

## Strengthening its balance sheet

Finnair will strengthen its balance sheet with a rights offering of approx. EUR 500m, which have been fully underwritten. We have also cut our 20E estimates to be in line with the latest traffic plan. We keep our rating "SELL" with TP of EUR 0.6 (3.3).

### Aiming to raise gross proceeds of approx. EUR 500m

Finnair has announced the terms and conditions of its rights offering of approx. EUR 500m, which have been fully underwritten. The proceeds from the offering are intended for strengthening the company's balance sheet and to support the company's long-term strategy. The company offers up to ~1279m new shares for subscription for the existing shareholders. The existing shareholders receive one subscription right for each share held on the record date and each subscription right carries the right to subscribe for ten offer shares. The subscription price is EUR 0.40 per offer share. The state of Finland, which is the largest shareholder of Finnair, has committed to subscribe in full for offer shares on the basis of subscription rights allocated to it (a total of 55.9% of the offer shares). The subscription period commences on 17 June 2020 and ends on 1 July 2020.

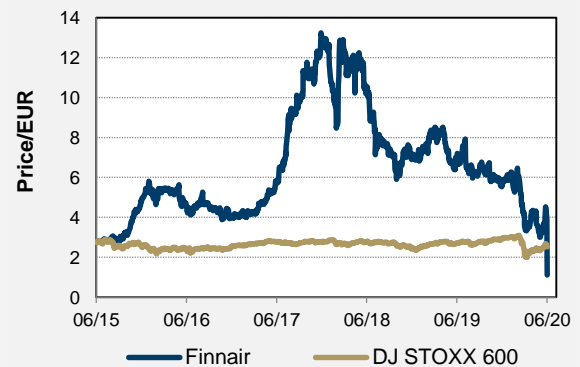
### Further estimates cut for 20E

We have also adjusted our H2'20E estimates downward based on the traffic plan introduced earlier in May. Finnair will start gradually to add frequencies and routes back starting from July. For instance, the company will fly to several European destinations, concentrating first on the key cities. Also, long-haul flights to Asia will start in phases. The company aims to operate approx. 30% of its normal amount of flights in July. Finnair estimated that it will fly approx. 70% of its normal capacity at the end of this year.

### "SELL" with TP of EUR 0.6 (3.3)

We now expect 20E revenue to decline by ~48% y/y, amounting to EUR 1605m (prev. EUR 1752m). We expect 20E adj. EBIT of EUR -305m (prev. EUR -265m). We keep our rating "SELL" with TP of EUR 0.6 (3.3).

Rating ■ SELL



Share price, EUR (Last trading day's closing price)	1.11
Target price, EUR	0.6
Latest change in rating	30-Apr-20
Latest report on company	30-Apr-20
Research paid by issuer:	YES
No. of shares outstanding, '000's	1,407,401
No. of shares fully diluted, '000's	1,407,401
Market cap, EURm	1,562
Free float, %	39.7
Exchange rate EUR/USD	1.170
Reuters code	FIA1S.HE
Bloomberg code	FIA1S.FH
Average daily volume, EURm	na.
Next interim report	17-Jul-20
Web site	investors.finnair.com
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■ BUY ■ HOLD ■ SELL

