

Significant losses due to COVID-19

The continuing crisis around COVID-19 forces Finnair to cut its capacity by some 90% in April. We have cut our 20E estimates substantially and expect EUR -52m comparable operating loss in 20E. We keep our rating "HOLD" with TP of EUR 3.5 (5.0).

Second profit warning due to COVID-19

Finnair issued its second profit warning within a month as the COVID-19 continues to hammer the global airline industry. Earlier the company withdrew its capacity estimate for 20E and expected 20E comparable operating profit to be significantly lower than on the previous year. Due to the flight restrictions and low demand, Finnair now cuts its capacity by ~90% starting from April and indicates that the comparable operating loss will be significant in 20E. Also, the company decided to withdraw the '19 dividend proposal of EUR 0.2 per share.

Strong financial position securing Finnair's operations

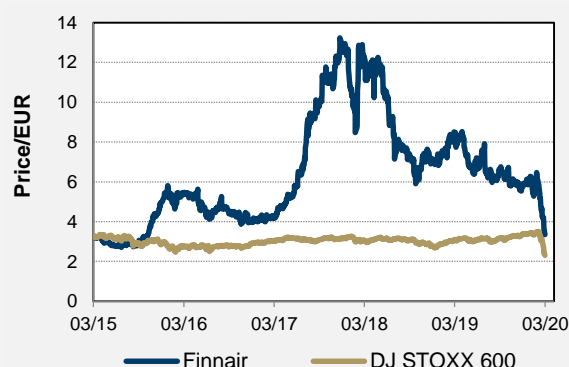
In order to secure its financing, Finnair has started to implement a substantial financing plan. This includes funding instruments such as available credit lines (Finnair has an available non-used credit line of EUR 175m), sale and leasebacks of unencumbered aircraft (Finnair currently has 42 unencumbered aircraft, which represents about half of the balance sheet value of the total fleet) and a substantial, market-based pension premium loan. Also, the Finnish government will actively support the company. Prior the COVID-19 situation, the company had a healthy balance sheet and a strong cash position, which should support Finnair's finance and operations even if the situation around COVID-19 is prolonged. The company will also make further cost adjustments (prev. aiming cost savings of some EUR 40-50m). We expect relatively quick savings from personnel expenses but many of the other cost savings are expected to be realized later in H1'20E.

"HOLD" with TP of EUR 3.5 (5.0)

We have significantly cut our 20E estimates. We now expect 20E revenue to decline by ~13% y/y (EUR 2707m) while we expect comparable operating profit to decline by ~132% y/y (EUR -52m). This is mainly due estimates cut in Q2'20E. With our updated estimates, Finnair's 20E gearing would be some 137% (64% in 2019), while the company's target is to keep the ratio below 175%. Our net debt/EBITDA estimate is 3.9 (1.3 in 2019). On our estimates, Finnair trades at 20E EV/EBITDA multiple of 5.4x, which translates into 105% premium compared to the peers. Despite of the severe situation, we expect Finnair has good possibilities to quickly continue its operations after the situation. As Finnair's financial position is strong we continue to see Finnair's mid-term outlook rather positive. Due to the exceptional situation, there are significant uncertainties with our short-term estimates. We keep our rating "HOLD" with TP of EUR 3.5 (5.0).

Rating

■ HOLD



Share price, EUR (Last trading day's closing price) 3.35

Target price, EUR 3.5

Latest change in rating 23-Oct-19

Latest report on company 02-Mar-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 429

