

Gloomy Q2 figures ahead

Finnair reports its Q2 result on next week's Friday, 24th of July. As well known, April-June figures will not be pretty. We expect Q2E revenue of EUR 54m and adj. EBIT of EUR -177m. We upgrade to "HOLD" ("SELL") with TP of EUR 0.60.

Historically gloomy traffic

Finnair's April-June traffic figures were extremely weak, as expected. Passenger numbers decreased by 97% y/y as Finnair carried only ~100k passengers during this time. ASK decreased by 97% y/y and RPK decreased by 99% y/y. There were no flights to North Atlantic nor to Asia during most of the quarter and the remaining operations have been mainly related to cargo. Finnair has estimated that its daily comparable operating loss will be approx. EUR 2m throughout Q2. We expect Q2'20E revenue of EUR 54m and adj. EBIT of EUR -177m.

Jet fuel prices dropped during Q2

Jet fuel prices have dropped significantly during Q2. The average price in both, USD and in EUR dropped by 49% on a q/q basis compared to Q1'20. On a y/y basis, the average price in USD fell by 62% and in EUR by 61%.

Flights starting gradually to recover

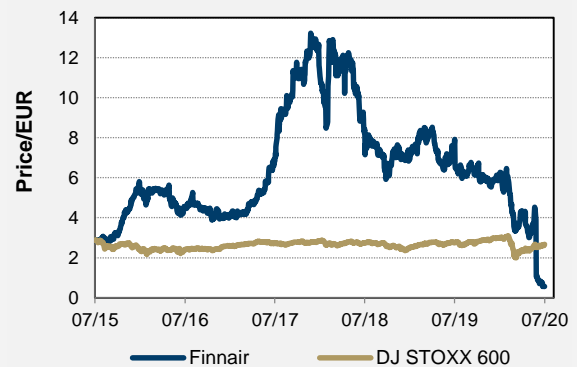
Finnair has gradually started to add frequencies and routes to its network as many travel restrictions have now been removed and the pandemic situation has improved, at least in Europe and Asia. The company estimated earlier that it aims to fly some 30% of its normal amount of flights in July. Some 70% of the normal capacity is expected to be operated by the end of the year. The company should be able to expand its offering relatively quickly depending on the country specific restrictions and demand.

"HOLD" ("SELL") with TP of EUR 0.60

As a result of Finnair's rights offering issued during the summer, Finnair receives net proceeds of approx. EUR 501m. The total number of Finnair's shares increased to 1.4b. There are no major changes in our 20E-22E estimates. We expect 20E revenue of EUR 1595m and adj. EBIT of EUR -304m. We expect the traffic slowly to recover during 21E-22E but we don't expect to see levels reached prior the pandemic any time soon. We keep our TP of EUR 0.60 and upgrade to "HOLD" ("SELL").

Rating

□ HOLD



Share price, EUR (Last trading day's closing price) 0.56

Target price, EUR 0.6

Latest change in rating 30-Apr-20

Latest report on company 12-Jun-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 788

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 24-Jul-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	1,595.0	-304.3	-19.1%	-650.1	-0.27	-2.1	1.0	-5.1	-82.5	0.00
2021E	2,643.6	74.4	2.8%	-17.8	-0.02	-27.8	0.6	21.2	-2.3	0.00
2022E	2,753.3	120.7	4.4%	-19.7	0.02	26.7	0.6	13.3	-2.5	0.00
Market cap, EURm		788	Gearing 2020E, %			70.8	CAGR EPS 2019-22, %			-65.4
Net debt 2020E, EURm		768	Price/book 2020E			0.7	CAGR sales 2019-22, %			-3.9
Enterprise value, EURm		1,556	Dividend yield 2020E, %			0.0	ROE 2020E, %			-36.7
Total assets 2020E, EURm		3,932	Tax rate 2020E, %			20.2	ROCE 2020E, %			-11.6
Goodwill 2020E, EURm		0	Equity ratio 2020E, %			28.9	PEG, P/E 20/CAGR			0.0