## KEY FIGURES

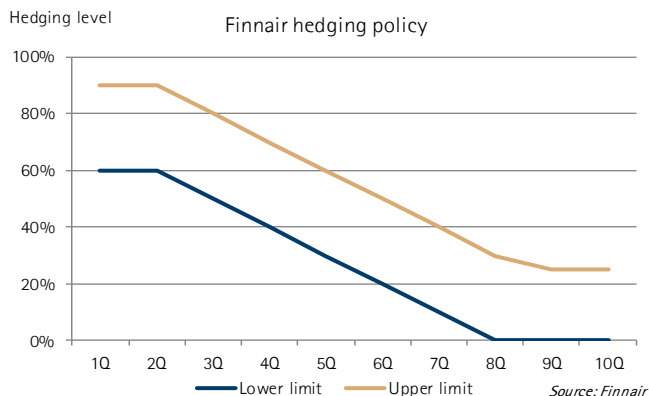
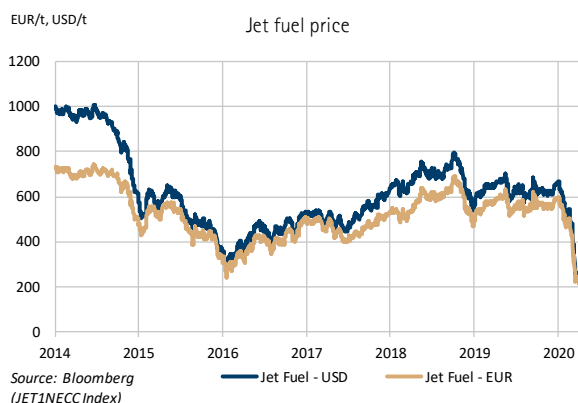
	Sales EURm	EBIT EURm	EBIT %	FCF EURm	EPS EUR	P/E (x)	EV/Sales (x)	EV/EBIT (x)	FCF yield %	DPS EUR
2018	2,836.1	218.4	7.7%	267.6	0.40	10.2	0.6	7.4	29.5	0.27
2019	3,097.7	162.8	5.3%	-12.3	0.50	11.7	0.4	8.5	-1.6	0.00
2020E	1,605.3	-305.0	-19.0%	-664.7	-0.27	-4.1	1.5	-7.7	-42.5	0.00
2021E	2,635.9	75.2	2.9%	3.0	-0.02	-56.4	0.9	31.2	0.2	0.00
2022E	2,745.3	133.4	4.9%	-10.4	0.03	40.5	0.9	17.7	-0.7	0.00
Market cap, EURm		1,562	Gearing 2020E, %			71.9	CAGR EPS 2019-22, %			-62.1
Net debt 2020E, EURm		783	Price/book 2020E			1.4	CAGR sales 2019-22, %			-3.9
Enterprise value, EURm		2,345	Dividend yield 2020E, %			0.0	ROE 2020E, %			-36.7
Total assets 2020E, EURm		3,580	Tax rate 2020E, %			20.2	ROCE 2020E, %			-12.4
Goodwill 2020E, EURm		0	Equity ratio 2020E, %			32.0	PEG, P/E 20/CAGR			0.0

