

Waiting for better times

Finnair's Q4 figures were ugly, as expected. As the pandemic situation prolongs, we expect slow recovery to start during the summer but better improvement is expected to start in late 2021. We keep our rating "HOLD" with TP of EUR 0.60.

Revenue declined by 87% y/y

Once again, Finnair reported ugly quarterly figures, as the coronavirus situation is not showing any signs of abating. Strict travel restrictions remained, and there was an overall lack of demand during Oct-Dec. Finnair's Q4 revenue decreased by 87% y/y to EUR 102m (94m/101m Evli/cons.). Adj EBIT was EUR -163m (-172m/-167m Evli/cons.). Q4 ASK decreased by 89% and PLF was 29.2% (-49.8pp). No dividend is distributed for 2020.

Recovery expected to start during the summer

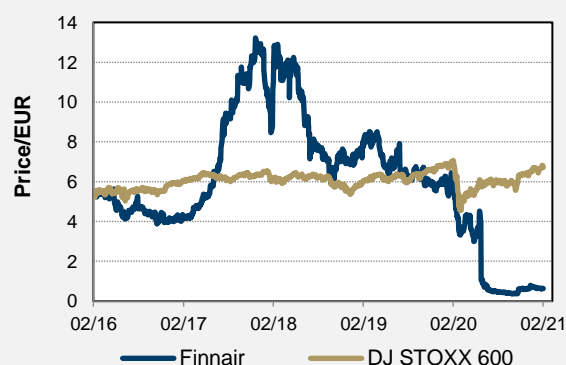
According to the company, the comparable operating loss in Q1 will be of a similar magnitude as in Q2-Q4'20. The company continues to fly with limited network during Q1 and estimates that the travel begins to recover from summer 2021 onwards as the vaccination coverage increases and countries start lifting travel restrictions. However, the visibility remains weak and therefore the company is not giving revenue guidance for 2021. The company expects that traffic will recover to 2019 levels in 2023 (measured in ASKs). We expect Finnair is well positioned once the recovery starts and the profitability should improve notably due to the permanent cost savings target of EUR 140m from the beginning of 2022 (compared to 2019).

"HOLD" with TP of EUR 0.60

The State of Finland and Finnair are preparing an unsecured hybrid loan of up to EUR 400m which is expected to be finalized during the first quarter of 2021. As the company still has available funding, we are not concerned even if the pandemic situation continues throughout the summer. We expect H1'21E to remain extremely weak but slightly better recovery is expected to start in Q3E. We expect 2021E revenue of EUR 1545m and adj. EBIT of EUR -312m. We highlight that there are still significant uncertainties with our estimates. We keep our rating "HOLD" with TP of EUR 0.60.

Rating

■ HOLD



Share price, EUR (Last trading day's closing price) 0.62

Target price, EUR 0.6

Latest change in rating 14-Jul-20

Latest report on company 12-Feb-21

Research paid by issuer: YES

No. of shares outstanding, '000's 1,407,231

No. of shares fully diluted, '000's 1,407,231

Market cap, EURm 872

Free float, % 42.9

Exchange rate EUR/USD 1.000

Reuters code FIA1S.HE

Bloomberg code FIA1S FH

Average daily volume, EURm na.

Next interim report 27-Apr-21

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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
2019	3,097.7	162.8	5.3%	-12.3	0.50	11.7	0.4	8.5	-1.6	0.00
2020	829.2	-595.3	-71.8%	-1,281.1	-0.48	-1.6	2.9	-4.1	-119.8	0.00
2021E	1,545.5	-311.7	-20.2%	76.4	-0.22	-2.8	1.4	-6.7	8.8	0.00
2022E	2,995.0	185.6	6.2%	-30.2	0.04	14.9	0.7	10.9	-3.5	0.00
2023E	3,183.6	246.4	7.7%	-143.3	0.08	8.2	0.6	8.4	-16.4	0.00
Market cap, EURm		872	Gearing 2021E, %			209.5	CAGR EPS 2020-23, %			0.0
Net debt 2021E, EURm		1,222	Price/book 2021E			1.5	CAGR sales 2020-23, %			56.6
Enterprise value, EURm		2,094	Dividend yield 2021E, %			0.0	ROE 2021E, %			-42.4
Total assets 2021E, EURm		3,648	Tax rate 2021E, %			20.0	ROCE 2021E, %			-10.7
Goodwill 2021E, EURm		0	Equity ratio 2021E, %			17.2	PEG, P/E 21/CAGR			0.0

