

Slow recovery ahead

Finnair's April-June revenue decreased by 91% y/y (EUR 69m) while adj. EBIT totaled EUR -174m. Flights are slowly recovering in Europe and Asia but the costs related to the ramp-up will increase H2E comparable operating loss. We keep our rating "HOLD" with TP of EUR 0.50 (0.60).

Heavy losses during Q2

Finnair's Q2 result was weak as expected. April-June passenger numbers were down by ~98% y/y. Revenue declined by ~91% y/y and was EUR 69m vs. EUR 54m/49m Evli/consensus. Adj. EBIT was EUR -174m vs. EUR -177m/-179m Evli/consensus. ASK decreased by ~97% y/y and PLF was 33.1% (-49.4pp). Finnair's revenue in the second quarter was greatly supported by the cargo business, which generated more than 70% of the revenue. The company reiterated its previous guidance (20E revenue will decline significantly compared to the previous year and the comparable operating loss will be significant). Revenue guidance for Q3E was not given. However, the comparable operating loss in Q3E will be of a similar magnitude than in Q2, due to clearly reduced capacity and costs related to the ramp-up.

Slowly recovering

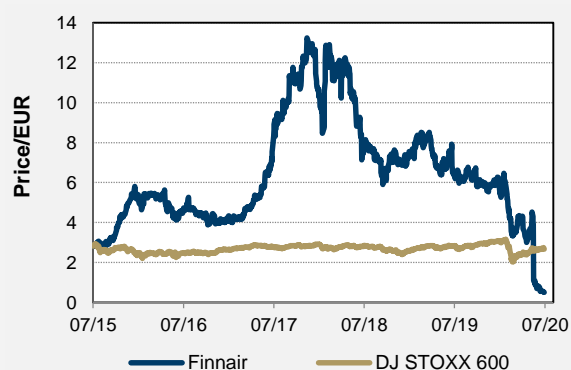
The historically gloomy quarter is now behind and Finnair is slowly recovering its flights as travel restrictions in many European and Asian countries are gradually being lifted. In July, the company operates approx. 25% of its normal amount of flights. The estimated level in September is approx. 50%. The current traffic plan might change based on the pandemic situation and changes in the country specific restrictions. Finnair's cargo business has increased its importance during this time and especially on Asian long-haul routes, the profitability is supported by the cargo business thus the good development of freight supports the launch of passenger flights. The company has been able to improve its cash position due to the rights offering proceeds of approx. EUR 500m (wasn't fully booked by the end of June) and EUR 200m instalment of the EUR 600m statutory pension premium loan which was drawn in June.

"HOLD" with TP of EUR 0.50 (0.60)

Based on the new information we have further cut our estimates. We expect 20E revenue of EUR 1497m and adj. EBIT of EUR -503m. We highlight that the visibility remains very weak and there are significant uncertainties also with our 21E-22E estimates. We keep our rating "HOLD" with TP of EUR 0.50 (0.60).

Rating

■ HOLD



Share price, EUR (Last trading day's closing price) 0.50

Target price, EUR 0.5

Latest change in rating 16-Jul-20

Latest report on company 16-Jul-20

Research paid by issuer: YES

No. of shares outstanding, '000's 1,407,192

No. of shares fully diluted, '000's 1,407,192

Market cap, EURm 704

Free float, % 42.6

Exchange rate EUR/USD 1.170

Reuters code FIA1S.HE

Bloomberg code FIA1S FH

Average daily volume, EURm na.