Estimates

FINNAIR EURm	2017 FY	2018 FY	2019 Q1	2019 Q2	2019 Q3	2019 Q4	2019 FY	2020 Q1	2020E Q2	2020E Q3	2020E Q4	2020E FY	2021E FY	2022E FY
Passengers (thousands)	11905	13281	3148	3910	4088	3504	14650	2656	187	1954	2583	7379	12773	13151
<i>y/y change</i>	10%	12%	4%	13%	12%	11%	10%	-16%	-95%	-52%	-26%	-50%	73%	3%
ASK (mkm)	36 922	42 386	10 670	12 308	12 624	11 587	47 190	9 671	588	6 033	8 542	24 834	41 873	43 112
<i>y/y change</i>	9%	15%	10%	15%	10%	11%	11%	-9%	-95%	-52%	-26%	-47%	69%	3%
RPK (mkm)	30 749	34 660	8 356	10 152	10 879	9 151	38 538	7 025	423	4 807	6 596	18 852	33 292	34 279
<i>y/y change</i>	14%	13%	4%	15%	12%	14%	11%	-16%	-96%	-56%	-28%	-51%	77%	3%
Load factor (RPK/ASK), PLF	83.3%	81.8%	78.3%	82.5%	86.2%	79.0%	81.7%	72.6%	71.9%	79.7%	77.2%	75.9%	79.5%	79.5%
<i>y/y change</i>	3.5%-p	-1.5%-p	-4.6%-p	-0.1%-p	1.7%-p	2.1%-p	-0.1%-p	-5.7%-p	-10.6%-p	-6.5%-p	-1.8%-p	-5.8%-p	3.6%-p	0.0%-p
<b>Total revenue</b>	<b>2569</b>	<b>2835</b>	<b>668</b>	<b>789</b>	<b>865</b>	<b>775</b>	<b>3098</b>	<b>561</b>	<b>65</b>	<b>414</b>	<b>565</b>	<b>1605</b>	<b>2636</b>	<b>2745</b>
<i>YoY change</i>	<b>11%</b>	<b>10%</b>	<b>5%</b>	<b>10%</b>	<b>8%</b>	<b>13%</b>	<b>9%</b>	<b>-16%</b>	<b>-92%</b>	<b>-52%</b>	<b>-27%</b>	<b>-48%</b>	<b>64%</b>	<b>4%</b>
Other income	77	74	15	13	13	15	56	14	0	5	5	24	52	52
<b>Staff costs</b>	<b>-423</b>	<b>-500</b>	<b>-130</b>	<b>-137</b>	<b>-132</b>	<b>-136</b>	<b>-535</b>	<b>-136</b>	<b>-37</b>	<b>-72</b>	<b>-102</b>	<b>-348</b>	<b>-468</b>	<b>-484</b>
<i>y/y change</i>	17%	18%	5%	3%	6%	14%	7%	5%	-73%	-45%	-25%	-35%	35%	3%
<i>% of revenue</i>	16%	18%	19%	17%	15%	18%	17%	24%	57%	17%	18%	22%	18%	18%
<b>Fuel</b>	<b>-472</b>	<b>-581</b>	<b>-145</b>	<b>-181</b>	<b>-190</b>	<b>-171</b>	<b>-687</b>	<b>-144</b>	<b>-18</b>	<b>-81</b>	<b>-106</b>	<b>-349</b>	<b>-543</b>	<b>-526</b>
<i>y/y change</i>	-4%	23%	14%	24%	17%	18%	18%	-1%	-90%	-57%	-38%	-49%	56%	-3%
<i>% of revenue</i>	18%	20%	22%	23%	22%	22%	22%	26%	27%	20%	19%	22%	21%	19%
<b>Other OPEX</b>	<b>-1314</b>	<b>-1330</b>	<b>-348</b>	<b>-359</b>	<b>-375</b>	<b>-362</b>	<b>-1444</b>	<b>-304</b>	<b>-94</b>	<b>-214</b>	<b>-278</b>	<b>-889</b>	<b>-1250</b>	<b>-1293</b>
<i>y/y change</i>	4%	1%	8%	10%	8%	9%	9%	-13%	-74%	-43%	-23%	-38%	41%	3%
<i>% of revenue</i>	51%	47%	52%	45%	43%	47%	47%	54%	146%	52%	49%	55%	47%	47%
<b>Comparable EBITDA</b>	<b>300</b>	<b>501</b>	<b>60</b>	<b>126</b>	<b>182</b>	<b>121</b>	<b>488</b>	<b>-9</b>	<b>-84</b>	<b>52</b>	<b>84</b>	<b>43</b>	<b>427</b>	<b>494</b>
Depreciation	-129	-294	-76	-79	-81	-90	-325	-83	-86	-88	-92	-349	-352	-361
<b>Comparable EBIT</b>	<b>171</b>	<b>218</b>	<b>-16</b>	<b>47</b>	<b>101</b>	<b>31</b>	<b>163</b>	<b>-91</b>	<b>-170</b>	<b>-36</b>	<b>-8</b>	<b>-305</b>	<b>75</b>	<b>133</b>
<i>Comp. EBIT-%</i>	<b>6.6%</b>	<b>7.7%</b>	<b>-2.4%</b>	<b>5.9%</b>	<b>11.6%</b>	<b>4.0%</b>	<b>5.3%</b>	<b>-16.2%</b>	<b>-263%</b>	<b>-8.6%</b>	<b>-1.4%</b>	<b>-19.0%</b>	<b>2.9%</b>	<b>4.9%</b>

