

Coronavirus hampers Q1 result

Finnair will report its Q1 result on next week's Wednesday, 29th of April. The company's Q1'20 traffic data was below our expectations thus we have cut our estimates. We expect Q1'20E revenue of EUR 585m and adj. EBIT of EUR -73m. We keep our rating "HOLD" with TP of EUR 4.0 (3.5) ahead of Q1.

Q1 traffic hampered by the coronavirus

Finnair's traffic figures were substantially below our expectations in Q1, due to March traffic figures, which slumped more than we expected. In Jan-Mar, capacity (ASK) decreased by 9% vs. our +2% expectation, while sold capacity (RPK) declined as much as by 16% vs. our -1% expectation. Thus, passenger load factor (PLF) declined by 5.7 percentage points to 72.6%. Traffic figures and cargo were heavily impacted by the coronavirus in all Finnair's market areas. Total passenger number declined by 16% y/y. We expect Q1'20E revenue of EUR 585m (Q1'19: EUR 668m) and adj. EBIT of EUR -73m (Q1'19: EUR -16m).

Drop in fuel prices

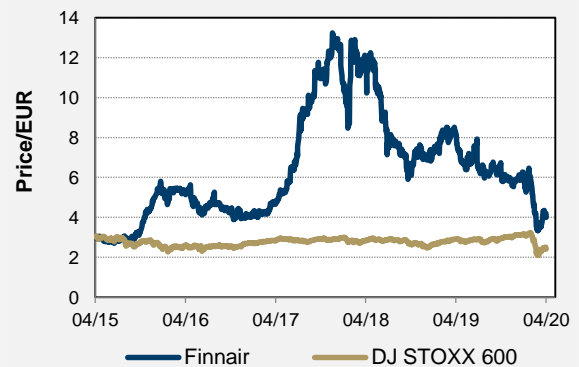
Oil prices have dropped significantly since the beginning of the year amid the coronavirus pandemic and the price war between Saudi Arabia and Russia. The average fuel price in both USD and EUR dropped by 20% on a q/q basis compared to Q4'19. The average price in Q1'20 was 19% lower y/y in USD and 17% lower y/y in EUR.

"HOLD" with TP of EUR 4.0 (3.5)

We have cut our 20E estimates as the ongoing movement restrictions are likely to continue for several weeks or even months and the air travel is not expected to return to normal, not at least during this summer. Finnair has cut some 90% of its capacity due to COVID-19. We now expect 20E revenue of EUR 2213m (-29% y/y) and adj. EBIT of EUR -144m (-190% y/y). We note that there are significant uncertainties with our short-term estimates due to the situation. We have also decreased our 21E-22E revenue estimates by ~6% and adj. EBIT estimates by ~9%. Despite of the weak short-term outlook we still see Finnair's mid-term outlook rather positive. Prior the crisis Finnair had a strong cash position and a healthy balance sheet. The company is also implementing a substantial funding plan, including sale and leasebacks of unencumbered aircraft, a revolving credit facility of EUR 175m, which has already been raised and a statutory pension premium loan totaling to EUR 600m. It has been proposed that the State of Finland would guarantee the loan. Therefore, we see that Finnair is well placed to continue its operations relatively normally after the crisis. We keep our rating "HOLD" with TP of EUR 4.0 (3.5) ahead of Q1.