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

Web site investors.finnair.com

Analyst Anna-Liisa Rissanen

E-mail annaliisa.rissanen@evli.com

Telephone +358401579919

+ BUY ■ HOLD - SELL

KEY FIGURES

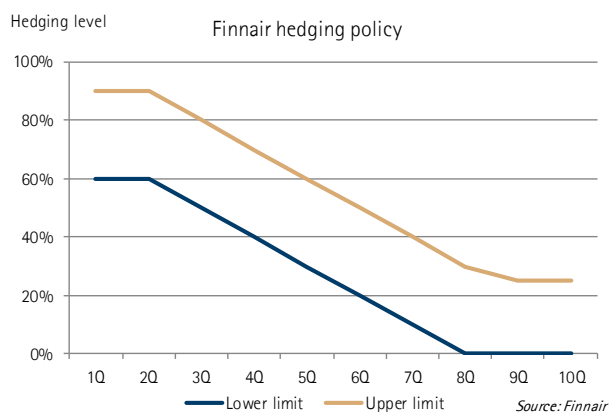
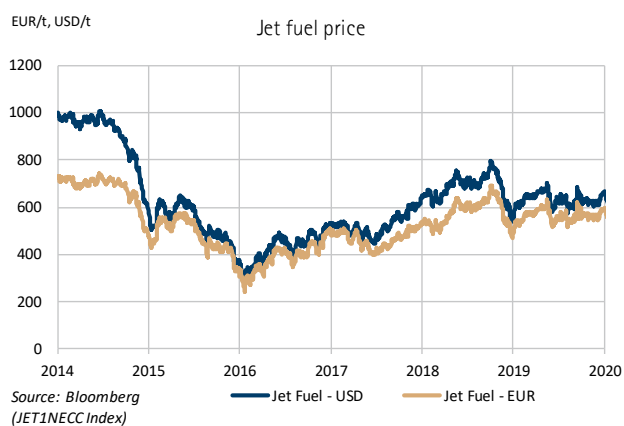
	Sales EURm	EBIT EURm	EBIT %	FCF EURm	EPS EUR	P/E (x)	EV/Sales (x)	EV/EBIT (x)	FCF yield %	DPS EUR
2018	2,836.1	218.4	7.7%	267.6	0.40	10.2	0.6	7.4	29.5	0.27
2019	3,097.7	162.8	5.3%	-12.3	0.50	11.7	0.4	8.5	-1.6	0.00
2020E	2,707.0	-52.2	-1.9%	-469.6	-1.32	-2.5	0.6	-29.2	-109.4	0.00
2021E	3,266.0	188.2	5.8%	-243.6	0.49	6.8	0.5	9.4	-56.8	0.16
2022E	3,396.3	220.8	6.5%	-170.8	0.67	5.0	0.6	8.9	-39.8	0.22
Market cap, EURm		429	Gearing 2020E, %			137.0	CAGR EPS 2019-22, %			9.8
Net debt 2020E, EURm		1,093	Price/book 2020E			0.5	CAGR sales 2019-22, %			3.1
Enterprise value, EURm		1,522	Dividend yield 2020E, %			0.0	ROE 2020E, %			-19.1
Total assets 2020E, EURm		4,063	Tax rate 2020E, %			-10.6	ROCE 2020E, %			-2.0
Goodwill 2020E, EURm		0	Equity ratio 2020E, %			21.2	PEG, P/E 20/CAGR			0.0