Sources: Finnair, Evli estimates

Jet fuel



Valuation

FINNAIR PEER GROUP	MCAP	EV/EBITDA	EV/EBITDA	EV/EBITDA	EV/EBIT	EV/EBIT	EV/EBIT	P/E	P/E	P/E	P/B	P/B	P/B	
	local FX	20	21	22	20	21	22	20	21	22	20	21	22	
<b>Primary European peers</b>														
SAS AB	3432		7.3x	5.8x		85.8x	15.8x			5.6x				
International Consolidated Airlines Group	5222		5.1x	3.6x		13.0x	6.5x	9.5x	3.6x		1.8x	1.6x	1.2x	
Air France-KLM SA	1999		4.3x	3.1x		180.0x	11.0x		6.1x					
Deutsche Lufthansa AG	4856		4.4x	3.1x		25.0x	7.5x		6.4x		0.7x	0.7x	0.6x	
Norwegian Air Shuttle ASA	9312	15.4x	8.1x	6.7x		33.0x	17.1x	1.2x	0.6x		0.2x	0.2x	0.1x	
<b>Other European peers</b>														
Aegean Airlines SA	269			2.6x			7.1x	6.9x	4.8x		1.2x	1.0x	0.8x	
easyJet plc	3009		6.5x	4.3x		19.6x	8.3x	25.2x	8.4x		1.2x	1.2x	1.1x	
Ryanair Holdings Plc	12048	116.3x	7.3x	5.4x		12.4x	8.4x	11.4x	8.6x		2.8x	2.3x	1.8x	
Wizz Air Holdings Plc	2652	18.4x	5.9x	4.6x		11.4x	9.3x	14.4x	11.1x		3.2x	2.6x	1.9x	
<b>North American peers</b>														
American Airlines Group, Inc.	6081		17.7x	7.6x		95.0x	15.0x		8.0x					
Delta Air Lines, Inc.	17349		5.4x	4.6x		11.6x	7.9x	10.9x	6.5x		1.6x	1.4x	1.4x	
JetBlue Airways Corporation	2996		7.0x	4.0x		17.2x	7.5x	29.7x	8.1x		0.7x	0.7x	0.7x	
Southwest Airlines Co.	19350		8.2x	5.6x		13.2x	8.9x	18.2x	11.2x		1.7x	1.7x	1.6x	
Spirit Airlines, Inc.	1426		7.6x	6.6x		13.8x	12.5x	12.1x	7.1x		0.7x	0.6x	0.8x	
<b>Primary European peers median</b>		<b>15.4x</b>	<b>5.1x</b>	<b>3.6x</b>		<b>-</b>	<b>33.0x</b>	<b>11.0x</b>	<b>-</b>	<b>5.4x</b>	<b>5.6x</b>	<b>0.7x</b>	<b>0.7x</b>	<b>0.6x</b>
<b>Finnair (Evli est)*</b>		<b>53.9x</b>	<b>5.5x</b>	<b>4.8x</b>		<b>-7.7x</b>	<b>31.2x</b>	<b>17.7x</b>	<b>-4.1x</b>	<b>-56.4x</b>	<b>40.5x</b>	<b>1.4x</b>	<b>1.5x</b>	<b>1.4x</b>
<i>Finnair discount/premium to primary peer group median*</i>		<i>251 %</i>	<i>8 %</i>	<i>34 %</i>		<i>-</i>	<i>-5 %</i>	<i>60 %</i>	<i>-</i>	<i>-1150 %</i>	<i>621 %</i>	<i>115 %</i>	<i>110 %</i>	<i>134 %</i>