Next interim report 28-Oct-20

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■ BUY ■ HOLD ■ SELL

KEY FIGURES

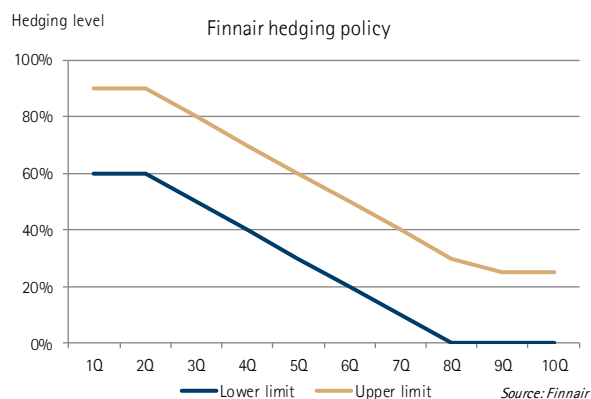
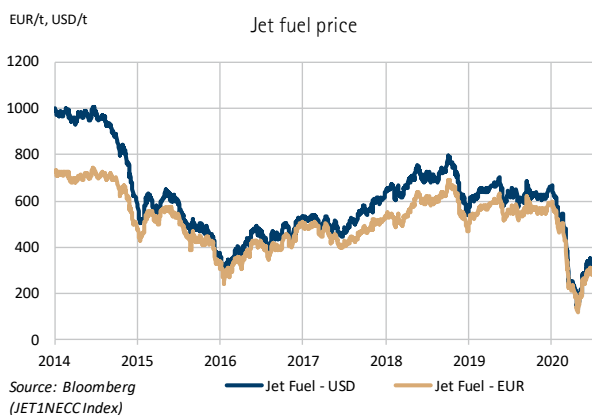
	Sales EURm	EBIT EURm	EBIT %	FCF EURm	EPS EUR	P/E (x)	EV/Sales (x)	EV/EBIT (x)	FCF yield %	DPS EUR
2018	2,836.1	218.4	7.7%	267.6	0.40	10.2	0.6	7.4	29.5	0.27
2019	3,097.7	162.8	5.3%	-12.3	0.50	11.7	0.4	8.5	-1.6	0.00
2020E	1,496.7	-502.5	-33.6%	-764.6	-0.39	-1.3	1.1	-3.2	-108.7	0.00
2021E	2,648.8	64.2	2.4%	71.7	-0.03	-19.3	0.6	23.7	10.2	0.00
2022E	2,758.7	118.3	4.3%	-15.5	0.02	25.8	0.6	13.0	-2.2	0.00
Market cap, EURm			704	Gearing 2020E, %		96.7	CAGR EPS 2019-22, %			-66.3
Net debt 2020E, EURm			883	Price/book 2020E		0.8	CAGR sales 2019-22, %			-3.8
Enterprise value, EURm			1,586	Dividend yield 2020E, %		0.0	ROE 2020E, %			-58.8
Total assets 2020E, EURm			3,896	Tax rate 2020E, %		20.0	ROCE 2020E, %			-19.2
Goodwill 2020E, EURm			0	Equity ratio 2020E, %		24.5	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	2020 Q2	2020E Q3	2020E Q4	2020E FY	2021E FY	2022E FY
Passengers (thousands)	11905	13281	3148	3910	4088	3504	14650	2656	98	1645	2413	6812	12489	12859
<i>y/y change</i>	10%	12%	4%	13%	12%	11%	10%	-16%	-97%	-60%	-31%	-54%	83%	3%
ASK (mkm)	36 922	42 386	10 670	12 308	12 624	11 587	47 190	9 671	345	5 081	7 980	23 077	42 070	43 315
<i>y/y change</i>	9%	15%	10%	15%	10%	11%	11%	-9%	-97%	-60%	-31%	-51%	82%	3%
RPK (mkm)	30 749	34 660	8 356	10 152	10 879	9 151	38 538	7 025	114	3 442	5 785	16 366	33 779	34 782
<i>y/y change</i>	14%	13%	4%	15%	12%	14%	11%	-16%	-99%	-68%	-37%	-58%	106%	3%
Load factor (RPK/ASK), PLF	83.3%	81.8%	78.3%	82.5%	86.2%	79.0%	81.7%	72.6%	33.1%	67.7%	72.5%	70.9%	80.3%	80.3%
<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	-49.4%-p	-18.4%-p	-6.5%-p	-10.7%-p	9.4%-p	0.0%-p
Total revenue	2569	2835	668	789	865	775	3098	561	69	334	533	1497	2649	2759
<i>YoY change</i>	11%	10%	5%	10%	8%	13%	9%	-16%	-91%	-61%	-31%	-52%	77%	4%
Other income	77	74	15	13	13	15	56	14	11	5	5	35	52	52
Staff costs	-423	-500	-130	-137	-132	-136	-535	-136	-48	-96	-102	-383	-472	-472
<i>y/y change</i>	17%	18%	5%	3%	6%	14%	7%	5%	-65%	-27%	-25%	-28%	23%	0%
<i>% of revenue</i>	16%	18%	19%	17%	15%	18%	17%	24%	70%	29%	19%	26%	18%	17%
Fuel	-472	-581	-145	-181	-190	-171	-687	-144	-33	-96	-131	-404	-560	-581
<i>y/y change</i>	-4%	23%	14%	24%	17%	18%	18%	1%	-82%	-50%	-23%	-41%	39%	4%
<i>% of revenue</i>	18%	20%	22%	23%	22%	22%	22%	26%	48%	29%	25%	27%	21%	21%
Other OPEX	-1314	-1330	-348	-359	-375	-362	-1444	-304	-87	-229	-280	-900	-1253	-1279
<i>y/y change</i>	4%	1%	8%	10%	8%	9%	9%	-13%	-76%	-39%	-23%	-38%	39%	2%
<i>% of revenue</i>	51%	47%	52%	45%	43%	47%	47%	54%	127%	68%	53%	60%	47%	46%
Comparable EBITDA	300	501	60	126	182	121	488	-9	-89	-81	24	-155	415	479
Depreciation	-129	-294	-76	-79	-81	-90	-325	-83	-85	-88	-92	-348	-351	-361
Comparable EBIT	171	218	-16	47	101	31	163	-91	-174	-169	-68	-503	64	118
<i>Comp. EBIT-%</i>	6.6%	7.7%	-2.4%	5.9%	11.6%	4.0%	5.3%	-16.2%	-254.1%	-50.7%	-12.7%	-33.6%	2.4%	4.3%