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	3207	1760	4239	3633	12839	15509	16052
<i>y/y change</i>	10%	12%	4%	13%	12%	11%	10%	2%	-55%	4%	4%	-12%	21%	4%
ASK (mkm)	36 922	42 386	10 670	12 308	12 624	11 587	47 190	10 871	5 539	13 091	12 016	41 517	49 980	51 730
<i>y/y change</i>	9%	15%	10%	15%	10%	11%	11%	2%	-55%	4%	4%	-12%	20%	4%
RPK (mkm)	30 749	34 660	8 356	10 152	10 879	9 151	38 538	8 306	4 294	11 283	9 490	33 373	40 817	42 253
<i>y/y change</i>	14%	13%	4%	15%	12%	14%	11%	-1%	-58%	4%	4%	-13%	22%	4%
Load factor (RPK/ASK), PLF	83.3%	81.8%	78.3%	82.5%	86.2%	79.0%	81.7%	76.4%	77.5%	86.2%	79.0%	80.4%	81.7%	81.7%
<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	-1.9%-p	-5.0%-p	0.0%-p	0.0%-p	-1.3%-p	1.3%-p	0.0%-p
Total revenue	2569	2835	668.3	789	865	775	3098	672	348	896	791	2707	3266	3396
YoY change	11%	10%	5%	10%	8%	13%	9%	1%	-56%	4%	2%	-13%	21%	4%
Other income	77	74	15	13	13	15	56	16	2	14	15	47	68	68
Staff costs	-423	-500	-130	-137	-132	-136	-535	-132	-89	-136	-140	-497	-566	-586
<i>y/y change</i>	17%	18%	5%	3%	6%	14%	7%	1%	-35%	3%	3%	-7%	14%	3%
<i>% of revenue</i>	16%	18%	19%	17%	15%	18%	17%	20%	26%	15%	18%	18%	17%	17%
Fuel	-472	-581	-145	-181	-190	-171	-687	-152	-74	-193	-170	-590	-680	-685
<i>y/y change</i>	-4%	23%	14%	24%	17%	18%	18%	5%	-59%	2%	-1%	-14%	15%	1%
<i>% of revenue</i>	18%	20%	22%	23%	22%	22%	22%	23%	21%	22%	21%	22%	21%	20%
Other OPEX	-1314	-1330	-348	-359	-375	-362	-1444	-363	-254	-392	-374	-1384	-1552	-1613
<i>y/y change</i>	4%	1%	8%	10%	8%	9%	9%	4%	-29%	5%	3%	-4%	12%	4%
<i>% of revenue</i>	51%	47%	52%	45%	43%	47%	47%	54%	73%	44%	47%	51%	48%	47%
Comparable EBITDA	300	501	60	126	182	121	488	41	-68	188	122	283	536	581
Depreciation	-129	-294	-76	-79	-81	-90	-325	-78	-82	-84	-92	-336	-348	-360
Comparable EBIT	171	218	-16	47	101	31	163	-37	-150	104	30	-52	188	221
Comp. EBIT-%	6.6%	7.7%	-2.4%	5.9%	11.6%	4.0%	5.3%	-5.5%	-43%	11.7%	3.8%	-1.9%	5.8%	6.5%
IAC & 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	-37	-150	104	30	-52	188	221