FINNAIR PEER GROUP	Ticker	Div yield	Div yield	Div yield	EBIT-%	EBIT-%	EBIT-%	ROCE-%	ROCE-%	ROCE-%	ROE-%	ROE-%	ROE-%
		20	21	22	20	21	22	20	21	22	20	21	22
<b>Primary European peers</b>													
SAS AB	SAS-SE	0.0%	0.0%	0.0%	-28.3%	1.4%	6.8%	-16.5%	1.3%	7.3%			
International Consolidated Airlines Group	IAG-GB	0.3%	2.5%	6.4%	-19.7%	7.5%	12.4%	-11.7%	6.8%	12.1%	-70.9%	16.6%	32.6%
Air France-KLM SA	AF-FR	0.0%	0.0%	0.6%	-27.4%	0.3%	5.0%	-18.1%	0.4%	7.1%			
Deutsche Lufthansa AG	LHA-DE	0.1%	1.0%	2.7%	-24.2%	2.0%	6.0%	-15.8%	2.0%	6.6%	-49.5%	-2.1%	9.5%
Norwegian Air Shuttle ASA	NAS-NO	0.0%	0.0%	5.6%	-5.9%	5.7%	9.6%	-2.4%	2.8%	5.3%	-58.8%	16.8%	23.6%
<b>Other European peers</b>													
Aegean Airlines SA	AEGN-GR	4.9%	5.0%	4.9%	-3.0%	6.0%	8.0%	-3.5%	8.7%	12.4%	-12.6%	14.7%	17.2%
easyJet plc	EZJ-GB	0.4%	2.3%	6.3%	-14.1%	4.2%	8.7%	-8.9%	3.7%	8.2%	-17.7%	4.8%	12.7%
Ryanair Holdings Plc	RY4C-IE	0.0%	0.0%	0.0%	-10.6%	15.4%	19.6%	-4.8%	10.5%	14.7%	-14.3%	20.1%	21.2%
Wizz Air Holdings Plc	WIZZ-GB	0.0%	0.0%	0.0%	-7.3%	15.3%	15.6%	-3.8%	11.6%	11.1%	-13.5%	17.7%	17.6%
<b>North American peers</b>													
American Airlines Group, Inc.	AAL-US	0.5%	0.3%	0.4%	-37.6%	1.2%	6.2%	-18.8%	0.9%	5.7%			
Delta Air Lines, Inc.	DAL-US	1.3%	0.0%	1.8%	-21.7%	7.9%	9.9%	-9.4%	5.8%	8.2%	-41.1%	13.0%	21.2%
JetBlue Airways Corporation	JBLU-US	0.0%	0.0%	0.0%	-27.3%	5.2%	9.6%	-10.6%	3.6%		-23.0%	2.5%	8.4%
Southwest Airlines Co.	LUV-US	0.8%	0.5%	1.1%	-23.6%	8.7%	11.3%	-11.3%	7.5%	13.0%	-23.3%	9.1%	14.0%
Spirit Airlines, Inc.	SAVE-US	0.0%	0.0%	0.0%	-21.2%	10.3%	10.2%	-5.8%	4.5%		-23.7%	5.2%	10.7%
<b>Primary European peers median</b>		<b>0.0%</b>	<b>0.0%</b>	<b>2.7%</b>	<b>-24.2%</b>	<b>2.0%</b>	<b>6.8%</b>	<b>-15.8%</b>	<b>2.0%</b>	<b>7.1%</b>	<b>-58.8%</b>	<b>16.6%</b>	<b>23.6%</b>
<b>Finnair (Evli est)*</b>	FIA1S-FI	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>-19.0%</b>	<b>2.9%</b>	<b>4.9%</b>	<b>-</b>	<b>3.0%</b>	<b>5.1%</b>	<b>-36.7%</b>	<b>-2.6%</b>	<b>3.6%</b>

