

Navigating through the storm

The third quarter wasn't any better for Finnair and was heavily impacted by strict travel restrictions. Revenue declined by 89% y/y and was EUR 97m while adj. EBIT was EUR -167m. We have further cut our estimates and keep our rating "HOLD" and TP of EUR 0.38 intact.

Strict travel restrictions hampered Finnair's operations

As expected, Finnair's Q3 result was heavily weighed down by the coronavirus pandemic and the strict travel restrictions especially in Finland. Therefore, the company had to deviate from the previous plans and to continue to operate with a limited network. Capacity (ASK) was down by 87% compared to last year and PLF was 38.7% (-47.5pp). Revenue decreased by ~89% y/y, amounting to EUR 97m vs. EUR 157m/145m Evli/cons. Adj. EBIT was EUR -167m vs. EUR -191m/-179m Evli/cons. By the end of the quarter, Finnair had paid out over EUR 400m of COVID-19 related refunds (some EUR 40m left).

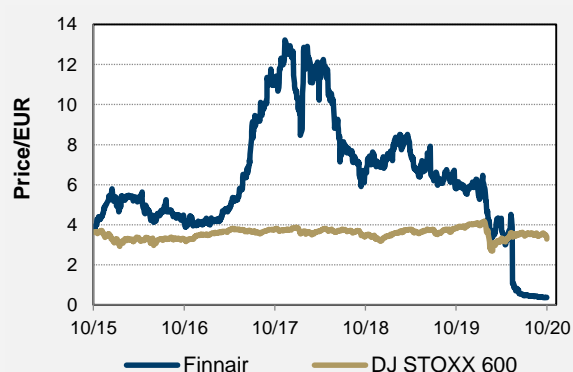
Winter season is expected to remain dark

Due to the prolonged pandemic situation and strict travel restrictions it is likely that the better recovery of air travel isn't starting anytime soon. Finnair continues to fly with a limited network during the winter season. The company informed earlier that it is aiming to fly approx. 75 daily flights to ~50 destinations during the winter season (~350 flights per day in '19). The ramp-up is estimated to start from summer'21. According to the company, comparable operating loss in Q4 will be of a similar magnitude than in Q2 and Q3. The company also expects both, revenue and capacity (ASK) to decrease more than 70% in 2020 compared to 2019. Further, the company raised its savings target to EUR 140m (prev. EUR 100m) starting from the beginning of 2022 (compared to 2019).

"HOLD" with TP of EUR 0.38

Finnair has a fully undrawn EUR 175m revolving credit facility and a EUR 200m short-term commercial paper program, which was unused at the end of September. In addition, the remaining part of the statutory pension premium loan (EUR 200m) can be drawn if needed. We have cut our 20E-21E estimates and expect revenue in 20E to decline by 73% y/y to EUR 850m and adj. EBIT of EUR -606m. We keep our rating "HOLD" with TP of EUR 0.38.

Rating 🟡 HOLD



Share price, EUR (Last trading day's closing price) 0.37
Target price, EUR 0.38

Latest change in rating	16-Jul-20
Latest report on company	19-Oct-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	521
Free float, %	42.6
Exchange rate EUR/USD	1.000
Reuters code	FIA1S.HE
Bloomberg code	FIA1S.FH
Average daily volume, EURm	na.
Next interim report	18-Feb-21
Web site	investors.finnair.com

