

Soft traffic continued

Finnair's traffic came in below our (and consensus) expectations in Q4 and the company appears to have slightly missed its FY2018 guidance ranges for capacity growth (14.8% vs. guidance "above 15%") and passenger growth (11.6% vs. guidance 12-13%). We have cut Q4 estimates with weaker than expected traffic, whereas our 2019E estimates remain largely unchanged.

Q4 traffic softer than we expected

Finnair's traffic continued soft in Q4. Overall Q4 capacity (ASK) grew by 9% vs. our 12% expectation, while sold capacity (RPK) grew by only 4% vs. our 10% expectation. Thus passenger load factor (PLF) declined quite notably by 3.4 percentage points in Q4 to 76.9%. This was driven by weakening PLFs in European (-3.6pp), Asian (-3.5pp) and domestic (-3.0pp) traffic. Finnair flagged in Q3 that competition had tightened especially in the Nordics, which is a likely contributor to soft traffic performance. Finnair stopped reporting unit revenue (RASK) with end-quarter monthly traffic, but we expect it to have continued to decline in Q4.

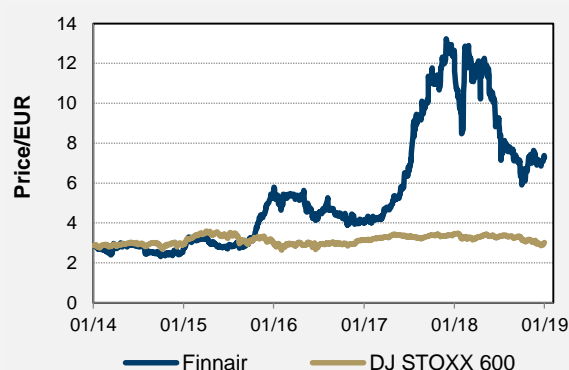
Fuel price eased somewhat q/q in Q4

As a positive the price of jet fuel eased in November and December, after climbing to a multi-year high in October. On a q/q basis average price moved by -5% in USD and by -3% in EUR compared to average price of Q3. Yet average price for Q4 was still 15% higher y/y in USD and 18% higher in EUR.

Q4 estimates cut

We have cut Q4 estimates and expect Finnair's Q4 revenue to be EUR 671m (4% growth), while foreseeing adj. EBIT at EUR -9m (margin -1.4%). We foresee FY2018 revenue growth at the low-end of the guided "about 10-11%" range. Our rating ("Hold") and TP (EUR 6.8) remain intact, with 2019E estimates largely unchanged.

Rating ■ HOLD



Share price, EUR (Last trading day's closing price) 7.27

Target price, EUR 6.8

Latest change in recommendation 13-Nov-17

Latest report on company 29-Oct-18

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 932

Free float, % 44.0

Exchange rate EUR/USD 1.157

Reuters code FIA1S.HE

Bloomberg code FIA1S FH

Average daily volume, EURm -

Next interim report 15-Feb-2019

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■ BUY ■ HOLD ■ SELL

KEY FIGURES

	Sales EURm	EBIT EURm	EBIT %	Ptx profit EURm	EPS EUR	P/E (x)	EV/Sales (x)	P/CF (x)	EV/EBIT (x)	DPS EUR
2016	2,317	55	2.4%	45	0.16	24.9	0.2	2.4	7.6	0.10
2017	2,568	170	6.6%	157	0.88	14.6	0.5	4.3	8.2	0.30
2018E	2,823	151	5.3%	132	0.73	10.0	0.3	3.2	5.3	0.30
2019E	2,976	140	4.7%	120	0.65	11.2	0.3	3.3	6.2	0.30
2020E	3,131	166	5.3%	144	0.80	9.1	0.3	2.9	5.5	0.35
Market cap, EURm		932		BV per share 2018E, EUR		8.4		CAGR EPS 2017-20, %		-3.1
Net debt 2018E, EURm		-140		Price/book 2018E		0.9		CAGR sales 2017-20, %		6.8
Enterprise value, EURm		792		Dividend yield 2018E, %		4.1		ROE 2018E, %		8.9
Total assets 2018E, EURm		3,199		Tax rate 2018E, %		20.0		ROCE 2018E, %		8.1
Goodwill 2018E, EURm		0		Equity ratio 2018E, %		37.2		PEG, P/E 18/CAGR		0.9