Sources: Finnair, Evli estimates

Jet fuel



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
		20	21	22	20	21	22	20	21	22	20	21	22
Primary European peers													
SAS AB	2984		7.2x	5.6x		86.7x	14.8x			4.5x			
International Consolidated Airlines Group	3945		5.4x	3.7x		16.1x	6.8x		9.6x	3.0x	1.5x	1.4x	1.0x
Air France-KLM SA	1702		5.3x	3.5x			12.9x			6.9x			
Deutsche Lufthansa AG	4917		5.0x	3.2x		60.9x	8.5x			6.7x	0.6x	0.6x	0.6x
Norwegian Air Shuttle ASA	9014		16.0x	8.8x			40.2x				0.7x	1.0x	1.3x
Other European peers													
Aegean Airlines SA	278			2.7x			6.7x		66.7x	4.7x	2.7x	2.0x	1.3x
easyJet plc	2677		5.6x	3.7x		19.1x	7.3x		22.1x	7.8x	1.0x	1.0x	0.9x
Ryanair Holdings Plc	11887	353.7x	7.7x	5.5x		14.1x	8.4x		14.5x	8.7x	2.8x	2.4x	1.9x
Wizz Air Holdings Plc	2951	19.7x	6.4x	4.6x		13.7x	8.9x		15.9x	11.5x	3.8x	3.0x	2.3x
North American peers													
American Airlines Group, Inc.	5793		22.3x	8.2x			17.2x			7.3x			
Delta Air Lines, Inc.	16559		6.8x	4.9x		14.5x	8.2x		14.6x	6.6x	1.8x	1.7x	1.7x
JetBlue Airways Corporation	2775		6.5x	4.5x		15.2x	7.2x		19.3x	8.0x	0.7x	0.7x	0.7x
Southwest Airlines Co.	18660		8.7x	5.8x		15.8x	8.5x		22.1x	11.1x	1.7x	1.7x	1.6x
Spirit Airlines, Inc.	1460		8.9x	7.6x		20.2x	12.8x		17.3x	7.9x	0.8x	0.7x	0.7x
Primary European peers median		-	5.4x	3.7x	-	60.9x	12.9x	-	9.6x	5.6x	0.7x	1.0x	1.0x
Finnair (Evli est)*		-10.2x	3.7x	3.2x	-3.2x	23.6x	13.0x	-1.3x	-19.2x	25.7x	0.8x	0.8x	0.8x
<i>Finnair discount/premium to primary peer group median*</i>		-	-32 %	-13 %	-	-61 %	0 %	-	-301 %	359 %	17 %	-16 %	-22 %