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🟢 BUY 🟡 HOLD 🟠 SELL

KEY FIGURES

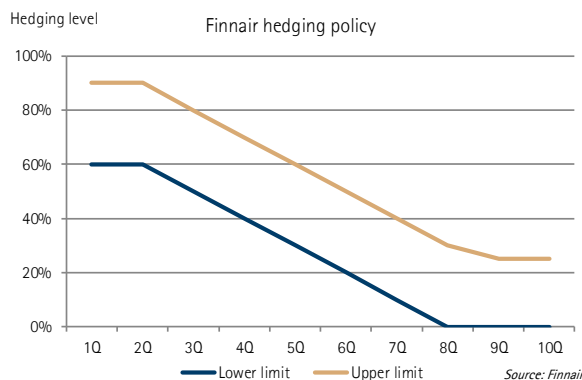
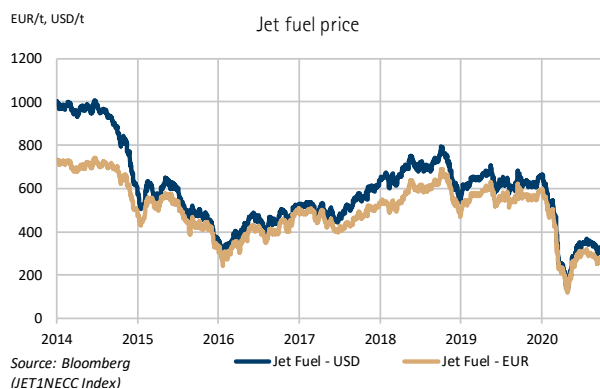
	Sales EURm	EBIT EURm	EBIT %	FCF EURm	EPS EUR	P/E (x)	EV/Sales (x)	EV/EBIT (x)	FCF yield %	DPS EUR
2018	2,836.1	218.4	7.7%	267.6	0.40	10.2	0.6	7.4	29.5	0.27
2019	3,097.7	162.8	5.3%	-12.3	0.50	11.7	0.4	8.5	-1.6	0.00
2020E	849.9	-605.9	-71.3%	-890.8	-0.48	-0.8	1.8	-2.5	-171.1	0.00
2021E	2,072.6	-129.3	-6.2%	-66.0	-0.14	-2.7	0.8	-12.4	-12.7	0.00
2022E	2,964.4	138.2	4.7%	153.0	0.03	14.3	0.5	10.5	29.4	0.00
Market cap, EURm		521	Gearing 2020E, %			129.3	CAGR EPS 2019-22, %			-62.8
Net debt 2020E, EURm		1,009	Price/book 2020E			0.7	CAGR sales 2019-22, %			-1.5
Enterprise value, EURm		1,530	Dividend yield 2020E, %			0.0	ROE 2020E, %			-76.5
Total assets 2020E, EURm		3,931	Tax rate 2020E, %			20.4	ROCE 2020E, %			-22.8
Goodwill 2020E, EURm		0	Equity ratio 2020E, %			20.3	PEG, P/E 20/CAGR			0.0

Estimates

FINNAIR	2017	2018	2019	2019	2019	2019	2019	2020	2020	2020	2020	2020E	2020E	2021E	2022E
EURm	FY	FY	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY	FY	FY	FY
Passengers (thousands)	11905	13281	3148	3910	4088	3504	14650	2656	98	454	537	3745	8617	12585	
y/y change	10%	12%	4%	13%	12%	11%	10%	-16%	-97%	-89%	-85%	-74%	130%	46%	
ASK (mkm)	36 922	42 386	10 670	12 308	12 624	11 587	47 190	9 671	345	1 667	1 777	13 459	30 201	44 437	
y/y change	9%	15%	10%	15%	10%	11%	11%	-9%	-97%	-87%	-85%	-71%	124%	47%	
RPK (mkm)	30 749	34 660	8 356	10 152	10 879	9 151	38 538	7 025	114	645	879	8 663	23 121	35 205	
y/y change	14%	13%	4%	15%	12%	14%	11%	-16%	-99%	-94%	-90%	-78%	167%	52%	
Load factor (RPK/ASK), PLF	83.3%	81.8%	78.3%	82.5%	86.2%	79.0%	81.7%	72.6%	33.1%	38.7%	49.5%	64.4%	76.6%	79.2%	
y/y change	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	-47.5%-p	-29.5%-p	-17.3%-p	12.2%-p	2.7%-p	
Total revenue	2569	2835	668	789	865	775	3098	561	69	97	123	850	2073	2964	
YoY change	11%	10%	5%	10%	8%	13%	9%	-16%	-91%	-89%	-84%	-73%	144%	43%	
Other income	77	74	15	13	13	15	56	14	11	11	12	48	52	52	
Staff costs	-423	-500	-130	-137	-132	-136	-535	-136	-48	-57	-61	-303	-420	-535	
y/y change	17%	18%	5%	3%	6%	14%	7%	5%	-65%	-57%	-55%	-43%	39%	27%	
% of revenue	16%	18%	19%	17%	15%	18%	17%	24%	70%	59%	50%	36%	20%	18%	
Fuel	-472	-581	-145	-181	-190	-171	-687	-144	-33	-29	-35	-241	-463	-631	
y/y change	-4%	23%	14%	24%	17%	18%	18%	-1%	-82%	-85%	-80%	-65%	92%	36%	
% of revenue	18%	20%	22%	23%	22%	22%	22%	26%	48%	30%	29%	28%	22%	21%	
Other OPEX	-1314	-1330	-348	-359	-375	-362	-1444	-304	-87	-104	-125	-620	-1030	-1354	
y/y change	4%	1%	8%	10%	8%	9%	9%	-13%	-76%	-72%	-66%	-57%	66%	31%	
% of revenue	51%	47%	52%	45%	43%	47%	47%	54%	127%	107%	102%	73%	50%	46%	
Comparable EBITDA	300	501	60	126	182	121	488	-9	-89	-82	-87	-266	211	496	
Depreciation	-129	-294	-76	-79	-81	-90	-325	-83	-85	-85	-87	-340	-340	-358	
Comparable EBIT	171	218	-16	47	101	31	163	-91	-174	-167	-174	-606	-129	138	
Comp. EBIT-%	6.6%	7.7%	-2.4%	5.9%	11.6%	4.0%	5.3%	-16.2%	-254.1%	-171.3%	-141.5%	-71.3%	-6.2%	4.7%	