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

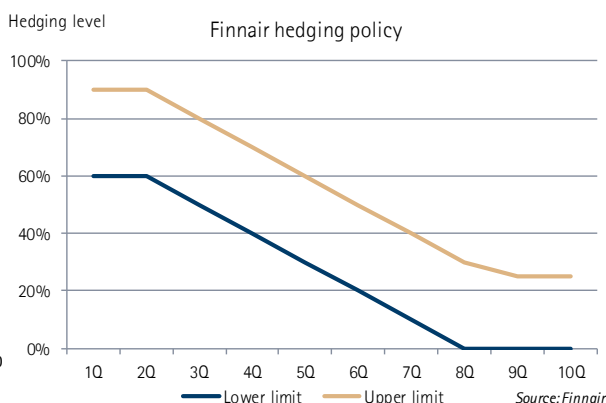
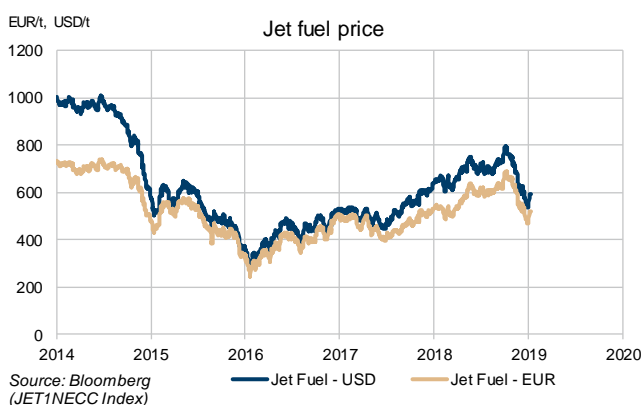
Operating model

FINNAIR EURm	2015 FY	2016 FY	2017 Q1	2017 Q2	2017 Q3	2017 Q4	2017 FY	2018 Q1	2018 Q2	2018 Q3	2018E Q4	2018E FY	2019E FY
Passengers (thousands)	10294	10866	2604	3070	3275	2956	11905	3018	3456	3653	3155	13281	13960
y/y change	7%	6%	4%	10%	10%	14%	10%	16%	13%	12%	7%	12%	5%
ASK (mkm)	31 836	33 914	8 128	9 095	10 093	9 607	36 922	9 666	10 718	11 528	10 473	42 386	44 552
y/y change	3%	7%	0%	7%	11%	17%	9%	19%	18%	14%	9%	15%	5%
RPK (mkm)	25 592	27 065	6 617	7 617	8 798	7 718	30 749	8 016	8 847	9 743	8 055	34 660	36 446
y/y change	3%	6%	3%	16%	15%	20%	14%	21%	16%	11%	4%	13%	5%
Load factor (RPK/ASK), PLF	80.4 %	79.8 %	81.4 %	83.7 %	87.2 %	80.3 %	83.3 %	82.9%	82.5%	84.5%	76.9%	81.8 %	81.8 %
y/y change	0.2%-p	-0.6%-p	2.6%-p	6.3%-p	2.9%-p	2.0%-p	3.5%-p	1.5%-p	-1.2%-p	-2.7%-p	-3.4%-p	-1.5%-p	0.0%-p
Total revenue	2255	2317	555	633	735	645	2569	635	715	801	671	2823	2976
YoY change	-1%	3%	3%	11%	15%	13%	11%	15%	13%	9%	4%	10%	5%
Other income	85	76	20	19	18	20	77	20	18	18	18	73	72
Staff costs	-353	-363	-91	-107	-113	-113	-423	-106	-116	-109	-102	-433	-448
y/y change	2%	3%	-2%	15%	29%	25%	17%	17%	8%	-3%	-10%	2%	3%
% of revenue	16%	16%	16%	17%	15%	18%	16%	17%	16%	14%	15%	15%	15%
Fuel	-596	-492	-112	-114	-124	-122	-472	-127	-145	-163	-155	-591	-680
y/y change	-10%	-17%	-9%	-9%	-4%	6%	-4%	14%	27%	31%	27%	25%	15%
% of revenue	26%	21%	20%	18%	17%	19%	18%	20%	20%	20%	23%	21%	23%
Other OPEX	-1160	-1268	-322	-328	-328	-336	-1314	-343	-349	-363	-364	-1419	-1461
y/y change	3%	9%	4%	5%	2%	3%	4%	6%	6%	11%	8%	8%	3%
% of revenue	51%	55%	58%	52%	45%	52%	51%	54%	49%	45%	54%	50%	49%
Comparable EBITDAR	231	270	50	103	189	94	436	79	123	184	68	453	459
Comp. EBITDAR-%	9.9 %	11.3 %	8.7 %	15.8 %	25.1 %	14.1 %	16.5 %	12.0 %	16.8 %	22.5 %	9.8 %	15.6 %	15.1 %
Operating lease payment for aircraft	-99	-110	-30	-35	-35	-36	-137	-39	-40	-38	-39	-156	-165
Comparable EBITDA	132	161	20	68	154	58	300	40	84	146	29	298	294
Depreciation	-108	-106	-29	-30	-35	-35	-129	-36	-36	-38	-38	-147	-154
Comparable EBIT	24	55	-9	37	119	23	171	4	48	108	-9	151	140
Comp. EBIT-%	1.0 %	2.3 %	-1.5 %	5.7 %	15.8 %	3.4 %	6.4 %	0.6 %	6.6 %	13.2 %	-1.4 %	5.2 %	4.6 %
IAC & fair value changes	98	61	-1	52	3	1	54	2	-8	-3	0	-9	0
EBIT	122	116	-10	89	122	24	225	6	40	106	-9	142	140