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	2020Q1	2020Q2E	2020Q3E	2020Q4E	2020E	2021E	2022E
Net sales	668.3	789.1	865.4	774.9	3,097.7	561.2	64.7	414.1	565.3	1,605.3	2,635.9	2,745.3
EBITDA	60.2	125.6	181.8	120.7	488.2	-8.6	-84.3	52.2	84.2	43.5	426.8	494.4
<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>-1.5</i>	<i>-130.3</i>	<i>12.6</i>	<i>14.9</i>	<i>2.7</i>	<i>16.2</i>	<i>18.0</i>
EBIT	-15.8	46.9	100.6	31.2	162.8	-91.1	-170.3	-35.8	-7.8	-305.0	75.2	133.4
<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>-16.2</i>	<i>-263.2</i>	<i>-8.6</i>	<i>-1.4</i>	<i>-19.0</i>	<i>2.9</i>	<i>4.9</i>
Net financial items	-31.0	-8.8	-22.9	-4.3	-67.0	-82.7	-23.0	-23.0	-23.0	-151.7	-94.0	-69.5
Pre-tax profit	-46.8	38.1	77.7	26.9	95.8	-173.8	-193.3	-58.8	-30.8	-456.7	-18.8	64.0
Tax	9.7	-7.8	-14.4	-5.9	-18.4	35.6	38.7	11.8	6.2	92.2	3.8	-12.8
<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>20.5</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>20.2</i>	<i>20.0</i>	<i>20.0</i>
Net profit	-40.3	27.1	60.1	17.8	64.6	-141.4	-157.8	-50.2	-27.8	-377.2	-27.7	38.6
EPS	-0.31	0.21	0.47	0.14	0.50	-0.10	-0.11	-0.04	-0.02	-0.27	-0.02	0.03
EPS adjusted (diluted no. of shares)	-0.31	0.21	0.47	0.14	0.50	-0.10	-0.11	-0.04	-0.02	-0.27	-0.02	0.03
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
<b>SALES, EURm</b>												
Group total	668.3	789.1	865.4	774.9	3,097.7	561.2	64.7	414.1	565.3	1,605.3	2,635.9	2,745.3
Total	668.3	789.1	865.4	774.9	3,097.7	561.2	64.7	414.1	565.3	1,605.3	2,635.9	2,745.3
<b>SALES GROWTH, Y/Y %</b>												
Group total	4.2	9.9	7.2	15.7	9.2	-16.0	-91.8	-52.1	-27.0	-48.2	64.2	4.2
Total	4.2	9.9	7.2	15.7	9.2	-16.0	-91.8	-52.1	-27.0	-48.2	64.2	4.2
<b>EBIT, EURm</b>												
Group total	-15.8	46.9	100.6	31.2	162.8	-91.1	-170.3	-35.8	-7.8	-305.0	75.2	133.4
Total	-15.8	46.9	100.6	31.2	162.8	-91.1	-170.3	-35.8	-7.8	-305.0	75.2	133.4
<b>EBIT margin, %</b>												
Group total	-2.4	5.9	11.6	4.0	5.3	-16.2	-263.2	-8.6	-1.4	-19.0	2.9	4.9
Total	-2.4	5.9	11.6	4.0	5.3	-16.2	-263.2	-8.6	-1.4	-19.0	2.9	4.9

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	1,605.3	2,635.9	2,745.3
<i>Sales growth (%)</i>	-1.3	2.8	10.9	10.4	9.2	-48.2	64.2	4.2
EBITDA	131.8	161.0	299.6	512.6	488.2	43.5	426.8	494.4
<i>EBITDA margin (%)</i>	5.8	6.9	11.7	18.1	15.8	2.7	16.2	18.0
Depreciation	-108.1	-105.8	-129.2	-294.2	-325.4	-348.5	-351.6	-360.9
EBITA	23.7	55.2	170.4	218.4	162.8	-305.0	75.2	133.4
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	-305.0	75.2	133.4
<i>EBIT margin (%)</i>	1.1	2.4	6.6	7.7	5.3	-19.0	2.9	4.9
Reported EBIT	12.4	53.8	169.5	218.3	160.0	-305.5	75.2	133.4
<i>EBIT margin (reported) (%)</i>	0.6	2.3	6.6	7.7	5.2	-19.0	2.9	4.9
Net financials	-8.3	-10.5	-13.7	-129.0	-67.0	-151.7	-94.0	-69.5
Pre-tax profit	15.4	44.7	156.7	89.4	95.8	-456.7	-18.8	64.0
Taxes	-3.1	-8.9	-31.3	-25.6	-18.4	92.2	3.8	-12.8
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	-377.7	-27.7	38.6
Cash NRIs	-11.3	-1.4	-0.9	-0.1	-2.8	-0.5	0.0	0.0
Non-cash NRIs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>BALANCE SHEET, EURm</b>								
<b>Assets</b>								
Fixed assets	957	1,189	1,446	1,547	1,751	1,822	1,813	1,817
Goodwill	0	0	0	0	0	0	0	0
Right of use assets	0	0	0	999	878	1,076	1,054	1,098
Inventory	12	15	17	121	80	45	53	55
Receivables	364	512	460	210	217	140	204	211
Liquid funds	708	814	965	1,067	952	498	738	769
Total assets	2,050	2,529	2,887	3,944	3,878	3,580	3,862	3,949
<b>Liabilities</b>								
Shareholder's equity	727	857	1,016	918	966	1,089	1,061	1,100
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	1,076	1,054	1,098
Deferred taxes	0	33	74	48	64	64	64	64
Interest bearing debt	346	718	719	615	521	205	469	466
Non-interest bearing current liabilities	682	519	566	285	243	112	185	192
Other interest-free debt	201	339	428	811	873	878	873	873
Total liabilities	2,050	2,529	2,887	3,944	3,878	3,580	3,862	3,949
<b>CASH FLOW, EURm</b>								
+ EBITDA	132	161	300	513	488	43	427	494
- Net financial items	-8	-10	-14	-129	-67	-152	-94	-69
- Taxes	0	33	-1	-52	-2	92	4	-13
- Increase in Net Working Capital	43	56	57	50	-7	-18	0	-1
+/- Other	-2	-19	40	1	-16	-13	-13	-13
= Cash flow from operations	164	220	382	383	397	-47	324	399
- Capex	-81	-486	-405	-330	-409	-617	-321	-409
- 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	-665	3	-10
+/- New issues/buybacks	231	110	60	-110	21	500	0	0
- Paid dividend	0	0	-13	-38	-35	0	0	0
+/- Other	-480	108	-30	-17	-89	-289	237	41
Change in cash	282	105	151	103	-116	-454	240	31