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	7460		7.7x	5.7x			16.4x			8.7x		9.1x	7.5x
International Consolidated Airlines Group	4653		6.7x	3.5x		54.2x	7.0x			3.7x	1.1x	1.4x	1.0x
Air France-KLM SA	1225		8.4x	4.0x			19.7x			15.9x			
Deutsche Lufthansa AG	4354		7.5x	3.5x			10.8x			7.6x	0.6x	0.6x	0.5x
Norwegian Air Shuttle ASA	2255		14.3x	6.6x			27.3x			0.6x	0.0x	0.0x	0.0x
Other European peers													
Aegean Airlines SA	191			2.1x			4.5x		14.7x	2.9x	1.4x	1.2x	0.9x
easyJet plc	2217		10.7x	3.8x			8.4x			8.4x	1.0x	1.0x	0.9x
Ryanair Holdings Plc	12958		9.0x	5.6x		17.0x	8.6x		18.9x	9.2x	2.9x	2.5x	2.0x
Wizz Air Holdings Plc	2669	55.4x	6.6x	4.0x		16.1x	7.7x		18.8x	9.7x	3.9x	3.1x	2.2x
North American peers													
American Airlines Group, Inc.	5570		77.7x	9.6x			23.3x			25.4x			
Delta Air Lines, Inc.	18909		9.8x	5.5x		22.2x	8.8x			7.2x	3.5x	3.8x	2.8x
JetBlue Airways Corporation	3027		10.3x	4.9x			8.2x			11.7x	0.7x	0.8x	0.7x
Southwest Airlines Co.	22513		10.9x	5.2x		24.4x	7.6x		123.8x	12.8x	2.1x	2.1x	1.9x
Spirit Airlines, Inc.	1520		11.0x	7.7x		49.5x	13.2x			7.6x	0.7x	0.8x	0.7x
Primary European peers median			7.7x	4.0x		54.2x	16.4x			7.6x	0.6x	1.0x	0.8x
Finnair (Evli est)*		-5.7x	7.6x	2.9x	-2.5x	-12.4x	10.5x	-0.8x	-2.7x	14.3x	0.7x	0.9x	0.8x
<i>Finnair discount/premium to primary peer group median*</i>			-1%	-27%		-123%	-36%			88%	17%	-12%	5%