Sources: Finnair, Evli estimates

Fuel spot price development and hedging

Finnair hedges its fuel purchases for 24 months forward on a rolling basis, with the degree of hedging decreasing towards the end of the hedging period. The higher and lower limits of the degree of hedging are 90% and 60% for the following six months.



Finnair valuation vs. peers

Our model treats Finnair's EUR 200m hybrid bond as 100% equity. Our estimates exclude IAC and fair value changes, but include hybrid interest. If the EUR 200m hybrid bond is removed from equity, Finnair's P/B is 1.0-1.1x in FY18-19E. On our estimates Finnair generates ROCE of ~7-8% in FY18-20E vs. our WACC of 8.9%.

	MCAP local FX	EV/EBITDA 18	EV/EBITDA 19	EV/EBITDA 20	EV/EBIT 18	EV/EBIT 19	EV/EBIT 20	P/E 18	P/E 19	P/E 20	P/B 18	P/B 19	P/B 20
FINNAIR PEER GROUP													
Primary European peers													
SAS AB	8570	3.5x	3.8x	5.0x	5.7x	7.2x	9.5x	6.1x	7.4x	5.4x	1.2x	1.1x	0.9x
International Consolidated Airlines Group	11911	3.2x	3.0x	2.9x	4.5x	4.2x	4.1x	5.8x	5.8x	5.4x	1.6x	1.3x	1.1x
Air France-KLM SA	4014	2.4x	2.3x	2.0x	7.6x	7.4x	6.0x	6.7x	6.2x	5.3x	1.3x	1.1x	0.9x
Deutsche Lufthansa AG	9523	2.6x	2.7x	2.4x	4.4x	4.8x	4.1x	4.7x	4.9x	4.5x	0.8x	0.7x	0.6x
Norwegian Air Shuttle ASA	8086		33.8x	16.8x			41.9x				2.4x	3.6x	3.5x
Other European peers													
Aegean Airlines SA	522	3.0x	2.6x	2.5x	3.6x	3.1x	2.9x	8.6x	8.2x	7.4x	1.9x	1.8x	1.6x
easyJet plc	4550	5.6x	5.5x	5.3x	7.9x	7.9x	7.6x	9.6x	9.8x	9.2x	1.4x	1.3x	1.2x
Flybe Group PLC	35	5.7x	5.8x	3.5x			18.4x			4.9x	0.4x	0.5x	0.4x
Ryanair Holdings Plc	11872	7.0x	6.2x	5.3x	10.6x	9.4x	7.8x	11.0x	10.3x	8.6x	2.4x	2.0x	1.7x
Wizz Air Holdings Plc	2151	2.9x	2.8x	2.2x	3.8x	3.8x	3.1x	14.3x	11.8x	9.7x	2.6x	1.8x	1.5x
North American peers													
American Airlines Group, Inc.	15393	6.8x	5.7x	5.6x	10.7x	8.6x	8.3x	7.2x	5.6x	5.3x	8.9x	3.9x	2.6x
Delta Air Lines, Inc.	33232	5.5x	4.4x	4.1x	7.9x	6.3x	5.9x	8.7x	7.3x	6.8x	2.4x	1.9x	1.5x
JetBlue Airways Corporation	5251	5.1x	4.6x	3.9x	8.7x	7.6x	6.1x	11.5x	9.1x	7.3x	1.0x	0.9x	0.8x
Southwest Airlines Co.	27598	6.3x	5.7x	5.2x	8.6x	7.8x	7.2x	11.9x	10.1x	9.3x	2.4x	2.0x	1.8x
Spirit Airlines, Inc.	4058	9.3x	7.0x	6.6x	13.4x	9.6x	9.2x	13.6x	9.7x	8.9x	2.1x	1.7x	1.4x
United Continental Holdings, Inc.	22822	5.7x	4.9x	4.5x	9.3x	7.6x	6.9x	9.6x	7.6x	6.9x	2.2x	1.8x	1.4x
WestJet	2081	6.1x	4.9x	3.8x	26.4x	14.1x	8.9x	28.1x	13.6x	9.1x	0.9x	0.9x	0.8x