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
Primary European peers													
SAS AB	SAS-SE	0.0%	0.0%	0.0%	-27.4%	1.4%	6.9%	-15.9%	1.2%	7.5%			
International Consolidated Airlines Group	IAG-GB	0.3%	1.6%	7.1%	-24.8%	5.9%	11.6%	-13.1%	5.0%	11.0%	-88.0%	14.2%	33.1%
Air France-KLM SA	AF-FR	0.0%	0.0%	0.7%	-35.2%	-1.2%	4.7%	-22.7%	-1.4%	6.8%			
Deutsche Lufthansa AG	LHA-DE	0.2%	0.7%	1.5%	-27.0%	0.9%	5.4%	-16.8%	0.8%	5.8%	-57.3%	-6.4%	8.3%
Norwegian Air Shuttle ASA	NAS-NO	0.0%	0.0%	0.0%	-48.9%	-6.4%	5.5%	-8.1%	-2.2%	2.7%	-115.2%	-32.0%	-14.0%
Other European peers													
Aegean Airlines SA	AEGN-GR	0.0%	0.0%	1.7%	-13.4%	4.5%	8.6%	-12.9%	5.9%	10.7%	-145.2%	3.0%	26.7%
easyJet plc	EZJ-GB	0.5%	1.4%	4.8%	-16.7%	4.0%	8.8%	-8.2%	3.1%	8.0%	-20.7%	4.5%	11.7%
Ryanair Holdings Plc	RY4C-IE	0.0%	0.0%	0.0%	-15.6%	13.6%	19.1%	-6.1%	9.6%	14.4%	-14.3%	16.4%	22.0%
Wizz Air Holdings Plc	WIZZ-GB	0.0%	0.0%	0.0%	-10.7%	14.2%	16.5%	-5.4%	10.9%	13.2%	-18.0%	19.1%	19.9%
North American peers													
American Airlines Group, Inc.	AAL-US	1.0%	0.4%	0.5%	-50.3%	-2.0%	5.7%	-21.0%	-1.4%	4.9%			
Delta Air Lines, Inc.	DAL-US	1.4%	0.0%	1.8%	-39.9%	7.5%	10.7%	-13.8%	4.5%	8.1%	-63.1%	11.6%	25.8%
JetBlue Airways Corporation	JBLU-US	0.0%	0.0%	0.0%	-39.0%	6.3%	11.2%	-13.2%	3.8%	7.5%	-27.5%	3.7%	8.6%
Southwest Airlines Co.	LUV-US	0.9%	0.5%	1.1%	-42.2%	7.5%	12.4%	-18.8%	6.3%	12.9%	-31.4%	7.6%	14.2%
Spirit Airlines, Inc.	SAVE-US	0.0%	0.0%	0.0%	-39.0%	6.8%	10.6%	-11.5%	3.2%	5.5%	-33.0%	4.3%	8.7%
Primary European peers median		0.0%	0.0%	0.7%	-27.4%	0.9%	5.5%	-15.9%	0.8%	6.8%	-88.0%	-6.4%	8.3%
Finnair (Evli est)*	FIA1S-FI	0.0%	0.0%	0.0%	-33.6%	2.4%	4.3%	-19.2%	2.5%	4.7%	-58.8%	-4.1%	3.1%