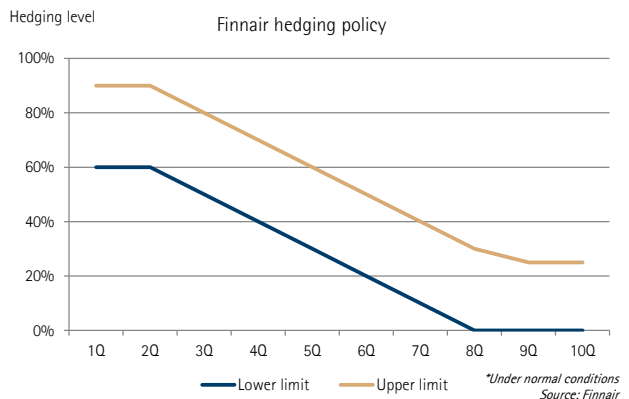
All the important disclosures can be found on the last pages of this report.

Estimates

FINNAIR	2017	2018	2019	2020	2020	2020	2020	2020	2020	2021E	2021E	2021E	2021E	2021E	2022E	2023E
EURm	FY	FY	FY	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY	FY	FY	
Passengers (thousands)	11905	13281	14650	2656	98	454	278	3486	356	1116	2234	2366	6072	12205	12952	
y/y change	10%	12%	10%	-16%	-97%	-89%	-92%	-76%	-87%	1039%	392%	750%	74%	101%	6%	
ASK (mkm)	36 922	42 386	47 189	9 671	345	1 667	1 256	12 938	1 297	3 925	8 204	9 029	22 456	44 672	47 378	
y/y change	9%	15%	11%	-9%	-97%	-87%	-89%	-73%	-87%	1039%	392%	619%	74%	99%	6.1%-p	
RPK (mkm)	30 749	34 660	38 534	7 025	114	645	366	8 150	439	2 211	5 930	7 167	15 747	35 816	38 605	
y/y change	14%	13%	11%	-16%	-99%	-94%	-96%	-79%	-94%	1838%	820%	1857%	93%	127%	8%	
Load factor (RPK/ASK), PLF	83.3%	81.8%	81.7%	72.6%	33.1%	38.7%	29.2%	63.0%	33.8%	56.3%	72.3%	79.4%	70.1%	80.2%	81.5%	
y/y change	3.5%-p	-1.5%-p	-0.1%-p	-5.7%-p	-49.4%-p	-47.5%-p	-49.8%-p	-18.7%-p	-38.8%-p	23.2%-p	33.6%-p	50.2%-p	7.1%-p	10.1%-p	1.3%-p	
Ancillary and retail	145	161	176	43	6	9	5	62	7	10	26	35	78	182	197	
Cargo	197	207	212	37	50	32	60	178	52	50	51	61	214	213	226	
Travel services	206	223	230	58	0	2	1	61	1	6	37	41	84	219	226	
Total revenue	2569	2835	3098	561	69	97	102	829	96	251	551	646	1545	2995	3184	
YoY change	11%	10%	9%	-16%	-91%	-89%	-87%	-73%	-83%	267%	466%	534%	86%	94%	6%	
Other income	77	74	56	14	11	11	12	48	11	13	13	13	50	52	52	
Staff costs	-423	-500	-535	-136	-48	-57	-42	-284	-42	-89	-106	-109	-346	-499	-513	
y/y change	17%	18%	7%	5%	-65%	-57%	-69%	-47%	-69%	85%	85%	160%	22%	44%	3%	
% of revenue	16%	18%	17%	24%	70%	59%	41%	34%	44%	35%	19%	17%	22%	17%	16%	
Fuel	-472	-581	-687	-144	-33	-29	-27	-233	-27	-64	-131	-141	-363	-656	-701	
y/y change	-4%	23%	18%	-1%	-82%	-85%	-85%	-66%	-81%	93%	351%	433%	56%	81%	70%	
% of revenue	18%	20%	22%	26%	48%	30%	26%	28%	28%	25%	24%	22%	23%	22%	22%	
Other OPEX	-1314	-1316	-1444	-304	-87	-104	-117	-613	-113	-178	-269	-290	-851	-1354	-1419	
y/y change	4%	0%	10%	-13%	-76%	-72%	-68%	-58%	-63%	104%	158%	147%	39%	59%	5%	
% of revenue	51%	46%	47%	54%	127%	107%	115%	74%	117%	71%	49%	45%	55%	45%	45%	
Comparable EBITDA	300	512	488	-9	-89	-82	-72	-251	-75	-66	58	118	35	538	602	
Depreciation	-129	-294	-325	-83	-85	-85	-91	-344	-84	-86	-86	-91	-347	-352	-356	
Comparable EBIT	171	218	163	-91	-174	-167	-163	-595	-159	-152	-28	27	-312	186	246	
Comp. EBIT-%	6.6%	7.7%	5.3%	-16.2%	-254.1%	-171.3%	-159.7%	-71.8%	-164.4%	-60.6%	-5.1%	4.2%	-20.2%	6.2%	7.7%	
IAC & fair value changes	54	39	-3	-4	3	-16	148	131	0	0	0	0	0	0	0	
EBIT	225	256	160	-96	-171	-183	-15	-465	-159	-152	-28	27	-312	186	246	