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%	-36.5%	-0.3%	6.8%	-20.9%	-0.3%	6.7%		-48.0%	86.3%
International Consolidated Airlines Group	IAG-GB	0.0%	0.0%	4.0%	-38.7%	2.0%	11.1%	-16.4%	1.4%	10.0%	-106.5%	-6.9%	28.2%
Air France-KLM SA	AF-FR	0.0%	0.0%	0.0%	-39.8%	-6.8%	3.5%	-25.4%	-7.3%	5.5%			
Deutsche Lufthansa AG	LHA-DE	0.1%	0.6%	1.4%	-32.3%	-2.7%	4.3%	-18.2%	-2.4%	4.3%	-69.6%	-13.6%	7.2%
Norwegian Air Shuttle ASA	NAS-NO	0.0%	0.0%	27.3%	-40.7%	-9.7%	5.7%	-10.8%	-4.0%	3.7%	-26.5%	-1.9%	6.6%
Other European peers													
Aegean Airlines SA	AEGN-GR	34.3%	0.6%	5.4%	-24.3%	6.5%	11.4%				-118.2%	8.3%	30.9%
easyJet plc	EZJ-GB	0.0%	0.0%	4.0%	-25.3%	-3.8%	7.5%	-13.4%	-2.6%	7.5%	-33.8%	-9.3%	11.1%
Ryanair Holdings Plc	RY4C-IE	0.0%	0.0%	0.0%	-32.3%	13.2%	19.7%	-9.7%	9.2%	15.7%	-18.0%	13.3%	22.0%
Wizz Air Holdings Plc	WIZZ-GB	0.0%	0.0%	0.0%	-23.8%	12.0%	16.8%	-8.5%	8.5%	13.5%	-27.0%	16.5%	23.1%
North American peers													
American Airlines Group, Inc.	AAL-US	1.1%	0.4%	0.5%	-65.2%	-7.0%	4.4%	-22.5%	-4.2%	3.5%			
Delta Air Lines, Inc.	DAL-US	1.1%	0.1%	1.9%	-45.5%	6.2%	10.8%	-14.0%	3.1%	7.4%	-124.7%	-2.4%	38.7%
JetBlue Airways Corporation	JBLU-US	0.0%	0.0%	0.0%	-68.0%	-1.3%	9.9%	-16.7%	-0.6%	6.1%	-38.9%	-6.2%	6.3%
Southwest Airlines Co.	LUV-US	0.8%	0.6%	1.2%	-52.6%	5.1%	13.2%	-18.8%	3.3%	11.0%	-35.7%	1.7%	15.0%
Spirit Airlines, Inc.	SAVE-US	0.0%	0.0%	0.0%	-50.4%	3.0%	11.0%	-13.1%	1.3%	5.9%	-43.1%	-3.1%	9.3%
Primary European peers median		0.0%	0.0%	1.4%	-38.7%	-2.7%	5.7%	-18.2%	-2.4%	5.5%	-69.6%	-10.3%	17.7%
Finnair (Evli est)*	FIA1S-FI	0.0%	0.0%	0.0%	-71.3%	-6.2%	4.7%	-22.8%	-5.1%	5.8%	-76.5%	-28.6%	6.0%

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	2020Q3	2020Q4E	2020E	2021E	2022E
Net sales	668.3	789.1	865.4	774.9	3,097.7	561.2	68.6	97.4	122.7	849.9	2,072.6	2,964.4
EBITDA	60.2	125.6	181.8	120.7	488.2	-8.6	-89.2	-82.0	-86.5	-266.3	211.1	496.4
<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>-130.0</i>	<i>-84.1</i>	<i>-70.5</i>	<i>-31.3</i>	<i>10.2</i>	<i>16.7</i>
EBIT	-15.8	46.9	100.6	31.2	162.8	-91.1	-174.3	-167.0	-173.5	-605.9	-129.3	138.2
<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>-171.3</i>	<i>-141.5</i>	<i>-71.3</i>	<i>-6.2</i>	<i>4.7</i>
Net financial items	-31.0	-8.8	-22.9	-4.3	-67.0	-82.7	-44.0	-66.3	-23.0	-216.0	-94.0	-72.1
Pre-tax profit	-46.8	38.1	77.7	26.9	95.8	-173.8	-218.3	-233.3	-196.5	-821.9	-223.3	66.1
Tax	9.7	-7.8	-14.4	-5.9	-18.4	35.6	43.1	49.9	39.3	167.9	44.7	-13.2
<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>21.4</i>	<i>20.0</i>	<i>20.4</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	-187.5	-161.3	-668.5	-195.1	36.5
EPS	-0.31	0.21	0.47	0.14	0.50	-0.10	-0.13	-0.13	-0.11	-0.48	-0.14	0.03
EPS adjusted (diluted no. of shares)	-0.31	0.21	0.47	0.14	0.50	-0.10	-0.13	-0.13	-0.11	-0.48	-0.14	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
SALES, EURm												
Group total	668.3	789.1	865.4	774.9	3,097.7	561.2	68.6	97.4	122.7	849.9	2,072.6	2,964.4
Total	668.3	789.1	865.4	774.9	3,097.7	561.2	68.6	97.4	122.7	849.9	2,072.6	2,964.4
SALES GROWTH, Y/Y %												
Group total	4.2	9.9	7.2	15.7	9.2	-16.0	-91.3	-88.7	-84.2	-72.6	143.9	43.0
Total	4.2	9.9	7.2	15.7	9.2	-16.0	-91.3	-88.7	-84.2	-72.6	143.9	43.0
EBIT, EURm												
Group total	-15.8	46.9	100.6	31.2	162.8	-91.1	-174.3	-167.0	-173.5	-605.9	-129.3	138.2
Total	-15.8	46.9	100.6	31.2	162.8	-91.1	-174.3	-167.0	-173.5	-605.9	-129.3	138.2
EBIT margin, %												
Group total	-2.4	5.9	11.6	4.0	5.3	-16.2	-254.1	-171.3	-141.5	-71.3	-6.2	4.7
Total	-2.4	5.9	11.6	4.0	5.3	-16.2	-254.1	-171.3	-141.5	-71.3	-6.2	4.7