Sources: Finnair, Evli estimates

Fuel price



Valuation

FINNAIR PEER GROUP	MCAP local FX	EV/EBITDA			EV/EBIT			P/E			P/B		
		19	20	21	19	20	21	19	20	21	19	20	21
Primary European peers													
SAS AB	3126	6.9x	3.8x	3.1x	18.4x	17.7x	9.4x	5.1x	24.5x	2.6x	0.7x	0.6x	0.5x
International Consolidated Airlines Group	5076	4.1x	2.6x	2.1x	6.8x	4.5x	3.4x	2.4x	3.0x	2.3x	0.8x	0.7x	0.6x
Air France-KLM SA	1846	2.7x	2.3x	1.9x	9.6x	10.2x	5.7x	4.5x	4.6x	2.3x	0.8x	0.7x	0.6x
Deutsche Lufthansa AG	4139	2.9x	2.5x	1.9x	6.7x	7.5x	3.8x	3.2x	4.7x	2.3x	0.4x	0.4x	0.3x
Norwegian Air Shuttle ASA	1160	8.0x	8.2x	5.9x	73.0x	121.8x	17.1x			2.6x	0.2x	0.4x	0.3x
Other European peers													
Aegean Airlines SA	286	2.1x	0.2x		2.9x	0.3x		4.0x	5.0x	3.6x	1.0x	1.0x	0.8x
easyJet plc	2512	6.2x	3.5x	2.8x	12.8x	8.1x	5.2x	6.8x	8.2x	5.5x	0.8x	0.8x	0.7x
Ryanair Holdings Plc	10163	8.7x	5.3x	4.1x	14.4x	8.5x	6.3x	10.3x	9.1x	7.1x	1.8x	1.5x	1.3x
Wizz Air Holdings Plc	1875	4.6x	2.7x	2.1x	8.9x	5.1x	3.7x	8.8x	7.6x	5.8x	1.5x	1.2x	1.0x
North American peers													
American Airlines Group, Inc.	6783	6.5x	8.6x	5.7x	10.2x	18.0x	9.7x	3.2x	6.6x	3.4x	10.4x	6.9x	2.1x
Delta Air Lines, Inc.	22922	5.1x	4.4x	3.5x	7.2x	7.3x	5.2x	4.9x	6.8x	5.0x	1.5x	1.3x	1.1x
JetBlue Airways Corporation	2994	5.1x	4.2x	3.2x	8.3x	7.3x	5.2x	5.5x	6.0x	4.3x	0.6x	0.5x	0.5x
Southwest Airlines Co.	19409	6.7x	5.4x	4.0x	9.4x	8.1x	5.7x	8.7x	10.3x	7.4x	1.7x	1.6x	1.4x
Spirit Airlines, Inc.	798	5.7x	4.9x	4.3x	8.2x	7.3x	6.4x	2.3x	2.7x	2.2x	0.4x	0.3x	0.3x
Primary European peers median		4.1x	2.6x	2.1x	9.6x	10.2x	5.7x	3.9x	4.7x	2.3x	0.7x	0.6x	0.5x
Finnair (Evli est)*		2.8x	5.4x	3.3x	8.5x	-29.2x	9.4x	11.7x	-2.5x	6.8x	0.8x	0.5x	0.5x
<i>Finnair discount/premium to primary peer group median*</i>		<i>-31 %</i>	<i>105 %</i>	<i>55 %</i>	<i>-12 %</i>	<i>-386 %</i>	<i>65 %</i>	<i>201 %</i>	<i>-154 %</i>	<i>193 %</i>	<i>19 %</i>	<i>-17 %</i>	<i>-2 %</i>

FINNAIR PEER GROUP	Ticker	Div yield			EBIT-%			ROCE-%			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%	3.1%	5.6%	4.3%	4.3%	7.6%	12.7%	2.6%	19.2%
International Consolidated Airlines Group	IAG-GB	10.4%	9.7%	11.0%	12.8%	11.8%	14.0%	14.1%	13.1%	15.6%	33.7%	23.3%	26.0%
Air France-KLM SA	AF-FR	0.5%	0.7%	1.6%	4.2%	3.3%	5.5%	6.3%	4.8%	7.9%	18.1%	15.6%	24.4%
Deutsche Lufthansa AG	LHA-DE	6.5%	6.5%	10.2%	5.5%	3.8%	6.8%	8.5%	5.3%	9.8%	13.1%	8.2%	14.7%
Norwegian Air Shuttle ASA	NAS-NO	0.0%	0.0%	0.0%	2.0%	1.3%	8.2%	1.3%	0.7%	4.8%	-54.1%	-55.5%	13.3%
Other European peers													
Aegean Airlines SA	AEGN-GR	13.6%	11.8%	15.4%	8.6%	7.6%	9.6%	11.1%	9.8%	12.7%	24.1%	20.0%	23.2%
easyJet plc	EZJ-GB	6.9%	6.6%	8.9%	7.3%	6.2%	8.6%	8.6%	6.7%	9.8%	11.5%	9.5%	12.9%
Ryanair Holdings Plc	RY4C-IE	0.3%	0.4%	0.8%	13.3%	14.6%	16.8%	11.3%	12.1%	14.2%	17.5%	16.6%	17.8%
Wizz Air Holdings Plc	WIZZ-GB	0.0%	0.0%	0.0%	14.7%	15.4%	17.0%	11.8%	12.1%	13.5%	17.5%	16.3%	16.7%
North American peers													
American Airlines Group, Inc.	AAL-US	2.5%	2.6%	2.6%	8.1%	4.4%	6.7%	8.9%	4.5%	7.5%	323.0%	105.5%	61.4%
Delta Air Lines, Inc.	DAL-US	4.2%	4.1%	4.5%	14.1%	10.5%	12.7%	14.9%	10.4%	13.0%	31.2%	19.8%	22.5%
JetBlue Airways Corporation	JBLU-US	0.0%	0.0%	0.0%	10.0%	8.5%	10.9%	9.5%	7.5%	9.6%	10.6%	9.2%	11.2%
Southwest Airlines Co.	LUV-US	1.8%	1.9%	2.0%	13.3%	10.9%	13.7%	17.9%	14.1%	18.4%	19.5%	15.3%	18.4%
Spirit Airlines, Inc.	SAVE-US	0.0%	0.0%	0.0%	13.6%	11.3%	11.8%	8.8%	7.0%	7.6%	16.0%	12.1%	12.9%
Primary European peers median		0.5%	0.7%	1.6%	4.2%	3.3%	6.8%	6.3%	4.8%	7.9%	13.1%	8.2%	19.2%
Finnair (Evli est)*	FIA1S-FI	0.0%	0.0%	4.8%	5.3%	-1.9%	5.8%	6.2%	-2.0%	6.3%	6.9%	-19.1%	7.6%