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	2020Q2	2020Q3E	2020Q4E	2020E	2021E	2022E
Net sales	668.3	789.1	865.4	774.9	3,097.7	561.2	68.6	334.1	532.8	1,496.7	2,648.8	2,758.7
EBITDA	60.2	125.6	181.8	120.7	488.2	-8.6	-89.2	-81.2	24.2	-154.9	414.9	479.2
<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>-1.5</i>	<i>-130.0</i>	<i>-24.3</i>	<i>4.5</i>	<i>-10.3</i>	<i>15.7</i>	<i>17.4</i>
EBIT	-15.8	46.9	100.6	31.2	162.8	-91.1	-174.3	-169.2	-67.8	-502.5	64.2	118.3
<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>-16.2</i>	<i>-254.1</i>	<i>-50.7</i>	<i>-12.7</i>	<i>-33.6</i>	<i>2.4</i>	<i>4.3</i>
Net financial items	-31.0	-8.8	-22.9	-4.3	-67.0	-82.7	-44.0	-23.0	-23.0	-172.7	-94.0	-68.5
Pre-tax profit	-46.8	38.1	77.7	26.9	95.8	-173.8	-218.3	-192.2	-90.8	-675.2	-29.8	49.8
Tax	9.7	-7.8	-14.4	-5.9	-18.4	35.6	43.1	38.4	18.2	135.3	6.0	-10.0
<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>19.7</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>
Net profit	-40.3	27.1	60.1	17.8	64.6	-141.4	-178.3	-156.9	-75.8	-552.5	-36.5	27.2
EPS	-0.31	0.21	0.47	0.14	0.50	-0.10	-0.13	-0.11	-0.05	-0.39	-0.03	0.02
EPS adjusted (diluted no. of shares)	-0.31	0.21	0.47	0.14	0.50	-0.10	-0.13	-0.11	-0.05	-0.39	-0.03	0.02
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	668.3	789.1	865.4	774.9	3,097.7	561.2	68.6	334.1	532.8	1,496.7	2,648.8	2,758.7
Total	668.3	789.1	865.4	774.9	3,097.7	561.2	68.6	334.1	532.8	1,496.7	2,648.8	2,758.7
SALES GROWTH, Y/Y %												
Group total	4.2	9.9	7.2	15.7	9.2	-16.0	-91.3	-61.4	-31.2	-51.7	77.0	4.2
Total	4.2	9.9	7.2	15.7	9.2	-16.0	-91.3	-61.4	-31.2	-51.7	77.0	4.2
EBIT, EURm												
Group total	-15.8	46.9	100.6	31.2	162.8	-91.1	-174.3	-169.2	-67.8	-502.5	64.2	118.3
Total	-15.8	46.9	100.6	31.2	162.8	-91.1	-174.3	-169.2	-67.8	-502.5	64.2	118.3
EBIT margin, %												
Group total	-2.4	5.9	11.6	4.0	5.3	-16.2	-254.1	-50.7	-12.7	-33.6	2.4	4.3
Total	-2.4	5.9	11.6	4.0	5.3	-16.2	-254.1	-50.7	-12.7	-33.6	2.4	4.3