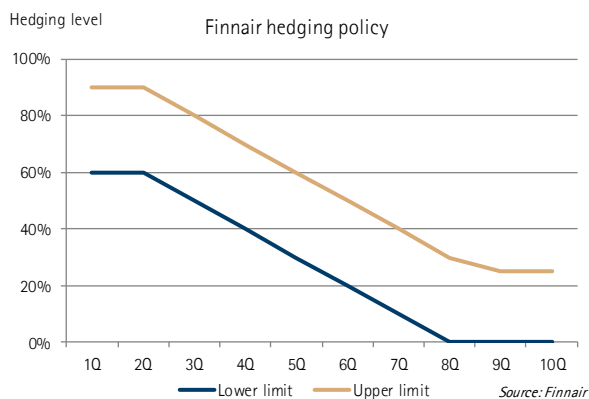
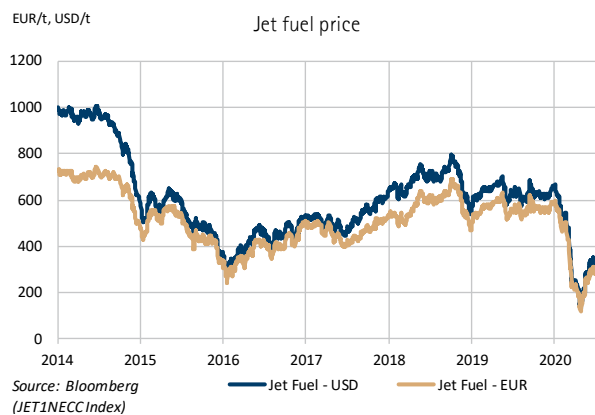
All the important disclosures can be found on the last pages of this report.

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	98	1954	2583	7290	12496	12866
<i>y/y change</i>	10%	12%	4%	13%	12%	11%	10%	-16%	-97%	-52%	-26%	-50%	71%	3%
ASK (mkm)	36 922	42 386	10 670	12 308	12 624	11 587	47 190	9 671	345	6 033	8 542	24 591	42 091	43 337
<i>y/y change</i>	9%	15%	10%	15%	10%	11%	11%	-9%	-97%	-52%	-26%	-48%	71%	3%
RPK (mkm)	30 749	34 660	8 356	10 152	10 879	9 151	38 538	7 025	114	3 942	6 178	17 259	34 095	35 107
<i>y/y change</i>	14%	13%	4%	15%	12%	14%	11%	-16%	-99%	-64%	-32%	-55%	98%	3%
Load factor (RPK/ASK), PLF	83.3%	81.8%	78.3%	82.5%	86.2%	79.0%	81.7%	72.6%	33.1%	65.3%	72.3%	70.2%	81.0%	81.0%
<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	-20.8%-p	-6.6%-p	-11.5%-p	10.8%-p	0.0%-p
Total revenue	2569	2835	668	789	865	775	3098	561	54	414	565	1595	2644	2753
<i>YoY change</i>	11%	10%	5%	10%	8%	13%	9%	-16%	-93%	-52%	-27%	-49%	66%	4%
Other income	77	74	15	13	13	15	56	14	0	5	5	24	52	52
Staff costs	-423	-500	-130	-137	-132	-136	-535	-136	-37	-72	-102	-348	-468	-479
<i>y/y change</i>	17%	18%	5%	3%	6%	14%	7%	5%	-73%	-45%	-25%	-35%	35%	2%
<i>% of revenue</i>	16%	18%	19%	17%	15%	18%	17%	24%	68%	17%	18%	22%	18%	17%
Fuel	-472	-581	-145	-181	-190	-171	-687	-144	-14	-78	-101	-338	-552	-554
<i>y/y change</i>	-4%	23%	14%	24%	17%	18%	18%	-1%	-92%	-59%	-41%	-51%	63%	0%
<i>% of revenue</i>	18%	20%	22%	23%	22%	22%	22%	26%	26%	19%	18%	21%	21%	20%
Other OPEX	-1314	-1330	-348	-359	-375	-362	-1444	-304	-94	-214	-278	-889	-1250	-1290
<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%	173%	52%	49%	56%	47%	47%
Comparable EBITDA	300	501	60	126	182	121	488	-9	-91	55	89	44	426	482
Depreciation	-129	-294	-76	-79	-81	-90	-325	-83	-86	-88	-92	-349	-352	-361
Comparable EBIT	171	218	-16	47	101	31	163	-91	-177	-33	-3	-304	74	121
<i>Comp. EBIT-%</i>	6.6%	7.7%	-2.4%	5.9%	11.6%	4.0%	5.3%	-16.2%	-326%	-8.0%	-0.5%	-19.1%	2.8%	4.4%