Rating

HOLD



Share price, EUR (Last trading day's closing price) 4.00

Target price, EUR 4.0

Latest change in rating 23-Oct-19

Latest report on company 17-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 513

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

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BUY HOLD SELL

KEY FIGURES

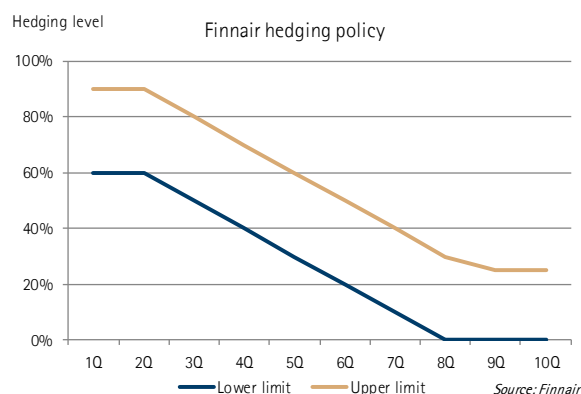
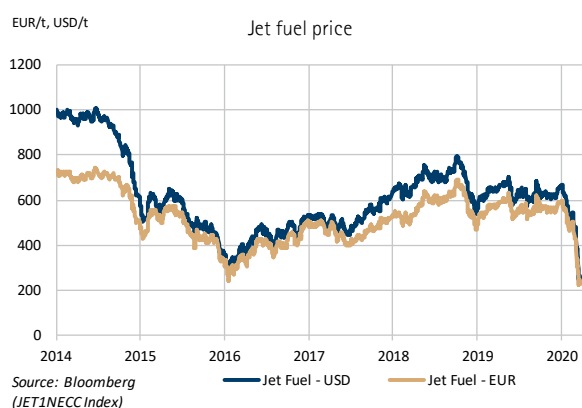
	Sales EURm	EBIT EURm	EBIT %	FCF EURm	EPS EUR	P/E (x)	EV/Sales (x)	EV/EBIT (x)	FCF yield %	DPS EUR
2018	2,836.1	218.4	7.7%	267.6	0.40	10.2	0.6	7.4	29.5	0.27
2019	3,097.7	162.8	5.3%	-12.3	0.50	11.7	0.4	8.5	-1.6	0.00
2020E	2,212.5	-143.7	-6.5%	-311.9	-1.55	-2.6	0.7	-10.1	-60.9	0.00
2021E	3,081.9	170.1	5.5%	4.7	0.38	10.6	0.5	8.5	0.9	0.12
2022E	3,205.0	201.0	6.3%	-13.5	0.54	7.4	0.5	7.3	-2.6	0.18
Market cap, EURm		513	Gearing 2020E, %			121.8	CAGR EPS 2019-22, %			2.1
Net debt 2020E, EURm		935	Price/book 2020E			0.7	CAGR sales 2019-22, %			1.1
Enterprise value, EURm		1,448	Dividend yield 2020E, %			0.0	ROE 2020E, %			-22.9
Total assets 2020E, EURm		3,678	Tax rate 2020E, %			20.0	ROCE 2020E, %			-5.8
Goodwill 2020E, EURm		0	Equity ratio 2020E, %			22.4	PEG, P/E 20/CAGR			0.0