Primary European peers median		2.9x	3.0x	2.9x	5.1x	6.0x	6.0x	5.9x	6.0x	5.3x	1.3x	1.1x	0.9x
Finnair (Evli est)*		2.7x	3.0x	2.7x	5.3x	6.2x	5.5x	10.0x	11.2x	9.1x	0.9x	0.8x	0.8x
<i>Finnair discount/premium to primary peer group median*</i>		-7%	-1%	-8%	4%	4%	-8%	69%	86%	70%	-30%	-23%	-12%

	Ticker	Div yield 18	Div yield 19	Div yield 20	EBIT-% 18	EBIT-% 19	EBIT-% 20	ROCE-% 18	ROCE-% 19	ROCE-% 20	ROE-% 18	ROE-% 19	ROE-% 20
FINNAIR PEER GROUP													
Primary European peers													
SAS AB	SAS-SE	0.2%	0.2%	0.2%	5.4%	4.3%	5.8%	13.1%	9.4%	12.0%	19.5%	14.7%	16.6%
International Consolidated Airlines Group	IAG-GB	4.4%	4.6%	5.0%	13.2%	12.3%	12.3%	17.6%	16.2%	15.8%	27.1%	23.0%	21.2%
Air France-KLM SA	AF-FR	0.3%	0.6%	1.0%	5.0%	4.6%	5.0%	7.2%	6.7%	7.3%	18.7%	17.0%	16.9%
Deutsche Lufthansa AG	LHA-DE	4.1%	4.4%	4.8%	7.6%	7.2%	7.6%	11.5%	10.6%	10.9%	17.7%	15.1%	14.5%
Norwegian Air Shuttle ASA	NAS-NO	0.0%	0.0%	0.1%	-5.6%	-0.6%	3.0%	-6.6%	-0.6%	2.9%	-67.7%	-48.9%	-0.4%
Other European peers													
Aegean Airlines SA	AEGN-GR	6.8%	6.6%	6.9%	7.4%	7.4%	7.9%	25.2%	24.3%	22.7%	22.6%	21.4%	21.2%
easyJet plc	EZJ-GB	4.9%	5.2%	5.6%	9.1%	9.1%	9.0%	10.9%	10.8%	10.5%	14.3%	13.3%	13.2%
Flybe Group PLC	FLYB-GB	0.0%	0.0%	4.1%	-2.3%	-0.5%	1.9%				-25.9%	-9.8%	9.1%
Ryanair Holdings Plc	RY4C-IE	1.0%	0.8%	1.0%	16.2%	15.4%	16.5%	13.5%	13.6%	14.8%	22.0%	19.8%	19.8%
Wizz Air Holdings Plc	WIZZ-GB	0.0%	0.0%	0.0%	13.0%	14.0%	14.6%	15.8%	16.7%	17.6%	18.3%	15.3%	15.1%
North American peers													
American Airlines Group, Inc.	AAL-US	1.2%	1.3%	1.3%	7.7%	9.3%	8.9%	9.2%	11.2%	10.9%	123.4%	70.4%	48.2%
Delta Air Lines, Inc.	DAL-US	2.7%	3.0%	3.3%	11.9%	13.4%	13.1%	14.2%	15.6%	14.8%	27.2%	25.7%	22.5%
JetBlue Airways Corporation	JBLU-US	0.0%	0.0%	0.0%	8.9%	10.2%	11.3%	8.6%	9.8%	10.9%	9.1%	9.9%	10.7%
Southwest Airlines Co.	LUV-US	1.2%	1.4%	1.6%	14.3%	15.0%	14.6%	16.6%	17.9%	17.5%	20.0%	20.3%	19.0%
Spirit Airlines, Inc.	SAVE-US	0.0%	0.0%	0.0%	13.1%	16.0%	14.9%	9.9%	11.7%	10.7%	15.6%	17.7%	16.2%
United Continental Holdings, Inc.	UAL-US	0.0%	0.0%	0.0%	8.8%	9.9%	9.9%	11.7%	12.8%	12.1%	22.8%	23.1%	20.6%
WestJet	WJA-CA	3.1%	3.3%	3.1%	2.8%	4.7%	6.8%	2.8%	5.0%	7.8%	3.3%	6.5%	8.9%
Primary European peers median		0.3%	0.6%	1.0%	5.4%	4.6%	5.8%	11.5%	9.4%	10.9%	18.7%	15.1%	16.6%
Finnair (Evli est)*	FIA1S-FI	4.1%	4.1%	4.8%	5.3%	4.7%	5.3%	8.1%	6.7%	7.4%	8.9%	7.6%	8.9%