Sources: Finnair, Evli estimates

Jet fuel



Valuation

FINNAIR PEER GROUP	MCAP local FX	EV/EBITDA 20	EV/EBITDA 21	EV/EBITDA 22	EV/EBIT 20	EV/EBIT 21	EV/EBIT 22	P/E 20	P/E 21	P/E 22	P/B 20	P/B 21	P/B 22
Primary European peers													
SAS AB	12636		20.0x	6.1x			30.1x			48.0x	0.3x	2.8x	4.3x
International Consolidated Airlines Group	7840		16.6x	5.1x			10.3x			6.8x	3.0x	4.7x	3.0x
Air France-KLM SA	2044		24.6x	4.9x			30.8x						
Deutsche Lufthansa AG	6405		21.6x	4.9x			17.0x			21.4x	1.8x	3.4x	2.7x
Norwegian Air Shuttle ASA	2115		16.3x	7.4x			50.5x			1.7x	0.1x	0.1x	0.1x
Other European peers													
Aegean Airlines SA	314			2.8x			6.2x			5.4x	2.9x	2.3x	1.7x
easyJet plc	3625			5.8x			14.6x			17.0x	1.8x	2.4x	2.2x
Ryanair Holdings Plc	17453		17.3x	7.4x		39.8x	10.6x		43.1x	12.2x	4.0x	3.8x	2.8x
Wizz Air Holdings Plc	4114		14.1x	6.6x		60.3x	12.0x		115.2x	14.3x	7.7x	7.6x	4.6x
North American peers													
American Airlines Group, Inc.	11006			15.1x			35.3x			203.1x			
Delta Air Lines, Inc.	28303		19.8x	7.1x			11.2x			11.8x	25.5x	148.3x	14.2x
JetBlue Airways Corporation	5286			8.5x			16.0x			21.7x	1.3x	1.7x	1.6x
Southwest Airlines Co.	30686		69.1x	7.6x			11.3x			18.7x	3.5x	4.1x	3.5x
Spirit Airlines, Inc.	3336		264.3x	8.8x			15.9x			22.2x	1.5x	2.0x	1.8x
Primary European peers median			20.0x	5.1x			30.1x			14.1x	1.1x	3.1x	2.9x
Finnair (Evli est)*		-9.7x	59.2x	3.7x	-4.1x	-6.7x	10.9x	-1.6x	-2.8x	14.9x	1.2x	1.5x	1.2x
<i>Finnair discount/premium to primary peer group median*</i>		-	197 %	-27 %	-	-	-64 %	-	-	6 %	13 %	-52 %	-59 %