Estimates

FINNAIR EURm	2017 FY	2018 FY	2019 FY	2020E Q1	2020E Q2	2020E Q3	2020E Q4	2020E FY	2021E FY	2022E FY
Passengers (thousands)	11905	13281	14650	2656	531	3487	3434	10108	14611	15125
y/y change	10 %	12 %	10 %	-16 %	-86 %	-15 %	-2 %	-31 %	45 %	4 %
ASK (mkm)	36 922	42 386	47 190	9 671	1 673	10 768	11 356	33 468	47 804	49 483
y/y change	9 %	15 %	11 %	-9 %	-86 %	-15 %	-2 %	-29 %	43 %	4 %
RPK (mkm)	30 749	34 660	38 538	7 025	1 291	9 289	8 970	26 576	39 055	40 434
y/y change	14 %	13 %	11 %	-16 %	-87 %	-15 %	-2 %	-31 %	47 %	4 %
Load factor (RPK/ASK), PLF	83.3 %	81.8 %	81.7%	72.6 %	77.2 %	86.3 %	79.0 %	79.4 %	81.7 %	81.7 %
y/y change	3.5%-p	-1.5%-p	-0.1%-p	-5.7%-p	-5.3%-p	0.1%-p	0.0%-p	-2.3%-p	2.3%-p	0.0%-p
Total revenue	2569	2835	3098	585	136	744	748	2213	3082	3205
YoY change	11 %	10 %	9 %	-12 %	-83 %	-14 %	-3 %	-29 %	39 %	4 %
Other income	77	74	56	16	2	14	15	47	56	56
Staff costs	-423	-500	-535	-117	-41	-125	-138	-421	-543	-561
y/y change	17 %	18 %	7 %	-10 %	-70 %	-5 %	1 %	-21 %	29 %	3 %
% of revenue	16 %	18 %	17 %	20 %	30 %	17 %	18 %	19 %	18 %	18 %
Fuel	-472	-581	-687	-132	-20	-147	-143	-443	-581	-584
y/y change	-4 %	23 %	18 %	-9 %	-89 %	-22 %	-16 %	-36 %	31 %	1 %
% of revenue	18 %	20 %	22 %	23 %	15 %	20 %	19 %	20 %	19 %	18 %
Other OPEX	-1314	-1330	-1444	-347	-117	-366	-374	-1204	-1496	-1555
y/y change	4 %	1 %	9 %	0 %	-67 %	-2 %	3 %	-17 %	24 %	4 %
% of revenue	51 %	47 %	47 %	59 %	86 %	49 %	50 %	54 %	49 %	49 %
Comparable EBITDA	300	501	488	4	-40	120	108	192	518	561
Depreciation	-129	-294	-325	-78	-82	-84	-92	-336	-348	-360
Comparable EBIT	171	218	163	-73	-122	36	16	-144	170	201
Comp. EBIT-%	6.6 %	7.7 %	5.3 %	-12.5 %	-90 %	4.8 %	2.1 %	-6.5 %	5.5 %	6.3 %
IAC & fair value changes	54	49	-3	0	0	0	0	0	0	0
EBIT	225	256	160	-73	-122	36	16	-144	170	201

Sources: Finnair, Evli estimates

Fuel price



Valuation

FINNAIR PEER GROUP	MCAP local FX	EV/EBITDA			EV/EBIT			P/E			P/B		
		20	21	22	20	21	22	20	21	22	20	21	22
Primary European peers													
SAS AB	3286	4.4x	3.3x	3.9x	26.1x	10.4x	11.3x		3.1x	2.5x	0.8x	0.6x	0.5x
International Consolidated Airlines Group	4546	4.4x	2.5x	2.4x	17.8x	4.3x	4.2x	29.4x	2.7x	2.4x	0.8x	0.6x	0.6x
Air France-KLM SA	1936	5.3x	2.2x	2.1x		7.6x	6.4x		3.5x	2.4x	1.5x	1.0x	0.8x
Deutsche Lufthansa AG	3821	9.2x	2.4x	3.3x		5.8x	7.2x		3.3x	2.7x	0.4x	0.4x	0.4x
Norwegian Air Shuttle ASA	937	8.9x	6.0x	5.5x	378.0x	17.7x	14.9x		1.6x	0.8x	0.4x	0.3x	0.2x
Other European peers													
Aegean Airlines SA	384			2.9x			7.4x	8.8x	4.8x	5.1x	1.3x	1.1x	1.0x
easyJet plc	2413	15.5x	4.0x	3.4x		9.3x	6.2x		9.4x	5.7x	0.9x	0.8x	0.8x
Ryanair Holdings Plc	10504	12.9x	5.3x	4.4x	43.3x	8.5x	7.2x	43.0x	8.5x	6.7x	1.9x	1.6x	
Wizz Air Holdings Plc	2331	6.0x	3.5x	2.5x	31.4x	6.6x	3.7x	108.1x	9.4x	22.3x	2.0x	1.6x	2.2x
North American peers													
American Airlines Group, Inc.	4687		8.1x	6.0x		16.2x	10.7x		6.6x	3.4x		7.0x	1.9x
Delta Air Lines, Inc.	14786	22.7x	3.5x	2.9x		5.3x	4.2x		4.9x	3.7x	0.9x	0.8x	0.7x
JetBlue Airways Corporation	2247	48.0x	4.1x	2.7x		7.5x	4.4x		6.6x	4.1x	0.4x	0.4x	0.3x
Southwest Airlines Co.	15319	62.7x	4.2x	3.2x		6.0x	4.7x		9.0x	6.8x	1.3x	1.1x	1.0x
Spirit Airlines, Inc.	873	46.8x	5.8x	3.5x		9.0x	5.8x		5.0x	3.1x	0.4x	0.4x	0.3x
Primary European peers median		5.3x	2.5x	3.3x	26.1x	7.6x	7.2x	29.4x	3.1x	2.4x	0.8x	0.6x	0.5x
Finnair (Evli est)*		7.5x	2.8x	2.6x	-10.1x	8.5x	7.3x	-2.6x	10.6x	7.4x	0.7x	0.6x	0.6x
<i>Finnair discount/premium to primary peer group median*</i>		42 %	12 %	-19 %	-139 %	11 %	2 %	-109 %	241 %	208 %	-13 %	3 %	14 %