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	3097		7.2x	5.6x		87.0x	14.9x			4.7x			
International Consolidated Airlines Group	4554		5.5x	3.7x		16.2x	6.8x	11.1x	3.5x		1.7x	1.6x	1.2x
Air France-KLM SA	1865		5.3x	3.4x			12.8x		7.6x				
Deutsche Lufthansa AG	4455		5.1x	3.3x		62.7x	8.7x		7.6x		0.7x	0.7x	0.6x
Norwegian Air Shuttle ASA	10108	23.4x	8.9x	6.5x			28.7x	0.7x	0.4x		0.4x	0.2x	0.1x
Other European peers													
Aegean Airlines SA	289			2.7x			6.8x	69.4x	4.9x		2.8x	2.1x	1.3x
easyJet plc	3143		6.2x	4.2x		20.3x	8.4x	26.5x	9.6x		1.2x	1.2x	1.1x
Ryanair Holdings Plc	12895	380.9x	8.2x	6.0x		14.7x	9.4x	13.2x	9.7x		3.1x	2.6x	2.1x
Wizz Air Holdings Plc	2941	18.8x	6.1x	4.7x		12.1x	9.9x	15.3x	12.6x		3.8x	3.0x	2.3x
North American peers													
American Airlines Group, Inc.	6829		21.5x	8.3x			18.3x			8.1x			
Delta Air Lines, Inc.	18241		7.1x	5.1x		15.2x	8.6x	15.1x	7.3x		2.0x	1.9x	1.9x
JetBlue Airways Corporation	3115		7.6x	4.7x		19.1x	8.6x	27.4x	9.1x		0.8x	0.8x	0.7x
Southwest Airlines Co.	21071		8.4x	5.7x		14.8x	8.4x	20.7x	11.9x		1.9x	1.8x	1.7x
Spirit Airlines, Inc.	1717		8.6x	7.4x		18.3x	12.8x	15.2x	9.0x		0.8x	0.8x	0.9x
Primary European peers median		23.4x	5.5x	3.7x	-	62.7x	12.8x	-	5.9x	4.7x	0.7x	0.7x	0.6x
Finnair (Evli est)*		35.2x	3.7x	3.3x	-5.1x	21.2x	13.3x	-2.1x	-27.9x	26.8x	0.7x	0.7x	0.7x
<i>Finnair discount/premium to primary peer group median*</i>		<i>51 %</i>	<i>-32 %</i>	<i>-10 %</i>	<i>-</i>	<i>-66 %</i>	<i>4 %</i>	<i>-</i>	<i>-574 %</i>	<i>472 %</i>	<i>11 %</i>	<i>4 %</i>	<i>16 %</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
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%	1.4%	6.2%	-25.3%	5.9%	11.6%	-13.4%	5.0%	11.0%	-89.2%	14.2%	33.1%
Air France-KLM SA	AF-FR	0.0%	0.0%	0.6%	-35.0%	-1.3%	4.7%	-22.7%	-1.5%	6.8%			
Deutsche Lufthansa AG	LHA-DE	0.1%	0.6%	1.2%	-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%	-16.5%	-0.2%	6.0%	-5.3%	-0.1%	3.1%	-36.4%	29.7%	27.5%
Other European peers													
Aegean Airlines SA	AEGN-GR	0.0%	0.0%	1.6%	-13.4%	4.5%	8.6%	-12.9%	5.9%	10.7%	-145.2%	3.0%	26.7%
easyJet plc	EZJ-GB	0.4%	1.3%	4.3%	-16.3%	4.1%	8.5%	-7.9%	3.1%	7.5%	-20.9%	4.5%	11.4%
Ryanair Holdings Plc	RY4C-IE	0.0%	0.0%	0.0%	-16.3%	14.0%	18.7%	-6.4%	9.9%	14.0%	-17.7%	19.5%	21.6%
Wizz Air Holdings Plc	WIZZ-GB	0.0%	0.0%	0.0%	-11.2%	15.2%	15.5%	-5.7%	11.7%	12.0%	-18.5%	19.8%	18.7%
North American peers													
American Airlines Group, Inc.	AAL-US	0.8%	0.3%	0.4%	-42.0%	-1.7%	5.5%	-19.1%	-1.3%	4.7%			
Delta Air Lines, Inc.	DAL-US	1.3%	0.0%	1.7%	-39.7%	7.4%	10.6%	-13.8%	4.5%	8.1%	-61.1%	12.4%	25.9%
JetBlue Airways Corporation	JBLU-US	0.0%	0.0%	0.0%	-38.1%	5.1%	9.4%	-14.4%	3.5%		-25.8%	2.8%	7.8%
Southwest Airlines Co.	LUV-US	0.8%	0.4%	1.0%	-30.0%	8.2%	12.5%	-14.3%	7.0%	14.3%	-24.4%	8.7%	14.2%
Spirit Airlines, Inc.	SAVE-US	0.0%	0.0%	0.0%	-28.2%	8.1%	11.0%	-8.2%	3.7%		-22.8%	5.0%	10.3%
Primary European peers median		0.0%	0.0%	0.6%	-27.0%	0.9%	6.0%	-15.9%	0.8%	6.8%	-57.3%	14.2%	27.5%
Finnair (Evli est)*	FIA1S-FI	0.0%	0.0%	0.0%	-19.1%	2.8%	4.4%	-11.6%	2.7%	4.5%	-36.7%	-2.6%	2.8%