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	671.9	347.9	895.9	791.4	2,707.0	3,266.0	3,396.3
EBITDA	60.2	125.6	181.8	120.7	488.2	40.8	-67.7	188.4	121.7	283.3	535.0	580.2
<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>6.1</i>	<i>-19.5</i>	<i>21.0</i>	<i>15.4</i>	<i>10.5</i>	<i>16.4</i>	<i>17.1</i>
EBIT	-15.8	46.9	100.6	31.2	162.8	-36.7	-149.7	104.4	29.7	-52.2	188.2	220.8
<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>-5.5</i>	<i>-43.0</i>	<i>11.7</i>	<i>3.8</i>	<i>-1.9</i>	<i>5.8</i>	<i>6.5</i>
Net financial items	-31.0	-8.8	-22.9	-4.3	-67.0	-20.0	-23.0	-23.0	-23.0	-89.0	-94.0	-98.2
Pre-tax profit	-46.8	38.1	77.7	26.9	95.8	-56.7	-172.7	81.4	6.7	-141.2	94.2	122.5
Tax	9.7	-7.8	-14.4	-5.9	-18.4	9.1	-5.9	-16.5	-1.6	-14.9	-18.8	-24.5
<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>16.1</i>	<i>-3.4</i>	<i>20.3</i>	<i>23.7</i>	<i>-10.6</i>	<i>20.0</i>	<i>20.0</i>
Net profit	-40.3	27.1	60.1	17.8	64.6	-50.7	-181.7	61.8	2.0	-168.7	62.7	85.4
EPS	-0.31	0.21	0.47	0.14	0.50	-0.40	-1.42	0.48	0.02	-1.32	0.49	0.67
EPS adjusted (diluted no. of shares)	-0.31	0.21	0.47	0.14	0.50	-0.40	-1.42	0.48	0.02	-1.32	0.49	0.67
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.16	0.22
SALES, EURm												
Group total	668.3	789.1	865.4	774.9	3,097.7	671.9	347.9	895.9	791.4	2,707.0	3,266.0	3,396.3
Total	668.3	789.1	865.4	774.9	3,097.7	671.9	347.9	895.9	791.4	2,707.0	3,266.0	3,396.3
SALES GROWTH, Y/Y %												
Group total	4.2	9.9	7.2	15.7	9.2	0.5	-55.9	3.5	2.1	-12.6	20.6	4.0
Total	4.2	9.9	7.2	15.7	9.2	0.5	-55.9	3.5	2.1	-12.6	20.6	4.0
EBIT, EURm												
Group total	-15.8	46.9	100.6	31.2	162.8	-36.7	-149.7	104.4	29.7	-52.2	188.2	220.8
Total	-15.8	46.9	100.6	31.2	162.8	-36.7	-149.7	104.4	29.7	-52.2	188.2	220.8
EBIT margin, %												
Group total	-2.4	5.9	11.6	4.0	5.3	-5.5	-43.0	11.7	3.8	-1.9	5.8	6.5
Total	-2.4	5.9	11.6	4.0	5.3	-5.5	-43.0	11.7	3.8	-1.9	5.8	6.5