FINNAIR PEER GROUP	Ticker	Div yield 20	Div yield 21	Div yield 22	EBIT-% 20	EBIT-% 21	EBIT-% 22	ROCE-% 20	ROCE-% 21	ROCE-% 22	ROE-% 20	ROE-% 21	ROE-% 22
Primary European peers													
SAS AB	SAS-SE	0.0%	0.0%	0.0%	-45.1%	-12.7%	4.1%	-25.3%	-8.7%	4.3%	-147.1%	-23.0%	8.9%
International Consolidated Airlines Group	IAG-GB	0.0%	0.0%	2.0%	-61.0%	-5.7%	10.3%	-22.3%	-3.6%	9.5%	-218.7%	-57.6%	45.0%
Air France-KLM SA	AF-FR	0.0%	0.0%	0.0%	-42.3%	-13.3%	2.5%	-28.4%	-10.3%	3.2%			
Deutsche Lufthansa AG	LHA-DE	0.0%	0.0%	0.3%	-43.1%	-7.8%	3.7%	-23.0%	-6.7%	4.2%	-171.4%	-100.2%	12.4%
Norwegian Air Shuttle ASA	NAS-NO	0.0%	0.0%	62.6%	-39.8%	-10.7%	3.3%				-81.9%	-12.5%	5.5%
Other European peers													
Aegean Airlines SA	AEGN-GR	14.4%	0.2%	3.5%	-45.5%	0.8%	9.7%	-24.1%	0.9%	13.2%	-187.7%	-11.0%	32.1%
easyJet plc	EZJ-GB	0.0%	0.0%	1.9%	-25.8%	-27.3%	6.3%	-16.7%	-14.7%	7.6%	-38.8%	-39.4%	12.9%
Ryanair Holdings Plc	RY4C-IE	0.0%	0.0%	0.2%	-53.1%	8.7%	20.5%	-10.2%	5.3%	16.6%	-19.3%	8.7%	23.0%
Wizz Air Holdings Plc	WIZZ-GB	0.0%	0.0%	0.9%	-65.9%	6.0%	17.7%	-15.0%	3.5%	13.5%	-51.3%	6.6%	32.2%
North American peers													
American Airlines Group, Inc.	AAL-US	0.5%	0.0%	0.0%	-65.7%	-18.5%	3.6%	-25.1%	-10.7%	3.0%			
Delta Air Lines, Inc.	DAL-US	0.6%	0.1%	0.7%	-47.4%	-2.3%	11.4%	-14.4%	-1.1%	7.9%	-615.9%	-854.8%	120.4%
JetBlue Airways Corporation	JBLU-US	0.0%	0.0%	0.0%	-67.5%	-17.2%	8.1%	-18.4%	-8.5%	5.9%	-44.2%	-27.0%	7.3%
Southwest Airlines Co.	LUV-US	0.5%	0.4%	0.6%	-55.5%	-6.6%	12.8%	-22.5%	-4.3%	11.7%	-41.9%	-15.0%	19.0%
Spirit Airlines, Inc.	SAVE-US	0.0%	0.0%	0.0%	-44.7%	-9.8%	10.0%	-11.5%	-4.3%	6.1%	-36.1%	-22.0%	8.0%
Primary European peers median		0.0%	0.0%	0.3%	-43.1%	-10.7%	3.7%	-24.1%	-7.7%	4.2%	-159.2%	-40.3%	10.7%
Finnair (Evli est)*	FIA1S-FI	0.0%	0.0%	0.0%	-71.8%	-20.2%	6.2%	-21.1%	-10.7%	6.4%	-71.8%	-42.4%	8.8%