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	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	54.4	414.1	565.3	1,595.0	2,643.6	2,753.3
EBITDA	60.2	125.6	181.8	120.7	488.2	-8.6	-91.1	54.7	89.2	44.2	426.2	481.9
<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>-167.5</i>	<i>13.2</i>	<i>15.8</i>	<i>2.8</i>	<i>16.1</i>	<i>17.5</i>
EBIT	-15.8	46.9	100.6	31.2	162.8	-91.1	-177.1	-33.3	-2.8	-304.3	74.4	120.7
<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>-325.6</i>	<i>-8.0</i>	<i>-0.5</i>	<i>-19.1</i>	<i>2.8</i>	<i>4.4</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	-68.0
Pre-tax profit	-46.8	38.1	77.7	26.9	95.8	-173.8	-200.1	-56.3	-25.8	-456.0	-19.6	52.6
Tax	9.7	-7.8	-14.4	-5.9	-18.4	35.6	40.0	11.3	5.2	92.0	3.9	-10.5
<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>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	-163.2	-48.2	-23.8	-376.6	-28.3	29.5
EPS	-0.31	0.21	0.47	0.14	0.50	-0.10	-0.12	-0.03	-0.02	-0.27	-0.02	0.02
EPS adjusted (diluted no. of shares)	-0.31	0.21	0.47	0.14	0.50	-0.10	-0.12	-0.03	-0.02	-0.27	-0.02	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	54.4	414.1	565.3	1,595.0	2,643.6	2,753.3
Total	668.3	789.1	865.4	774.9	3,097.7	561.2	54.4	414.1	565.3	1,595.0	2,643.6	2,753.3
SALES GROWTH, Y/Y %												
Group total	4.2	9.9	7.2	15.7	9.2	-16.0	-93.1	-52.1	-27.0	-48.5	65.7	4.1
Total	4.2	9.9	7.2	15.7	9.2	-16.0	-93.1	-52.1	-27.0	-48.5	65.7	4.1
EBIT, EURm												
Group total	-15.8	46.9	100.6	31.2	162.8	-91.1	-177.1	-33.3	-2.8	-304.3	74.4	120.7
Total	-15.8	46.9	100.6	31.2	162.8	-91.1	-177.1	-33.3	-2.8	-304.3	74.4	120.7
EBIT margin, %												
Group total	-2.4	5.9	11.6	4.0	5.3	-16.2	-325.6	-8.0	-0.5	-19.1	2.8	4.4
Total	-2.4	5.9	11.6	4.0	5.3	-16.2	-325.6	-8.0	-0.5	-19.1	2.8	4.4