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	2,707.0	3,266.0	3,396.3
<i>Sales growth (%)</i>	-1.3	2.8	10.9	10.4	9.2	-12.6	20.6	4.0
EBITDA	131.8	161.0	299.6	512.6	488.2	283.3	535.0	580.2
<i>EBITDA margin (%)</i>	5.8	6.9	11.7	18.1	15.8	10.5	16.4	17.1
Depreciation	-108.1	-105.8	-129.2	-294.2	-325.4	-335.5	-346.8	-359.5
EBITA	23.7	55.2	170.4	218.4	162.8	-52.2	188.2	220.8
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	-52.2	188.2	220.8
<i>EBIT margin (%)</i>	1.1	2.4	6.6	7.7	5.3	-1.9	5.8	6.5
Reported EBIT	12.4	53.8	169.5	218.3	160.0	-52.2	188.2	220.8
<i>EBIT margin (reported) (%)</i>	0.6	2.3	6.6	7.7	5.2	-1.9	5.8	6.5
Net financials	-8.3	-10.5	-13.7	-129.0	-67.0	-89.0	-94.0	-98.2
Pre-tax profit	15.4	44.7	156.7	89.4	95.8	-141.2	94.2	122.5
Taxes	-3.1	-8.9	-31.3	-25.6	-18.4	-14.9	-18.8	-24.5
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	-168.7	62.7	85.4
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	2,256	2,474
Goodwill	0	0	0	0	0	0	0	0
Right of use assets	0	0	0	999	878	947	980	1,019
Inventory	12	15	17	121	80	70	85	88
Receivables	364	512	460	210	217	197	226	233
Liquid funds	708	814	965	1,067	952	866	1,003	1,043
Total assets	2,050	2,529	2,887	3,944	3,878	4,063	4,550	4,857
Liabilities								
Shareholder's equity	727	857	1,016	918	966	798	860	925
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	947	980	1,019
Deferred taxes	0	33	74	48	64	64	64	64
Interest bearing debt	346	718	719	615	521	1,012	1,360	1,552
Non-interest bearing current liabilities	682	519	566	285	243	212	256	266
Other interest-free debt	201	339	428	811	873	873	873	873
Total liabilities	2,050	2,529	2,887	3,944	3,878	4,063	4,550	4,857
CASH FLOW, EURm								
+ EBITDA	132	161	300	513	488	283	535	580
- Net financial items	-8	-10	-14	-129	-67	-89	-94	-98
- Taxes	0	33	-1	-52	-2	-15	-19	-25
- 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	167	410	445
- Capex	-81	-486	-405	-330	-409	-636	-654	-616
- 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	-470	-244	-171
+/- New issues/buybacks	231	110	60	-110	21	0	0	0
- Paid dividend	0	0	-13	-38	-35	0	0	-21
+/- Other	-480	108	-30	-17	-89	384	381	232
Change in cash	282	105	151	103	-116	-85	137	40