KEY FIGURES	2016	2017	2018	2019	2020E	2021E	2022E
M-cap	516	1,643	908	753	1,562	1,562	1,562
Net debt (excl. convertibles)	-96	-246	707	623	783	785	795
Enterprise value	420	1,397	1,615	1,377	2,345	2,347	2,357
Sales	2,317	2,568	2,836	3,098	1,605	2,636	2,745
EBITDA	161	300	513	488	43	427	494
EBIT	55	170	218	163	-305	75	133
Pre-tax	45	157	89	96	-457	-19	64
Earnings	21	113	51	65	-377	-28	39
Equity book value (excl. minorities)	857	1,016	918	966	1,089	1,061	1,100
<b>Valuation multiples</b>							
EV/sales	0.2	0.5	0.6	0.4	1.5	0.9	0.9
EV/EBITDA	2.6	4.7	3.2	2.8	53.9	5.5	4.8
EV/EBITA	7.6	8.2	7.4	8.5	-7.7	31.2	17.7
EV/EBIT	7.6	8.2	7.4	8.5	-7.7	31.2	17.7
EV/OCF	1.9	3.7	4.2	3.5	-49.7	7.2	5.9
EV/FCFF	-1.5	6.3	6.1	8.4	-11.7	12.1	10.1
P/FCFE	-4.6	12.2	3.4	-61.4	-2.4	521.7	-149.7
P/E	24.9	14.6	10.2	11.7	-4.1	-56.4	40.5
P/B	0.6	1.6	1.0	0.8	1.4	1.5	1.4
Target EV/EBITDA	0.0	0.0	0.0	0.0	37.4	3.8	3.3
Target EV/EBIT	0.0	0.0	0.0	0.0	-5.3	21.7	12.3
Target EV/FCF	0.0	0.0	0.0	0.0	-2.4	544.1	-157.2
Target P/B	0.0	0.0	0.0	0.0	0.8	0.8	0.8
Target P/E	0.0	0.0	0.0	0.0	-2.2	-30.5	21.9
<b>Per share measures</b>							
Number of shares	128,136	128,136	128,136	128,136	1,407,401	1,407,401	1,407,401
Number of shares (diluted)	128,136	128,136	128,136	128,136	1,407,401	1,407,401	1,407,401
EPS	0.16	0.88	0.40	0.50	-0.27	-0.02	0.03
Operating cash flow per share	1.71	2.98	2.99	3.09	-0.03	0.23	0.28
Free cash flow per share	-0.88	1.05	2.09	-0.10	-0.47	0.00	-0.01
Book value per share	6.69	7.93	7.17	7.54	0.77	0.75	0.78
Dividend per share	0.10	0.30	0.27	0.00	0.00	0.00	0.00
Dividend payout ratio, %	61.7	34.1	68.6	0.0	0.0	0.0	0.0
Dividend yield, %	2.5	2.3	3.9	0.0	0.0	0.0	0.0
FCF yield, %	-21.9	8.2	29.5	-1.6	-42.5	0.2	-0.7
<b>Efficiency measures</b>							
ROE	2.6	12.0	5.3	6.9	-36.7	-2.6	3.6
ROCE	4.2	10.3	9.9	6.2	-12.4	3.0	5.1
<b>Financial ratios</b>							
Inventories as % of sales	0.6	0.7	4.3	2.6	2.8	2.0	2.0
Receivables as % of sales	22.1	17.9	7.4	7.0	8.7	7.8	7.7
Non-interest bearing liabilities as % of sales	22.4	22.0	10.1	7.8	7.0	7.0	7.0
NWC/sales, %	-12.7	-18.7	-26.4	-23.9	-45.0	-27.4	-26.3
Operative CAPEX/sales, %	21.0	15.8	11.6	13.2	38.5	12.2	14.9
CAPEX/sales (incl. acquisitions), %	21.0	15.8	11.6	13.2	38.5	12.2	14.9
FCFF/EBITDA	-1.8	0.7	0.5	0.3	-4.6	0.5	0.5
Net debt/EBITDA, book-weighted	-0.6	-0.8	1.4	1.3	18.0	1.8	1.6
Debt/equity, market-weighted	1.4	0.4	0.7	0.7	0.1	0.3	0.3
Equity ratio, book-weighted	37.8	39.1	25.4	27.4	32.0	29.8	30.2
Gearing, %	-11.2	-24.2	77.0	64.5	71.9	74.0	72.3