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	849.9	2,072.6	2,964.4
<i>Sales growth (%)</i>	-1.3	2.8	10.9	10.4	9.2	-72.6	143.9	43.0
EBITDA	131.8	161.0	299.6	512.6	488.2	-266.3	211.1	496.4
<i>EBITDA margin (%)</i>	5.8	6.9	11.7	18.1	15.8	-31.3	10.2	16.7
Depreciation	-108.1	-105.8	-129.2	-294.2	-325.4	-339.6	-340.4	-358.2
EBITA	23.7	55.2	170.4	218.4	162.8	-605.9	-129.3	138.2
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	-605.9	-129.3	138.2
<i>EBIT margin (%)</i>	1.1	2.4	6.6	7.7	5.3	-71.3	-6.2	4.7
Reported EBIT	12.4	53.8	169.5	218.3	160.0	-623.3	-129.3	138.2
<i>EBIT margin (reported) (%)</i>	0.6	2.3	6.6	7.7	5.2	-73.3	-6.2	4.7
Net financials	-8.3	-10.5	-13.7	-129.0	-67.0	-216.0	-94.0	-72.1
Pre-tax profit	15.4	44.7	156.7	89.4	95.8	-821.9	-223.3	66.1
Taxes	-3.1	-8.9	-31.3	-25.6	-18.4	167.9	44.7	-13.2
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	-685.9	-195.1	36.5
Cash NRIs	-11.3	-1.4	-0.9	-0.1	-2.8	-17.4	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	1,767	1,790	1,800
Goodwill	0	0	0	0	0	0	0	0
Right of use assets	0	0	0	999	878	986	974	978
Inventory	12	15	17	121	80	102	62	44
Receivables	364	512	460	210	217	99	140	175
Liquid funds	708	814	965	1,067	952	977	622	889
Total assets	2,050	2,529	2,887	3,944	3,878	3,931	3,588	3,888
Liabilities								
Shareholder's equity	727	857	1,016	918	966	780	585	622
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	986	974	978
Deferred taxes	0	33	74	48	64	64	64	64
Interest bearing debt	346	718	719	615	521	1,000	728	838
Non-interest bearing current liabilities	682	519	566	285	243	66	207	356
Other interest-free debt	201	339	428	811	873	878	873	873
Total liabilities	2,050	2,529	2,887	3,944	3,878	3,931	3,588	3,888
CASH FLOW, EURm								
+ EBITDA	132	161	300	513	488	-266	211	496
- Net financial items	-8	-10	-14	-129	-67	-216	-94	-72
- Taxes	0	33	-1	-52	-2	168	45	-13
- Increase in Net Working Capital	43	56	57	50	-7	-80	140	131
+/- Other	-2	-19	40	1	-16	-32	-16	-16
= Cash flow from operations	164	220	382	383	397	-427	286	525
- Capex	-81	-486	-405	-330	-409	-464	-352	-372
- 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	-891	-66	153
+/- 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	416	-289	115
Change in cash	282	105	151	103	-116	25	-355	268