FINNAIR PEER GROUP	Ticker	Div yield			EBIT-%			ROCE-%			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%	2.3%	5.4%	6.1%	3.0%	7.2%	8.0%	-4.3%	19.7%	20.8%
International Consolidated Airlines Group	IAG-GB	4.1%	8.8%	11.2%	4.1%	12.9%	13.6%	3.6%	12.8%	13.1%	2.6%	23.0%	24.3%
Air France-KLM SA	AF-FR	0.1%	0.1%	3.3%	-4.6%	4.9%	6.0%	-5.8%	7.4%	9.0%	-69.7%	29.3%	32.0%
Deutsche Lufthansa AG	LHA-DE	1.8%	5.4%	5.5%	-5.5%	5.4%	6.5%	-5.9%	7.1%	8.4%	-13.5%	11.2%	13.9%
Norwegian Air Shuttle ASA	NAS-NO	0.0%	0.0%	2.9%	0.4%	8.1%	9.2%	0.2%	4.5%	5.1%	-61.5%	18.3%	26.3%
Other European peers													
Aegean Airlines SA	AEGN-GR	5.1%	11.0%	9.8%	5.8%	9.1%	8.5%	8.6%	15.4%	15.5%	14.3%	22.0%	19.0%
easyJet plc	EZJ-GB	2.9%	5.2%	9.3%	-6.5%	6.3%	9.1%	-4.8%	6.1%	9.1%	-9.3%	9.0%	14.1%
Ryanair Holdings Plc	RY4C-IE	0.4%	0.3%		4.6%	16.4%	16.1%	2.9%	12.3%	15.0%	4.3%	18.6%	
Wizz Air Holdings Plc	WIZZ-GB	0.0%	0.0%		5.0%	16.0%	14.3%	3.0%	11.6%	8.6%	1.8%	16.6%	9.9%
North American peers													
American Airlines Group, Inc.	AAL-US	2.4%	2.2%	2.9%	-13.2%	5.2%	6.9%	-9.0%	4.9%	7.4%		105.9%	54.0%
Delta Air Lines, Inc.	DAL-US	2.5%	1.8%	5.5%	-2.9%	12.3%	13.3%	-1.7%	10.3%	12.2%	-14.0%	16.2%	19.3%
JetBlue Airways Corporation	JBLU-US	0.0%	0.0%	0.0%	-3.8%	8.6%	11.5%	-2.0%	5.8%		-8.3%	6.1%	8.0%
Southwest Airlines Co.	LUV-US	1.4%	1.5%	2.6%	-1.8%	12.8%	13.4%	-1.4%	13.7%	16.5%	-8.3%	12.6%	14.1%
Spirit Airlines, Inc.	SAVE-US	0.0%	0.0%	0.0%	-0.9%	10.5%	11.6%	-0.4%	5.4%		-12.2%	7.2%	8.4%
Primary European peers median		0.1%	0.1%	3.3%	0.4%	5.4%	6.5%	0.2%	7.2%	8.4%	-13.5%	19.7%	24.3%
Finnair (Evli est)*	FIA1S-FI	0.0%	3.1%	4.4%	-6.5%	5.5%	6.3%	-5.8%	6.7%	7.3%	-22.9%	6.1%	8.2%