**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	79.382	5.1%
The local Government Pensions Institution	5,191,755	5.763	0.4%
Varma Mutual Pension Insurance Company	3,261,933	3.621	0.2%
Ilmarinen Mutual Pension Insurance Company	3,005,642	3.336	0.2%
The State Pension Fund	2,000,000	2.220	0.1%
U.S. Global Jets Etf	1,847,857	2.051	0.1%
Elo Mutual Pension Insurance Company	1,333,789	1.481	0.1%
Laakkonen Mikko Kalervo	780,000	0.866	0.1%
Finnairin Henkilöstöraho Hr.	659,400	0.732	0.0%
Veritas Pension Insurance Company	264,767	0.294	0.0%
Ten largest	89,860,569	99.745	6%
Residual	1,317,540,696	1,462.470	94%
Total	1,407,401,265	1,562.215	100%

EARNINGS CALENDAR	
July 17, 2020	Q2 report
October 28, 2020	Q3 report

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



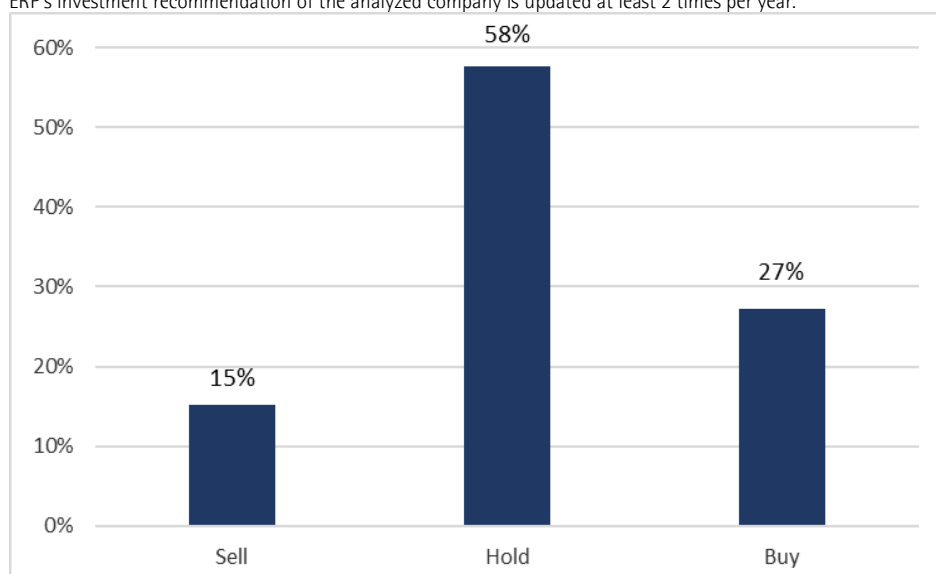
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Investment recommendations are defined as follows:

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

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

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