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	1,595.0	2,643.6	2,753.3
<i>Sales growth (%)</i>	-1.3	2.8	10.9	10.4	9.2	-48.5	65.7	4.1
EBITDA	131.8	161.0	299.6	512.6	488.2	44.2	426.2	481.9
<i>EBITDA margin (%)</i>	5.8	6.9	11.7	18.1	15.8	2.8	16.1	17.5
Depreciation	-108.1	-105.8	-129.2	-294.2	-325.4	-348.5	-351.9	-361.3
EBITA	23.7	55.2	170.4	218.4	162.8	-304.3	74.4	120.7
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	-304.3	74.4	120.7
<i>EBIT margin (%)</i>	1.1	2.4	6.6	7.7	5.3	-19.1	2.8	4.4
Reported EBIT	12.4	53.8	169.5	218.3	160.0	-308.8	74.4	120.7
<i>EBIT margin (reported) (%)</i>	0.6	2.3	6.6	7.7	5.2	-19.4	2.8	4.4
Net financials	-8.3	-10.5	-13.7	-129.0	-67.0	-151.7	-94.0	-68.0
Pre-tax profit	15.4	44.7	156.7	89.4	95.8	-456.0	-19.6	52.6
Taxes	-3.1	-8.9	-31.3	-25.6	-18.4	92.0	3.9	-10.5
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	-381.1	-28.3	29.5
Cash NRIs	-11.3	-1.4	-0.9	-0.1	-2.8	-4.5	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	1,822	1,812	1,816
Goodwill	0	0	0	0	0	0	0	0
Right of use assets	0	0	0	999	878	1,037	1,057	1,101
Inventory	12	15	17	121	80	64	53	55
Receivables	364	512	460	210	217	141	205	211
Liquid funds	708	814	965	1,067	952	868	866	771
Total assets	2,050	2,529	2,887	3,944	3,878	3,932	3,993	3,955
Liabilities								
Shareholder's equity	727	857	1,016	918	966	1,085	1,057	1,086
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	1,037	1,057	1,101
Deferred taxes	0	33	74	48	64	64	64	64
Interest bearing debt	346	718	719	615	521	600	600	480
Non-interest bearing current liabilities	682	519	566	285	243	112	185	193
Other interest-free debt	201	339	428	811	873	878	873	873
Total liabilities	2,050	2,529	2,887	3,944	3,878	3,932	3,993	3,955
CASH FLOW, EURm								
+ EBITDA	132	161	300	513	488	44	426	482
- Net financial items	-8	-10	-14	-129	-67	-152	-94	-68
- Taxes	0	33	-1	-52	-2	92	4	-11
- Increase in Net Working Capital	43	56	57	50	-7	-39	21	-1
+/- Other	-2	-19	40	1	-16	-17	-13	-13
= Cash flow from operations	164	220	382	383	397	-71	344	390
- Capex	-81	-486	-405	-330	-409	-579	-362	-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	-650	-18	-20
+/- 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	67	16	-76
Change in cash	282	105	151	103	-116	-83	-2	-95

KEY FIGURES	2016	2017	2018	2019	2020E	2021E	2022E
M-cap	516	1,643	908	753	788	788	788
Net debt (excl. convertibles)	-96	-246	707	623	768	791	811
Enterprise value	420	1,397	1,615	1,377	1,556	1,579	1,599
Sales	2,317	2,568	2,836	3,098	1,595	2,644	2,753
EBITDA	161	300	513	488	44	426	482
EBIT	55	170	218	163	-304	74	121
Pre-tax	45	157	89	96	-456	-20	53
Earnings	21	113	51	65	-377	-28	30
Equity book value (excl. minorities)	857	1,016	918	966	1,085	1,057	1,086
Valuation multiples							
EV/sales	0.2	0.5	0.6	0.4	1.0	0.6	0.6
EV/EBITDA	2.6	4.7	3.2	2.8	35.2	3.7	3.3
EV/EBITA	7.6	8.2	7.4	8.5	-5.1	21.2	13.3
EV/EBIT	7.6	8.2	7.4	8.5	-5.1	21.2	13.3
EV/OCF	1.9	3.7	4.2	3.5	-21.8	4.6	4.1
EV/FCFF	-1.5	6.3	6.1	8.4	-6.9	7.4	7.1
P/FCFE	-4.6	12.2	3.4	-61.4	-1.2	-44.2	-40.0
P/E	24.9	14.6	10.2	11.7	-2.1	-27.8	26.7
P/B	0.6	1.6	1.0	0.8	0.7	0.7	0.7
Target EV/EBITDA	0.0	0.0	0.0	0.0	36.5	3.8	3.4
Target EV/EBIT	0.0	0.0	0.0	0.0	-5.3	22.0	13.7
Target EV/FCF	0.0	0.0	0.0	0.0	-2.5	-91.8	-84.1
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	-29.8	28.6
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	-0.27	-0.02	0.02
Operating cash flow per share	1.71	2.98	2.99	3.09	-0.05	0.24	0.28
Free cash flow per share	-0.88	1.05	2.09	-0.10	-0.46	-0.01	-0.01
Book value per share	6.69	7.93	7.17	7.54	0.77	0.75	0.77
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	-82.5	-2.3	-2.5
Efficiency measures							
ROE	2.6	12.0	5.3	6.9	-36.7	-2.6	2.8
ROCE	4.2	10.3	9.9	6.2	-11.6	2.7	4.5
Financial ratios							
Inventories as % of sales	0.6	0.7	4.3	2.6	4.0	2.0	2.0
Receivables as % of sales	22.1	17.9	7.4	7.0	8.9	7.7	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	-44.0	-27.3	-26.2
Operative CAPEX/sales, %	21.0	15.8	11.6	13.2	36.3	13.7	14.9
CAPEX/sales (incl. acquisitions), %	21.0	15.8	11.6	13.2	36.3	13.7	14.9
FCFF/EBITDA	-1.8	0.7	0.5	0.3	-5.1	0.5	0.5
Net debt/EBITDA, book-weighted	-0.6	-0.8	1.4	1.3	17.4	1.9	1.7
Debt/equity, market-weighted	1.4	0.4	0.7	0.7	0.8	0.8	0.6
Equity ratio, book-weighted	37.8	39.1	25.4	27.4	28.9	28.6	29.8
Gearing, %	-11.2	-24.2	77.0	64.5	70.8	74.9	74.6