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	1,496.7	2,648.8	2,758.7
<i>Sales growth (%)</i>	-1.3	2.8	10.9	10.4	9.2	-51.7	77.0	4.2
EBITDA	131.8	161.0	299.6	512.6	488.2	-154.9	414.9	479.2
<i>EBITDA margin (%)</i>	5.8	6.9	11.7	18.1	15.8	-10.3	15.7	17.4
Depreciation	-108.1	-105.8	-129.2	-294.2	-325.4	-347.6	-350.7	-360.9
EBITA	23.7	55.2	170.4	218.4	162.8	-502.5	64.2	118.3
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	-502.5	64.2	118.3
<i>EBIT margin (%)</i>	1.1	2.4	6.6	7.7	5.3	-33.6	2.4	4.3
Reported EBIT	12.4	53.8	169.5	218.3	160.0	-503.8	64.2	118.3
<i>EBIT margin (reported) (%)</i>	0.6	2.3	6.6	7.7	5.2	-33.7	2.4	4.3
Net financials	-8.3	-10.5	-13.7	-129.0	-67.0	-172.7	-94.0	-68.5
Pre-tax profit	15.4	44.7	156.7	89.4	95.8	-675.2	-29.8	49.8
Taxes	-3.1	-8.9	-31.3	-25.6	-18.4	135.3	6.0	-10.0
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	-553.8	-36.5	27.2
Cash NRIs	-11.3	-1.4	-0.9	-0.1	-2.8	-1.3	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	1,823	1,829	1,834
Goodwill	0	0	0	0	0	0	0	0
Right of use assets	0	0	0	999	878	980	1,060	1,103
Inventory	12	15	17	121	80	60	26	28
Receivables	364	512	460	210	217	136	136	140
Liquid funds	708	814	965	1,067	952	898	843	772
Total assets	2,050	2,529	2,887	3,944	3,878	3,896	3,894	3,877
Liabilities								
Shareholder's equity	727	857	1,016	918	966	913	876	903
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	980	1,060	1,103
Deferred taxes	0	33	74	48	64	64	64	64
Interest bearing debt	346	718	719	615	521	800	600	501
Non-interest bearing current liabilities	682	519	566	285	243	105	265	276
Other interest-free debt	201	339	428	811	873	878	873	873
Total liabilities	2,050	2,529	2,887	3,944	3,878	3,896	3,894	3,877
CASH FLOW, EURm								
+ EBITDA	132	161	300	513	488	-155	415	479
- Net financial items	-8	-10	-14	-129	-67	-173	-94	-69
- Taxes	0	33	-1	-52	-2	135	6	-10
- Increase in Net Working Capital	43	56	57	50	-7	-37	193	7
+/- Other	-2	-19	40	1	-16	-14	-13	-13
= Cash flow from operations	164	220	382	383	397	-243	508	395
- Capex	-81	-486	-405	-330	-409	-522	-436	-410
- 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	-765	72	-15
+/- 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	211	-126	-55
Change in cash	282	105	151	103	-116	-54	-54	-71

KEY FIGURES	2016	2017	2018	2019	2020E	2021E	2022E
M-cap	516	1,643	908	753	704	704	704
Net debt (excl. convertibles)	-96	-246	707	623	883	816	832
Enterprise value	420	1,397	1,615	1,377	1,586	1,520	1,535
Sales	2,317	2,568	2,836	3,098	1,497	2,649	2,759
EBITDA	161	300	513	488	-155	415	479
EBIT	55	170	218	163	-502	64	118
Pre-tax	45	157	89	96	-675	-30	50
Earnings	21	113	51	65	-552	-36	27
Equity book value (excl. minorities)	857	1,016	918	966	913	876	903
Valuation multiples							
EV/sales	0.2	0.5	0.6	0.4	1.1	0.6	0.6
EV/EBITDA	2.6	4.7	3.2	2.8	-10.2	3.7	3.2
EV/EBITA	7.6	8.2	7.4	8.5	-3.2	23.7	13.0
EV/EBIT	7.6	8.2	7.4	8.5	-3.2	23.7	13.0
EV/OCF	1.9	3.7	4.2	3.5	-6.5	3.0	3.9
EV/FCFF	-1.5	6.3	6.1	8.4	-4.2	4.2	6.7
P/FCFE	-4.6	12.2	3.4	-61.4	-0.9	9.8	-45.5
P/E	24.9	14.6	10.2	11.7	-1.3	-19.3	25.8
P/B	0.6	1.6	1.0	0.8	0.8	0.8	0.8
Target EV/EBITDA	0.0	0.0	0.0	0.0	-10.2	3.7	3.2
Target EV/EBIT	0.0	0.0	0.0	0.0	-3.2	23.7	13.0
Target EV/FCF	0.0	0.0	0.0	0.0	-2.1	21.2	-99.3
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	-1.3	-19.3	25.8
Per share measures							
Number of shares	128,136	128,136	128,136	128,136	1,407,192	1,407,192	1,407,192
Number of shares (diluted)	128,136	128,136	128,136	128,136	1,407,192	1,407,192	1,407,192
EPS	0.16	0.88	0.40	0.50	-0.39	-0.03	0.02
Operating cash flow per share	1.71	2.98	2.99	3.09	-0.17	0.36	0.28
Free cash flow per share	-0.88	1.05	2.09	-0.10	-0.54	0.05	-0.01
Book value per share	6.69	7.93	7.17	7.54	0.65	0.62	0.64
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	-108.7	10.2	-2.2
Efficiency measures							
ROE	2.6	12.0	5.3	6.9	-58.8	-4.1	3.1
ROCE	4.2	10.3	9.9	6.2	-19.2	2.5	4.7
Financial ratios							
Inventories as % of sales	0.6	0.7	4.3	2.6	4.0	1.0	1.0
Receivables as % of sales	22.1	17.9	7.4	7.0	9.1	5.1	5.1
Non-interest bearing liabilities as % of sales	22.4	22.0	10.1	7.8	7.0	10.0	10.0
NWC/sales, %	-12.7	-18.7	-26.4	-23.9	-47.1	-33.9	-32.8
Operative CAPEX/sales, %	21.0	15.8	11.6	13.2	34.9	16.5	14.9
CAPEX/sales (incl. acquisitions), %	21.0	15.8	11.6	13.2	34.9	16.5	14.9
FCFF/EBITDA	-1.8	0.7	0.5	0.3	2.5	0.9	0.5
Net debt/EBITDA, book-weighted	-0.6	-0.8	1.4	1.3	-5.7	2.0	1.7
Debt/equity, market-weighted	1.4	0.4	0.7	0.7	1.1	0.9	0.7
Equity ratio, book-weighted	37.8	39.1	25.4	27.4	24.5	24.4	25.3
Gearing, %	-11.2	-24.2	77.0	64.5	96.7	93.2	92.1