KEY FIGURES	2016	2017	2018	2019	2020E	2021E	2022E
M-cap	516	1,643	908	753	429	429	429
Net debt (excl. convertibles)	-96	-246	707	623	1,093	1,336	1,528
Enterprise value	420	1,397	1,615	1,377	1,522	1,766	1,957
Sales	2,317	2,568	2,836	3,098	2,707	3,266	3,396
EBITDA	161	300	513	488	283	535	580
EBIT	55	170	218	163	-52	188	221
Pre-tax	45	157	89	96	-141	94	123
Earnings	21	113	51	65	-169	63	85
Equity book value (excl. minorities)	857	1,016	918	966	798	860	925
Valuation multiples							
EV/sales	0.2	0.5	0.6	0.4	0.6	0.5	0.6
EV/EBITDA	2.6	4.7	3.2	2.8	5.4	3.3	3.4
EV/EBITA	7.6	8.2	7.4	8.5	-29.2	9.4	8.9
EV/EBIT	7.6	8.2	7.4	8.5	-29.2	9.4	8.9
EV/OCF	1.9	3.7	4.2	3.5	9.1	4.3	4.4
EV/FCFF	-1.5	6.3	6.1	8.4	-9.1	-364.7	26.6
P/FCFE	-4.6	12.2	3.4	-61.4	-0.9	-1.8	-2.5
P/E	24.9	14.6	10.2	11.7	-2.5	6.8	5.0
P/B	0.6	1.6	1.0	0.8	0.5	0.5	0.5
Target EV/EBITDA	0.0	0.0	0.0	0.0	5.4	3.3	3.4
Target EV/EBIT	0.0	0.0	0.0	0.0	-29.5	9.5	9.0
Target EV/FCF	0.0	0.0	0.0	0.0	-3.3	-7.3	-11.6
Target P/B	0.0	0.0	0.0	0.0	0.6	0.5	0.5
Target P/E	0.0	0.0	0.0	0.0	-2.7	7.1	5.2
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	-1.32	0.49	0.67
Operating cash flow per share	1.71	2.98	2.99	3.09	1.30	3.20	3.47
Free cash flow per share	-0.88	1.05	2.09	-0.10	-3.67	-1.90	-1.33
Book value per share	6.69	7.93	7.17	7.54	6.22	6.71	7.22
Dividend per share	0.10	0.30	0.27	0.00	0.00	0.16	0.22
Dividend payout ratio, %	61.7	34.1	68.6	0.0	0.0	33.0	33.0
Dividend yield, %	2.5	2.3	3.9	0.0	0.0	4.8	6.6
FCF yield, %	-21.9	8.2	29.5	-1.6	-109.4	-56.8	-39.8
Efficiency measures							
ROE	2.6	12.0	5.3	6.9	-19.1	7.6	9.6
ROCE	4.2	10.3	9.9	6.2	-2.0	6.3	6.6
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	7.3	6.9	6.9
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	-27.4	-22.7	-21.8
Operative CAPEX/sales, %	21.0	15.8	11.6	13.2	23.5	20.0	18.1
CAPEX/sales (incl. acquisitions), %	21.0	15.8	11.6	13.2	23.5	20.0	18.1
FCFF/EBITDA	-1.8	0.7	0.5	0.3	-0.6	0.0	0.1
Net debt/EBITDA, book-weighted	-0.6	-0.8	1.4	1.3	3.9	2.5	2.6
Debt/equity, market-weighted	1.4	0.4	0.7	0.7	2.4	3.2	3.6
Equity ratio, book-weighted	37.8	39.1	25.4	27.4	21.2	20.6	20.7
Gearing, %	-11.2	-24.2	77.0	64.5	137.0	155.3	165.2

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	239.577	55.8%
The local Government Pensions Institution	5,750,875	19.265	4.5%
Varma Mutual Pension Insurance Company	3,261,933	10.927	2.5%
Ilmarinen Mutual Pension Insurance Company	2,870,642	9.617	2.2%
Tiiviste-Group Oy	2,150,000	7.202	1.7%
The State Pension Fund	1,720,000	5.762	1.3%
Oy Etra Invest Ab	1,000,000	3.350	0.8%
Elo Mutual Pension Insurance Company	832,652	2.789	0.6%
Veritas Pension Insurance Company	777,656	2.605	0.6%
Laakkonen Mikko Kalervo	740,000	2.479	0.6%
Ten largest	90,619,184	303.574	71%
Residual	37,516,931	125.682	29%
Total	128,136,115	429.256	100%

