14 vs. -0.61/-0.70 Evli/cons.
- Finnair expects that comparable operating loss will be significant in 20E. The company estimates that with the current minimum network, its comparable operating result will be a daily loss of approximately 2 million euros throughout the second quarter, despite cost adjustments.

Rating					🟡 HOLD
Q1 2020	Actual	Evli	Cons	Year ago	
Net Sales	561	585	555	668	
Comp. EBIT	-91	-73	-59	-16	
Comp EBIT margin -16.2 %		-12.5 %	-10.6 %	-2.4 %	
PTP	-178	-93.0	-110.0	-49	
EPS	-1.14	-0.61	-0.70	-0.33	
Deviation		Evli	Cons	Year ago	
Net sales		-4 %	1 %	-16 %	
Comparable EBIT		25 %	54 %	469 %	
PTP		91 %	62 %	263 %	
<i>Consensus by Infront (5 est. mean)</i>					
Share price, EUR (Last trading day's closing price)					4.26
Target price, EUR					4.0
Latest change in rating					23-Oct-19
Latest report on company					22-Apr-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					546
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

PRE-REPORT KEY FIGURES

	Sales EURm	EBIT EURm	EBIT %	FCF EURm	EPS EUR	P/E (x)	EV/Sales (x)	EV/EBIT (x)	FCF yield %	DPS EUR
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	0.00
2020E	2,212.5	-143.7	-6.5%	-311.9	-1.55	-2.7	0.7	-10.3	-57.1	0.00
2021E	3,081.9	170.1	5.5%	4.7	0.38	11.3	0.5	8.7	0.9	0.12
2022E	3,205.0	201.0	6.3%	-13.5	0.54	7.9	0.5	7.5	-2.5	0.18
Market cap, EURm			546	BV per share 2020E, EUR		121.8	CAGR EPS 2019-22, %		2.1	
Net debt 2020E, EURm			935	Price/book 2020E		0.7	CAGR sales 2019-22, %		1.1	
Enterprise value, EURm			1,481	Dividend yield 2020E, %		0.0	ROE 2020E, %		-22.9	
Total assets 2020E, EURm			3,678	Tax rate 2020E, %		20.0	ROCE 2020E, %		-5.8	
Goodwill 2020E, EURm			0	Equity ratio 2020E, %		22.4	PEG, P/E 20/CAGR		0.0	

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

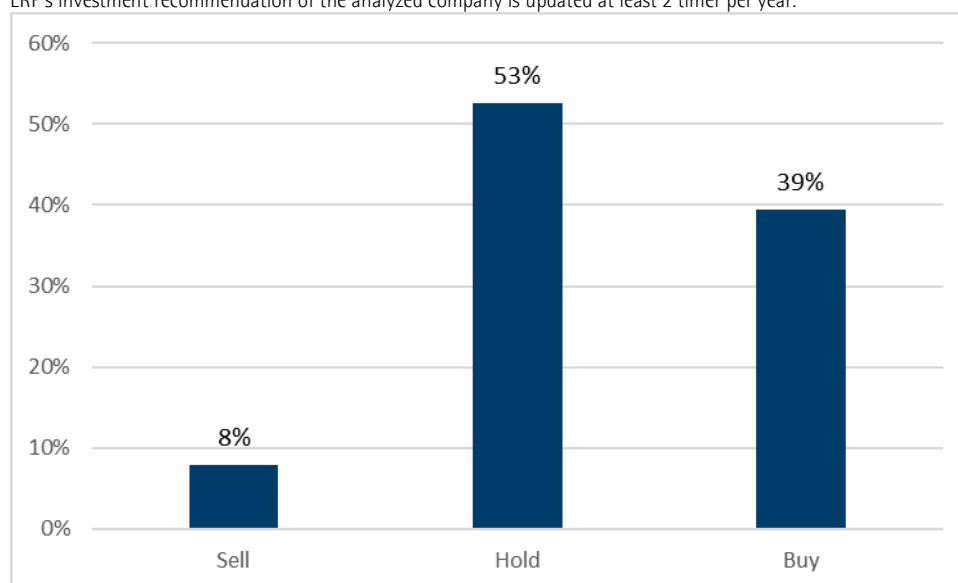
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Investment recommendations are defined as follows:

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

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

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