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.

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC
Current share price	7.27 PV of Free Cash Flow	416 Long-term growth, %	2.0 Risk-free interest rate, %
DCF share value	9.62 PV of Horizon value	623 WACC, %	8.9 Market risk premium, %
Share price potential, %	32.3 Unconsolidated equity	0 Spread, %	0.5 Debt risk premium, %
Maximum value	10.3 Marketable securities	1,060 Minimum WACC, %	8.4 Equity beta coefficient
Minimum value	9.0 Debt - dividend	-920 Maximum WACC, %	9.4 Target debt ratio, %
Horizon value, %	59.9 Value of stock	1,247 Nr of shares, Mn	128.1 Effective tax rate, %

DCF valuation, EURm	2017	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	Horizon
Net sales	2,568	2,823	2,976	3,131	3,256	3,370	3,488	3,610	3,737	3,868	3,945	4,024
<i>Sales growth, %</i>	10.9	9.9	5.4	5.2	4.0	3.5	3.5	3.5	3.5	3.5	2.0	2.0
Operating income (EBIT)	170	151	140	166	182	169	174	181	187	155	158	161
<i>EBIT margin, %</i>	6.6	5.3	4.7	5.3	5.6	5.0	5.0	5.0	5.0	4.0	4.0	4.0
+ Depreciation+amort.	129	147	154	174	186	196	197	198	200	203	207	
- Income taxes	-3	-30	-28	-33	-36	-34	-35	-36	-37	-31	-32	
- Change in NWC	57	23	14	14	11	10	11	11	11	12	7	
<i>NWC/Sales, %</i>	-18.7	-17.8	-17.3	-16.9	-16.6	-16.4	-16.1	-15.9	-15.6	-15.4	-15.3	
+ Change in other liabs	79	0	0	0	0	0	0	0	0	0	0	
- Capital Expenditure	-237	-330	-290	-290	-290	-200	-210	-220	-230	-240	-250	-255
<i>Investments/Sales, %</i>	9.2	11.7	9.7	9.3	8.9	5.9	6.0	6.1	6.2	6.2	6.3	6.3
- Other items	16	-13	-13	-13	0	0	0	0	0	0	0	
= Unlevered Free CF (FCF)	211	-53	-23	18	53	141	137	133	131	99	90	1,335
= Discounted FCF (DFCF)		-53	-21	15	41	101	89	80	72	50	42	623
= DFCF min WACC		-53	-21	15	42	103	92	82	75	52	44	700
= DFCF max WACC		-53	-21	15	40	99	87	78	70	48	40	557