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	584.8	135.6	743.9	748.2	2,212.5	3,081.9	3,205.0
EBITDA	60.2	125.6	181.8	120.7	488.2	4.5	-40.5	119.8	108.0	191.8	518.4	561.2
<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>0.8</i>	<i>-29.9</i>	<i>16.1</i>	<i>14.4</i>	<i>8.7</i>	<i>16.8</i>	<i>17.5</i>
EBIT	-15.8	46.9	100.6	31.2	162.8	-73.0	-122.5	35.8	16.0	-143.7	170.1	201.0
<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>-12.5</i>	<i>-90.4</i>	<i>4.8</i>	<i>2.1</i>	<i>-6.5</i>	<i>5.5</i>	<i>6.3</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	-99.2
Pre-tax profit	-46.8	38.1	77.7	26.9	95.8	-93.0	-145.5	12.8	-7.0	-232.7	76.1	101.7
Tax	9.7	-7.8	-14.4	-5.9	-18.4	18.6	29.1	-2.6	1.4	46.5	-15.2	-20.3
<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>20.0</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	-40.3	27.1	60.1	17.8	64.6	-77.6	-119.5	7.1	-8.8	-198.8	48.3	68.8
EPS	-0.31	0.21	0.47	0.14	0.50	-0.61	-0.93	0.06	-0.07	-1.55	0.38	0.54
EPS adjusted (diluted no. of shares)	-0.31	0.21	0.47	0.14	0.50	-0.61	-0.93	0.06	-0.07	-1.55	0.38	0.54
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.12	0.18
SALES, EURm												
Group total	668.3	789.1	865.4	774.9	3,097.7	584.8	135.6	743.9	748.2	2,212.5	3,081.9	3,205.0
Total	668.3	789.1	865.4	774.9	3,097.7	584.8	135.6	743.9	748.2	2,212.5	3,081.9	3,205.0
SALES GROWTH, Y/Y %												
Group total	4.2	9.9	7.2	15.7	9.2	-12.5	-82.8	-14.0	-3.4	-28.6	39.3	4.0
Total	4.2	9.9	7.2	15.7	9.2	-12.5	-82.8	-14.0	-3.4	-28.6	39.3	4.0
EBIT, EURm												
Group total	-15.8	46.9	100.6	31.2	162.8	-73.0	-122.5	35.8	16.0	-143.7	170.1	201.0
Total	-15.8	46.9	100.6	31.2	162.8	-73.0	-122.5	35.8	16.0	-143.7	170.1	201.0
EBIT margin, %												
Group total	-2.4	5.9	11.6	4.0	5.3	-12.5	-90.4	4.8	2.1	-6.5	5.5	6.3
Total	-2.4	5.9	11.6	4.0	5.3	-12.5	-90.4	4.8	2.1	-6.5	5.5	6.3