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	2020Q1	2020Q2	2020Q3	2020Q4	2020	2021Q1E	2021Q2E	2021Q3E	2021Q4E	2021E	2022E	2023E
Net sales	561.2	68.6	97.4	102.0	829.2	96.5	251.5	551.2	646.3	1,545.5	2,995.0	3,183.6
EBITDA	-8.6	-89.2	-82.0	-71.7	-251.5	-74.6	-66.4	58.1	118.2	35.3	538.1	602.4
<i>EBITDA margin (%)</i>	<i>-1.5</i>	<i>-130.0</i>	<i>-84.1</i>	<i>-70.3</i>	<i>-30.3</i>	<i>-77.3</i>	<i>-26.4</i>	<i>10.5</i>	<i>18.3</i>	<i>2.3</i>	<i>18.0</i>	<i>18.9</i>
EBIT	-91.1	-174.3	-167.0	-162.9	-595.3	-158.6	-152.4	-27.9	27.2	-311.7	185.6	246.4
<i>EBIT margin (%)</i>	<i>-16.2</i>	<i>-254.1</i>	<i>-171.3</i>	<i>-159.7</i>	<i>-71.8</i>	<i>-164.4</i>	<i>-60.6</i>	<i>-5.1</i>	<i>4.2</i>	<i>-20.2</i>	<i>6.2</i>	<i>7.7</i>
Net financial items	-82.7	-44.0	-66.3	2.9	-190.1	-20.0	-20.0	-20.0	-20.0	-80.0	-92.1	-98.5
Pre-tax profit	-173.8	-218.3	-233.3	-160.0	-785.4	-178.6	-172.4	-47.9	7.2	-391.7	93.5	148.0
Tax	35.6	43.1	49.9	2.6	131.2	35.7	34.5	9.6	-1.4	78.3	-18.7	-29.6
<i>Tax rate (%)</i>	<i>20.5</i>	<i>19.7</i>	<i>21.4</i>	<i>1.6</i>	<i>16.7</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>
Net profit	-141.4	-178.3	-187.9	-161.3	-669.0	-142.9	-137.9	-38.3	5.8	-313.4	58.4	105.8
EPS	-0.10	-0.13	-0.13	-0.11	-0.48	-0.10	-0.10	-0.03	0.00	-0.22	0.04	0.08
EPS adjusted (diluted no. of shares)	-0.10	-0.13	-0.13	-0.11	-0.48	-0.10	-0.10	-0.03	0.00	-0.22	0.04	0.08
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
SALES, EURm												
Group total	561.2	68.6	97.4	102.0	829.2	96.5	251.5	551.2	646.3	1,545.5	2,995.0	3,183.6
Total	561.2	68.6	97.4	102.0	829.2	96.5	251.5	551.2	646.3	1,545.5	2,995.0	3,183.6
SALES GROWTH, Y/Y %												
Group total	-16.0	-91.3	-88.7	-86.8	-73.2	-82.8	266.6	465.7	533.6	86.4	93.8	6.3
Total	-16.0	-91.3	-88.7	-86.8	-73.2	-82.8	266.6	465.7	533.6	86.4	93.8	6.3
EBIT, EURm												
Group total	-91.1	-174.3	-167.0	-162.9	-595.3	-158.6	-152.4	-27.9	27.2	-311.7	185.6	246.4
Total	-91.1	-174.3	-167.0	-162.9	-595.3	-158.6	-152.4	-27.9	27.2	-311.7	185.6	246.4
EBIT margin, %												
Group total	-16.2	-254.1	-171.3	-159.7	-71.8	-164.4	-60.6	-5.1	4.2	-20.2	6.2	7.7
Total	-16.2	-254.1	-171.3	-159.7	-71.8	-164.4	-60.6	-5.1	4.2	-20.2	6.2	7.7