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	40.049	5.1%
The local Government Pensions Institution	5,191,756	2.907	0.4%
Varma Mutual Pension Insurance Company	3,261,934	1.827	0.2%
The State Pension Fund	1,999,999	1.120	0.1%
Elo Mutual Pension Insurance Company	1,333,788	0.747	0.1%
SEB Finlandia Investment Fund	504,021	0.282	0.0%
Kivinen Keijo Veikko	350,000	0.196	0.0%
Finnair Oyj	209,600	0.117	0.0%
Hiekkanen Kalevi Antero	176,980	0.099	0.0%
Bnp Arbitrage	156,284	0.088	0.0%
Ten largest	84,699,788	47.432	6%
Residual	1,322,491,877	740.595	94%
Total	1,407,191,665	788.027	100%

EARNINGS CALENDAR	
July 24, 2020	Q2 report
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, %	$\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes}}{\text{Shareholder's equity} + \text{minority interest} + \text{taxed provisions (average)}}$		

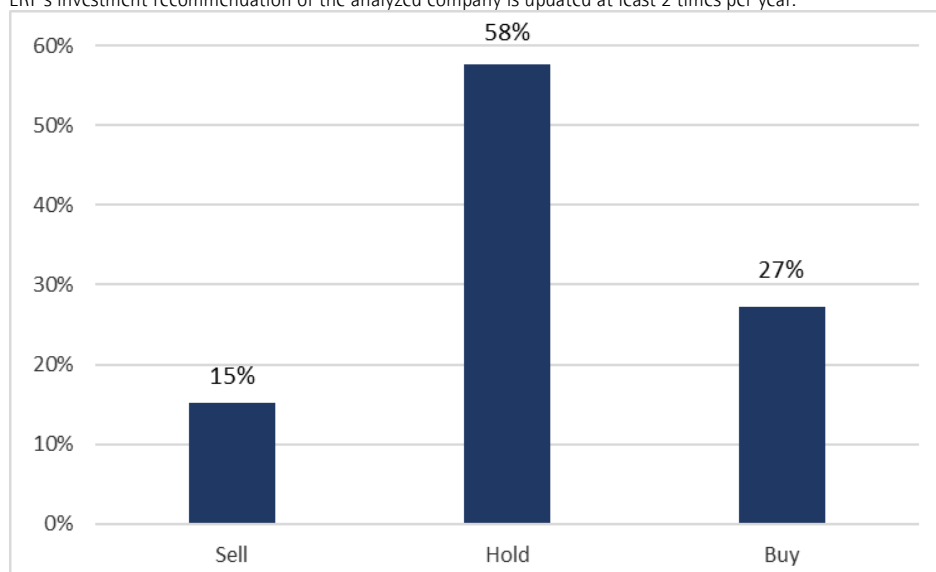
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Target price compared to share price	Recommendation
< -10 %	SELL
-10 – (+10) %	HOLD
> 10 %	BUY

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

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