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	2,212.5	3,081.9	3,205.0
<i>Sales growth (%)</i>	-1.3	2.8	10.9	10.4	9.2	-28.6	39.3	4.0
EBITDA	131.8	161.0	299.6	512.6	488.2	191.8	518.4	561.2
<i>EBITDA margin (%)</i>	5.8	6.9	11.7	18.1	15.8	8.7	16.8	17.5
Depreciation	-108.1	-105.8	-129.2	-294.2	-325.4	-335.5	-348.3	-360.3
EBITA	23.7	55.2	170.4	218.4	162.8	-143.7	170.1	201.0
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	-143.7	170.1	201.0
<i>EBIT margin (%)</i>	1.1	2.4	6.6	7.7	5.3	-6.5	5.5	6.3
Reported EBIT	12.4	53.8	169.5	218.3	160.0	-143.7	170.1	201.0
<i>EBIT margin (reported) (%)</i>	0.6	2.3	6.6	7.7	5.2	-6.5	5.5	6.3
Net financials	-8.3	-10.5	-13.7	-129.0	-67.0	-89.0	-94.0	-99.2
Pre-tax profit	15.4	44.7	156.7	89.4	95.8	-232.7	76.1	101.7
Taxes	-3.1	-8.9	-31.3	-25.6	-18.4	46.5	-15.2	-20.3
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	-198.8	48.3	68.8
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	1,900	1,976	2,058
Goodwill	0	0	0	0	0	0	0	0
Right of use assets	0	0	0	999	878	841	863	865
Inventory	12	15	17	121	80	62	80	83
Receivables	364	512	460	210	217	167	229	236
Liquid funds	708	814	965	1,067	952	708	955	994
Total assets	2,050	2,529	2,887	3,944	3,878	3,678	4,104	4,236
Liabilities								
Shareholder's equity	727	857	1,016	918	966	768	816	869
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	841	863	865
Deferred taxes	0	33	74	48	64	64	64	64
Interest bearing debt	346	718	719	615	521	802	1,023	1,088
Non-interest bearing current liabilities	682	519	566	285	243	174	308	321
Other interest-free debt	201	339	428	811	873	873	873	873
Total liabilities	2,050	2,529	2,887	3,944	3,878	3,678	4,104	4,236
CASH FLOW, EURm								
+ EBITDA	132	161	300	513	488	192	518	561
- Net financial items	-8	-10	-14	-129	-67	-89	-94	-99
- Taxes	0	33	-1	-52	-2	47	-15	-20
- Increase in Net Working Capital	43	56	57	50	-7	-1	55	2
+/- Other	-2	-19	40	1	-16	-13	-13	-13
= Cash flow from operations	164	220	382	383	397	136	451	431
- Capex	-81	-486	-405	-330	-409	-447	-447	-445
- 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	-312	5	-14
+/- New issues/buybacks	231	110	60	-110	21	0	0	0
- Paid dividend	0	0	-13	-38	-35	0	0	-16
+/- Other	-480	108	-30	-17	-89	68	243	68
Change in cash	282	105	151	103	-116	-244	247	38