INCOME STATEMENT, EURm	2016	2017	2018	2019	2020	2021E	2022E	2023E
Sales	2,316.8	2,568.4	2,836.1	3,097.7	829.2	1,545.5	2,995.0	3,183.6
<i>Sales growth (%)</i>	<i>2.8</i>	<i>10.9</i>	<i>10.4</i>	<i>9.2</i>	<i>-73.2</i>	<i>86.4</i>	<i>93.8</i>	<i>6.3</i>
EBITDA	161.0	299.6	512.6	488.2	-251.5	35.3	538.1	602.4
<i>EBITDA margin (%)</i>	<i>6.9</i>	<i>11.7</i>	<i>18.1</i>	<i>15.8</i>	<i>-30.3</i>	<i>2.3</i>	<i>18.0</i>	<i>18.9</i>
Depreciation	-105.8	-129.2	-294.2	-325.4	-343.8	-347.0	-352.5	-356.0
EBITA	55.2	170.4	218.4	162.8	-595.3	-311.7	185.6	246.4
Goodwill amortization / writedown	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	55.2	170.4	218.4	162.8	-595.3	-311.7	185.6	246.4
<i>EBIT margin (%)</i>	<i>2.4</i>	<i>6.6</i>	<i>7.7</i>	<i>5.3</i>	<i>-71.8</i>	<i>-20.2</i>	<i>6.2</i>	<i>7.7</i>
Reported EBIT	53.8	169.5	218.3	160.0	-597.7	-311.7	185.6	246.4
<i>EBIT margin (reported) (%)</i>	<i>2.3</i>	<i>6.6</i>	<i>7.7</i>	<i>5.2</i>	<i>-72.1</i>	<i>-20.2</i>	<i>6.2</i>	<i>7.7</i>
Net financials	-10.5	-13.7	-129.0	-67.0	-190.1	-80.0	-92.1	-98.5
Pre-tax profit	44.7	156.7	89.4	95.8	-785.4	-391.7	93.5	148.0
Taxes	-8.9	-31.3	-25.6	-18.4	131.2	78.3	-18.7	-29.6
Minority shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit	19.4	111.9	51.1	61.8	-671.4	-313.4	58.4	105.8
Cash NRIs	-1.4	-0.9	-0.1	-2.8	-2.4	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	1,189	1,446	1,547	1,751	1,683	1,557	1,544	1,781
Goodwill	0	0	0	0	0	0	0	0
Right of use assets	0	0	999	878	918	927	928	955
Inventory	15	17	121	80	68	62	75	80
Receivables	512	460	210	217	70	90	102	108
Liquid funds	814	965	1,067	952	824	927	1,198	1,273
Total assets	2,529	2,887	3,944	3,878	3,646	3,648	3,933	4,282
Liabilities								
Shareholder's equity	857	1,016	918	966	897	583	747	957
Minority interest	0	0	0	0	0	0	0	0
Convertibles	0	0	0	0	0	0	0	0
Lease liabilities	0	0	1,159	1,054	1,016	927	928	955
Deferred taxes	33	74	48	64	0	0	0	0
Interest bearing debt	718	719	615	521	1,182	1,222	1,417	1,504
Non-interest bearing current liabilities	519	566	285	243	176	464	389	414
Other interest-free debt	339	428	811	873	215	291	291	291
Total liabilities	2,529	2,887	3,944	3,878	3,647	3,648	3,933	4,282
CASH FLOW, EURm								
+ EBITDA	161	300	513	488	-251	35	538	602
- Net financial items	-10	-14	-129	-67	-190	-80	-92	-98
- Taxes	33	-1	-52	-2	-18	78	-19	-30
- Increase in Net Working Capital	56	57	50	-7	-489	274	-100	14
+/- Other	-19	40	1	-16	-17	0	-16	-13
= Cash flow from operations	220	382	383	397	-966	308	311	476
- Capex	-486	-405	-330	-409	-315	-231	-341	-619
- Acquisitions	0	0	0	0	0	0	0	0
+ Divestments	153	157	214	0	0	0	0	0
= Free cash flow	-113	134	268	-12	-1,281	76	-30	-143
+/- New issues/buybacks	110	60	-110	21	602	0	105	105
- Paid dividend	0	-13	-38	-35	0	0	0	0
+/- Other	108	-30	-17	-89	551	27	196	114
Change in cash	105	151	103	-116	-128	104	271	75