INTERIM FIGURES

EVLI ESTIMATES, EURm	2017Q1	2017Q2	2017Q3	2017Q4	2017	2018Q1	2018Q2	2018Q3	2018Q4E	2018E	2019E	2020E
Net sales	554	633	735	645	2,568	635	715	801	671	2,823	2,976	3,131
EBITDA	20	68	154	58	300	40	84	146	29	297	294	340
<i>EBITDA margin (%)</i>	3.6	10.7	20.9	9.0	11.7	6.2	11.7	18.2	4.3	10.5	9.9	10.9
EBIT	-9	38	119	23	170	4	48	108	-9	151	140	166
<i>EBIT margin (%)</i>	-1.6	5.9	16.2	3.5	6.6	0.6	6.7	13.5	-1.4	5.3	4.7	5.3
Net financial items	0	-6	-5	-3	-14	-4	-5	-5	-4	-18	-20	-22
Pre-tax profit	-9	32	114	20	157	0	43	103	-13	132	120	144
Tax	2	-6	-23	-4	-31	0	-9	-21	3	-26	-24	-29
<i>Tax rate (%)</i>	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0
Net profit	-10	22	88	13	113	-3	31	79	-14	93	83	103
EPS	-0.08	0.17	0.69	0.10	0.88	-0.03	0.24	0.62	-0.11	0.73	0.65	0.80
EPS adjusted (diluted no. of shares)	-0.08	0.17	0.69	0.10	0.88	-0.03	0.24	0.62	-0.11	0.73	0.65	0.80
Dividend per share	0.00	0.00	0.00	0.00	0.30	0.00	0.00	0.00	0.00	0.30	0.30	0.35
SALES, EURm												
Group total	554	633	735	645	2,568	635	715	801	671	2,823	2,976	3,131
Total	554	633	735	645	2,568	635	715	801	671	2,823	2,976	3,131
SALES GROWTH, Y/Y %												
Group total	3.4	11.2	14.7	13.2	10.9	14.6	12.9	8.9	4.0	9.9	5.4	5.2
Total	3.4	11.2	14.7	13.2	10.9	14.6	12.9	8.9	4.0	9.9	5.4	5.2
EBIT, EURm												
Group total	-9	38	119	23	170	4	48	108	-9	151	140	166
Total	-9	38	119	23	170	4	48	108	-9	151	140	166
EBIT margin, %												
Group total	-1.6	5.9	16.2	3.5	6.6	0.6	6.7	13.5	-1.4	5.3	4.7	5.3
Total	-1.6	5.9	16.2	3.5	6.6	0.6	6.7	13.5	-1.4	5.3	4.7	5.3