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	71,515,427	35.758	5.1%
The local Government Pensions Institution	5,191,756	2.596	0.4%
Varma Mutual Pension Insurance Company	3,261,934	1.631	0.2%
The State Pension Fund	1,999,999	1.000	0.1%
Elo Mutual Pension Insurance Company	1,333,788	0.667	0.1%
SEB Finlandia Investment Fund	504,021	0.252	0.0%
Kivinen Keijo Veikko	350,000	0.175	0.0%
Finnair Oyj	209,600	0.105	0.0%
Hiekkanen Kalevi Antero	176,980	0.088	0.0%
Bnp Arbitrage	156,284	0.078	0.0%
Ten largest	84,699,788	42.350	6%
Residual	1,322,491,877	661.246	94%
Total	1,407,191,665	703.596	100%

EARNINGS CALENDAR

October 28, 2020

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

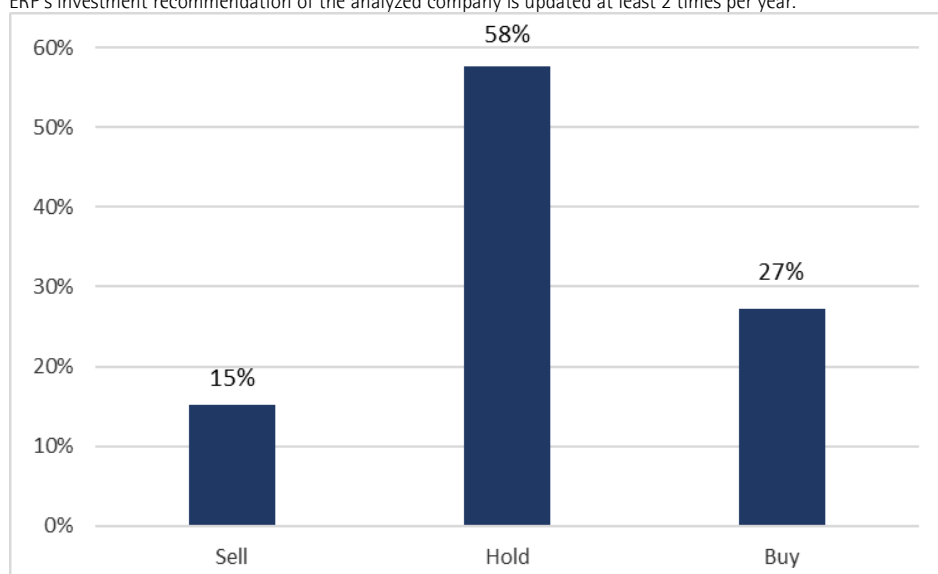
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Target price compared to share price	Recommendation
< -10 %	SELL
-10 – (+10) %	HOLD
> 10 %	BUY

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

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