KEY FIGURES	2017	2018	2019	2020	2021E	2022E	2023E
M-cap	1,643	908	753	1,069	872	872	872
Net debt (excl. convertibles)	-246	707	623	1,374	1,222	1,147	1,186
Enterprise value	1,397	1,615	1,377	2,443	2,094	2,020	2,058
Sales	2,568	2,836	3,098	829	1,545	2,995	3,184
EBITDA	300	513	488	-251	35	538	602
EBIT	170	218	163	-595	-312	186	246
Pre-tax	157	89	96	-785	-392	93	148
Earnings	113	51	65	-669	-313	58	106
Equity book value (excl. minorities)	1,016	918	966	897	583	747	957
Valuation multiples							
EV/sales	0.5	0.6	0.4	2.9	1.4	0.7	0.6
EV/EBITDA	4.7	3.2	2.8	-9.7	59.3	3.8	3.4
EV/EBITA	8.2	7.4	8.5	-4.1	-6.7	10.9	8.4
EV/EBIT	8.2	7.4	8.5	-4.1	-6.7	10.9	8.4
EV/OCF	3.7	4.2	3.5	-2.5	6.8	6.5	4.3
EV/FCFF	6.3	6.1	8.4	-2.4	6.0	10.9	19.7
P/FCFE	12.2	3.4	-61.4	-0.8	11.4	-28.9	-6.1
P/E	14.6	10.2	11.7	-1.6	-2.8	14.9	8.2
P/B	1.6	1.0	0.8	1.2	1.5	1.2	0.9
Target EV/EBITDA	0.0	0.0	0.0	0.0	58.5	3.7	3.4
Target EV/EBIT	0.0	0.0	0.0	0.0	-6.6	10.7	8.2
Target EV/FCF	0.0	0.0	0.0	0.0	27.1	-65.9	-14.2
Target P/B	0.0	0.0	0.0	0.0	1.4	1.1	0.9
Target P/E	0.0	0.0	0.0	0.0	-2.7	14.5	8.0
Per share measures							
Number of shares	128,136	128,136	128,136	1,407,231	1,407,231	1,407,231	1,407,231
Number of shares (diluted)	128,136	128,136	128,136	1,407,231	1,407,231	1,407,231	1,407,231
EPS	0.88	0.40	0.50	-0.48	-0.22	0.04	0.08
Operating cash flow per share	2.98	2.99	3.09	-0.69	0.22	0.22	0.34
Free cash flow per share	1.05	2.09	-0.10	-0.91	0.05	-0.02	-0.10
Book value per share	7.93	7.17	7.54	0.64	0.41	0.53	0.68
Dividend per share	0.30	0.27	0.00	0.00	0.00	0.00	0.00
Dividend payout ratio, %	34.1	68.6	0.0	0.0	0.0	0.0	0.0
Dividend yield, %	2.3	3.9	0.0	0.0	0.0	0.0	0.0
FCF yield, %	8.2	29.5	-1.6	-119.8	8.8	-3.5	-16.4
Efficiency measures							
ROE	12.0	5.3	6.9	-71.8	-42.4	8.8	12.4
ROCE	10.3	9.9	6.2	-21.1	-10.7	6.4	7.6
Financial ratios							
Inventories as % of sales	0.7	4.3	2.6	8.2	4.0	2.5	2.5
Receivables as % of sales	17.9	7.4	7.0	8.4	5.8	3.4	3.4
Non-interest bearing liabilities as % of sales	22.0	10.1	7.8	21.2	30.0	13.0	13.0
NWC/sales, %	-18.7	-26.4	-23.9	-30.3	-34.0	-14.2	-13.8
Operative CAPEX/sales, %	15.8	11.6	13.2	38.0	15.0	11.4	19.4
CAPEX/sales (incl. acquisitions), %	15.8	11.6	13.2	38.0	15.0	11.4	19.4
FCFF/EBITDA	0.7	0.5	0.3	4.0	9.8	0.3	0.2
Net debt/EBITDA, book-weighted	-0.8	1.4	1.3	-5.5	34.6	2.1	2.0
Debt/equity, market-weighted	0.4	0.7	0.7	1.1	1.4	1.6	1.7
Equity ratio, book-weighted	39.1	25.4	27.4	25.5	17.2	21.6	25.4
Gearing, %	-24.2	77.0	64.5	153.3	209.5	153.7	123.8