KEY FIGURES	2016	2017	2018	2019	2020E	2021E	2022E
M-cap	516	1,643	908	753	513	513	513
Net debt (excl. convertibles)	-96	-246	707	623	935	930	960
Enterprise value	420	1,397	1,615	1,377	1,448	1,443	1,472
Sales	2,317	2,568	2,836	3,098	2,213	3,082	3,205
EBITDA	161	300	513	488	192	518	561
EBIT	55	170	218	163	-144	170	201
Pre-tax	45	157	89	96	-233	76	102
Earnings	21	113	51	65	-199	48	69
Equity book value (excl. minorities)	857	1,016	918	966	768	816	869
Valuation multiples							
EV/sales	0.2	0.5	0.6	0.4	0.7	0.5	0.5
EV/EBITDA	2.6	4.7	3.2	2.8	7.5	2.8	2.6
EV/EBITA	7.6	8.2	7.4	8.5	-10.1	8.5	7.3
EV/EBIT	7.6	8.2	7.4	8.5	-10.1	8.5	7.3
EV/OCF	1.9	3.7	4.2	3.5	10.7	3.2	3.4
EV/FCFF	-1.5	6.3	6.1	8.4	-10.1	6.1	7.0
P/FCFE	-4.6	12.2	3.4	-61.4	-1.6	109.5	-37.9
P/E	24.9	14.6	10.2	11.7	-2.6	10.6	7.4
P/B	0.6	1.6	1.0	0.8	0.7	0.6	0.6
Target EV/EBITDA	0.0	0.0	0.0	0.0	7.5	2.8	2.6
Target EV/EBIT	0.0	0.0	0.0	0.0	-10.1	8.5	7.3
Target EV/FCF	0.0	0.0	0.0	0.0	-4.6	308.3	-108.9
Target P/B	0.0	0.0	0.0	0.0	0.7	0.6	0.6
Target P/E	0.0	0.0	0.0	0.0	-2.6	10.6	7.4
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	-1.55	0.38	0.54
Operating cash flow per share	1.71	2.98	2.99	3.09	1.06	3.52	3.37
Free cash flow per share	-0.88	1.05	2.09	-0.10	-2.43	0.04	-0.11
Book value per share	6.69	7.93	7.17	7.54	5.99	6.37	6.78
Dividend per share	0.10	0.30	0.27	0.00	0.00	0.12	0.18
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	3.1	4.4
FCF yield, %	-21.9	8.2	29.5	-1.6	-60.9	0.9	-2.6
Efficiency measures							
ROE	2.6	12.0	5.3	6.9	-22.9	6.1	8.2
ROCE	4.2	10.3	9.9	6.2	-5.8	6.7	7.3
Financial ratios							
Inventories as % of sales	0.6	0.7	4.3	2.6	2.8	2.6	2.6
Receivables as % of sales	22.1	17.9	7.4	7.0	7.6	7.4	7.4
Non-interest bearing liabilities as % of sales	22.4	22.0	10.1	7.8	7.8	10.0	10.0
NWC/sales, %	-12.7	-18.7	-26.4	-23.9	-33.4	-25.8	-24.9
Operative CAPEX/sales, %	21.0	15.8	11.6	13.2	20.2	14.5	13.9
CAPEX/sales (incl. acquisitions), %	21.0	15.8	11.6	13.2	20.2	14.5	13.9
FCFF/EBITDA	-1.8	0.7	0.5	0.3	-0.7	0.5	0.4
Net debt/EBITDA, book-weighted	-0.6	-0.8	1.4	1.3	4.9	1.8	1.7
Debt/equity, market-weighted	1.4	0.4	0.7	0.7	1.6	2.0	2.1
Equity ratio, book-weighted	37.8	39.1	25.4	27.4	22.4	21.7	22.4
Gearing, %	-11.2	-24.2	77.0	64.5	121.8	114.1	110.5

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	286.062	55.8%
The local Government Pensions Institution	5,750,875	23.004	4.5%
Varma Mutual Pension Insurance Company	3,261,933	13.048	2.5%
Ilmarinen Mutual Pension Insurance Company	2,870,642	11.483	2.2%
Tiiviste-Group Oy	2,150,000	8.600	1.7%
The State Pension Fund	1,720,000	6.880	1.3%
Oy Etra Invest Ab	1,000,000	4.000	0.8%
Elo Mutual Pension Insurance Company	832,652	3.331	0.6%
Veritas Pension Insurance Company	777,656	3.111	0.6%
Laakkonen Mikko Kalervo	740,000	2.960	0.6%
Ten largest	90,619,184	362.477	71%
Residual	37,516,931	150.068	29%
Total	128,136,115	512.544	100%

EARNINGS CALENDAR	
April 29, 2020	Q1 report
July 17, 2020	Q2 report
October 28, 2020	Q3 report
OTHER EVENTS	
March 20, 2018	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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Investment recommendations are defined as follows:

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

ERP's investment recommendation of the analyzed company is updated at least 2 times per year.

Recommendation	Percentage
Sell	8%
Hold	53%
Buy	39%

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

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