EARNINGS CALENDAR	
April 29, 2020	Q1 report
July 17, 2020	Q2 report
October 28, 2020	Q3 report
OTHER EVENTS	
March 18, 2020	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, %	$\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes}}{\text{Shareholder's equity} + \text{minority interest} + \text{taxed provisions (average)}}$		

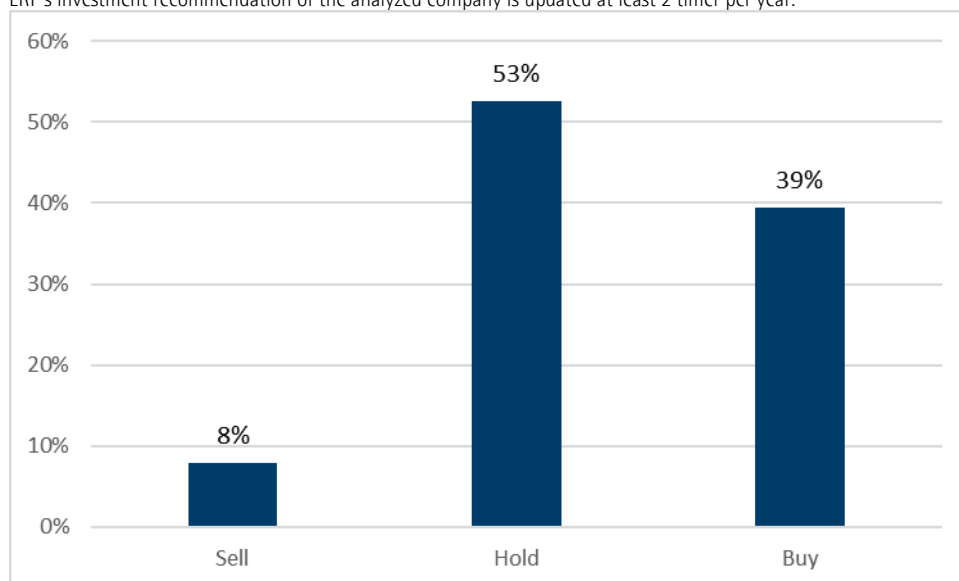
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Target price compared to share price	Recommendation
< -10 %	SELL
-10 – (+10) %	HOLD
> 10 %	BUY

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

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Contact information**SALES, TRADING AND RESEARCH****Equity Sales**

Ari Laine +358 9 4766 9115
Lauri Ahokanto +358 9 4766 9117
Niclas Henelius +358 9 4766 9116

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

ETFs and Derivatives

Joachim Dannberg +358 9 4766 9123
Kimmo Lijja +358 9 4766 9130

Structured Investments

Heikki Savijoki +358 9 4766 9726
Aki Lakkisto +358 9 4766 9123

Equity Research

Jonas Forslund +358 9 4766 9314
Joonas Ilvonen +358 44 430 9071
Jerker Salokivi +358 9 4766 9149
Anna-Liisa Rissanen +358 40 157 9919

Evli Investment Solutions

Johannes Asuja +358 9 4766 9205
Markku Reinikainen +358 9 4766 9669



EVLI BANK PLC
Aleksanterinkatu 19 A
P.O. Box 1081
FIN-00101 Helsinki, FINLAND
Phone +358 9 476 690
Fax +358 9 634 382
Internet www.evli.com
E-mail firstname.lastname@evli.com

**EVLI BANK PLC,
STOCKHOLMSFILIAL**
Regeringsgatan 67 P.O. Box 16354
SE-103 26 Stockholm
Sverige
stockholm@evli.com
Tel +46 (0)8 407 8000
Fax +46 (0)8 407 8001