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	786,669,686	487.735	55.9%
Ilmarinen Mutual Pension Insurance Company	37,000,000	22.940	2.6%
Varma Mutual Pension Insurance Company	35,881,263	22.246	2.5%
The State Pension Fund	15,978,216	9.906	1.1%
Elo Mutual Pension Insurance Company	14,671,668	9.096	1.0%
The Local Government Pensions Institution	13,198,680	8.183	0.9%
OP-Finland Fund	8,000,000	4.960	0.6%
OP-Finland Small Firms Fund	4,917,610	3.049	0.3%
Finnair	4,000,000	2.480	0.3%
Veritas Pension Insurance Company Ltd.	3,599,348	2.232	0.3%
Ten largest	923,916,471	572.828	66%
Residual	483,314,134	299.655	34%
Total	1,407,230,605	872.483	100%

EARNINGS CALENDAR	
April 27, 2021	Q1 report
July 15, 2021	Q2 report
October 26, 2021	Q3 report

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

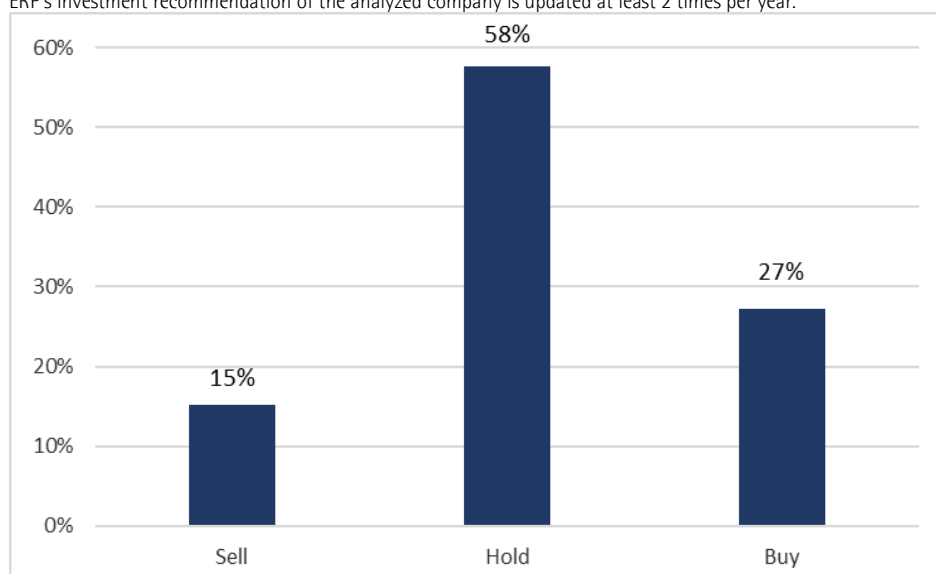
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Target price compared to share price	Recommendation
< -10 %	SELL
-10 – (+10) %	HOLD
> 10 %	BUY

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

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