KEY FIGURES	2016	2017	2018	2019	2020E	2021E	2022E
M-cap	516	1,643	908	753	521	521	521
Net debt (excl. convertibles)	-96	-246	707	623	1,009	1,080	927
Enterprise value	420	1,397	1,615	1,377	1,530	1,601	1,448
Sales	2,317	2,568	2,836	3,098	850	2,073	2,964
EBITDA	161	300	513	488	-266	211	496
EBIT	55	170	218	163	-606	-129	138
Pre-tax	45	157	89	96	-822	-223	66
Earnings	21	113	51	65	-668	-195	36
Equity book value (excl. minorities)	857	1,016	918	966	780	585	622
Valuation multiples							
EV/sales	0.2	0.5	0.6	0.4	1.8	0.8	0.5
EV/EBITDA	2.6	4.7	3.2	2.8	-5.7	7.6	2.9
EV/EBITA	7.6	8.2	7.4	8.5	-2.5	-12.4	10.5
EV/EBIT	7.6	8.2	7.4	8.5	-2.5	-12.4	10.5
EV/OCF	1.9	3.7	4.2	3.5	-3.6	5.6	2.8
EV/FCFF	-1.5	6.3	6.1	8.4	-3.3	11.8	4.0
P/FCFE	-4.6	12.2	3.4	-61.4	-0.6	-7.9	3.4
P/E	24.9	14.6	10.2	11.7	-0.8	-2.7	14.3
P/B	0.6	1.6	1.0	0.8	0.7	0.9	0.8
Target EV/EBITDA	0.0	0.0	0.0	0.0	-5.8	7.6	2.9
Target EV/EBIT	0.0	0.0	0.0	0.0	-2.5	-12.5	10.6
Target EV/FCF	0.0	0.0	0.0	0.0	-1.7	-24.5	9.6
Target P/B	0.0	0.0	0.0	0.0	0.7	0.9	0.9
Target P/E	0.0	0.0	0.0	0.0	-0.8	-2.7	14.7
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	-0.48	-0.14	0.03
Operating cash flow per share	1.71	2.98	2.99	3.09	-0.30	0.20	0.37
Free cash flow per share	-0.88	1.05	2.09	-0.10	-0.63	-0.05	0.11
Book value per share	6.69	7.93	7.17	7.54	0.55	0.42	0.44
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	-171.1	-12.7	29.4
Efficiency measures							
ROE	2.6	12.0	5.3	6.9	-76.5	-28.6	6.0
ROCE	4.2	10.3	9.9	6.2	-22.8	-5.1	5.8
Financial ratios							
Inventories as % of sales	0.6	0.7	4.3	2.6	12.0	3.0	1.5
Receivables as % of sales	22.1	17.9	7.4	7.0	11.7	6.7	5.9
Non-interest bearing liabilities as % of sales	22.4	22.0	10.1	7.8	7.8	10.0	12.0
NWC/sales, %	-12.7	-18.7	-26.4	-23.9	-77.7	-38.6	-31.4
Operative CAPEX/sales, %	21.0	15.8	11.6	13.2	54.6	17.0	12.6
CAPEX/sales (incl. acquisitions), %	21.0	15.8	11.6	13.2	54.6	17.0	12.6
FCFF/EBITDA	-1.8	0.7	0.5	0.3	1.8	0.6	0.7
Net debt/EBITDA, book-weighted	-0.6	-0.8	1.4	1.3	-3.8	5.1	1.9
Debt/equity, market-weighted	1.4	0.4	0.7	0.7	1.9	1.4	1.6
Equity ratio, book-weighted	37.8	39.1	25.4	27.4	20.3	17.5	17.5
Gearing, %	-11.2	-24.2	77.0	64.5	129.3	184.5	149.1

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	786,669,687	291.068	55.9%
The local Government Pensions Institution	57,109,316	21.130	4.1%
Ilmarinen Mutual Pension Insurance Company	37,464,260	13.862	2.7%
Varma Mutual Pension Insurance Company	35,881,263	13.276	2.5%
The State Pension Fund	21,999,999	8.140	1.6%
Elo Mutual Pension Insurance Company	14,671,667	5.429	1.0%
Veritas Pension Insurance Company Ltd.	7,785,851	2.881	0.6%
Laakkonen Mikko Kalervo	7,200,000	2.664	0.5%
Finnair	4,100,001	1.517	0.3%
Länsiauto Oy	2,323,220	0.860	0.2%
Ten largest	975,205,264	360.826	69%
Residual	431,986,401	159.835	31%
Total	1,407,191,665	520.661	100%

EARNINGS CALENDAR	
February 18, 2021	FY 2020 Results
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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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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