INCOME STATEMENT, EURm	2013	2014	2015	2016	2017	2018E	2019E	2020E
Sales	2,400	2,285	2,255	2,317	2,568	2,823	2,976	3,131
<i>Sales growth (%)</i>	-2.0	-4.8	-1.3	2.8	10.9	9.9	5.4	5.2
Costs	-2,248	-2,187	-2,123	-2,156	-2,269	-2,525	-2,683	-2,791
Reported EBITDA	153	98	132	161	300	297	294	340
Extraordinary items in EBITDA	0	0	0	0	0	0	0	0
<i>EBITDA margin (%)</i>	6.4	4.3	5.8	6.9	11.7	10.5	9.9	10.9
Depreciation	-141	-134	-108	-106	-129	-147	-154	-174
EBITA	12	-36	24	55	170	151	140	166
Goodwill amortization / writedown	0	0	0	0	0	0	0	0
Reported EBIT	12	-36	24	55	170	151	140	166
<i>EBIT margin (%)</i>	0.5	-1.6	1.1	2.4	6.6	5.3	4.7	5.3
Net financials	19	-27	-8	-10	-14	-18	-20	-22
Pre-tax profit	31	-63	15	45	157	132	120	144
Extraordinary items	0	0	-11	-1	-1	0	0	0
Taxes	-4	13	-3	-9	-31	-26	-24	-29
Minority shares	0	0	0	0	0	0	0	0
Net profit	27	-51	-18	19	112	93	83	103
BALANCE SHEET, EURm								
Assets								
Fixed assets	1,358	1,053	957	1,189	1,446	1,629	1,765	1,881
<i>% of sales</i>	57	46	42	51	56	58	59	60
Goodwill	0	0	0	0	0	0	0	0
<i>% of sales</i>	0	0	0	0	0	0	0	0
Inventory	20	15	12	15	17	19	20	21
<i>% of sales</i>	1	1	1	1	1	1	1	1
Receivables	281	358	364	512	460	491	510	530
<i>% of sales</i>	12	16	16	22	18	17	17	17
Liquid funds	203	426	708	814	965	1,060	1,118	1,176
<i>% of sales</i>	8	19	31	35	38	38	38	38
Total assets	1,862	1,885	2,050	2,529	2,887	3,199	3,413	3,607
Liabilities								
Equity								
Equity	422	514	727	857	1,016	1,070	1,115	1,179
<i>% of sales</i>	18	23	32	37	40	38	37	38
Deferred taxes	3	0	0	33	74	74	74	74
<i>% of sales</i>	0	0	0	1	3	3	2	2
Interest bearing debt	593	428	346	718	719	920	1,055	1,152
<i>% of sales</i>	25	19	15	31	28	33	35	37
Non-interest bearing current liabilities	666	601	682	519	566	622	656	690
<i>% of sales</i>	28	26	30	22	22	22	22	22
Other interest free debt	67	246	201	339	428	428	428	428
<i>% of sales</i>	3	11	9	15	17	15	14	14
Total liabilities	1,862	1,885	2,050	2,529	2,887	3,199	3,413	3,607
CASH FLOW, EURm								
+ EBITDA	153	98	132	161	300	297	294	340
- Net financial items	19	-27	-8	-10	-14	-18	-20	-22
- Taxes	-3	0	0	33	-1	-26	-24	-29
- Increase in Net Working Capital	36	-33	43	56	57	23	14	14
+/- Other	-58	-15	5	-19	40	-13	-13	-13
= Cash flow from operations	147	23	171	220	382	262	251	290
- Capex	-109	-146	-81	-486	-394	-330	-290	-290
- Acquisitions	0	0	0	0	0	0	0	0
+ Divestments	9	268	448	153	157	0	0	0
= Net cash flow	46	144	538	-113	146	-68	-39	0
+/- Change in interest-bearing debt	5	-165	-81	372	1	202	135	96
+/- New issues/buybacks	-162	143	231	110	60	0	0	0
- Paid dividend	-13	0	0	0	-13	-38	-38	-38
+/- Change in loan receivables	71	-107	-291	-167	79	0	0	0
Change in cash	-53	15	397	202	273	95	58	58

KEY FIGURES	2014	2015	2016	2017	2018E	2019E	2020E
M-cap	318	694	516	1,643	932	932	932
Net debt	1	-362	-96	-246	-140	-62	-24
Enterprise value	370	332	420	1,397	792	869	907
Sales	2,285	2,255	2,317	2,568	2,823	2,976	3,131
EBITDA	98	132	161	300	297	294	340
EBIT	-36	24	55	170	151	140	166
Pre-tax	-63	15	45	157	132	120	144
Earnings	-51	-6	21	113	93	83	103
Book value	514	727	857	1,016	1,070	1,115	1,179
Valuation multiples							
EV/sales	0.2	0.1	0.2	0.5	0.3	0.3	0.3
EV/EBITDA	3.8	2.5	2.6	4.7	2.7	3.0	2.7
EV/EBITA	-10.1	14.0	7.6	8.2	5.3	6.2	5.5
EV/EBIT	-10.1	14.0	7.6	8.2	5.3	6.2	5.5
EV/operating cash flow	15.9	1.9	1.9	3.7	2.7	3.1	2.8
EV/cash earnings	7.9	2.3	2.3	4.7	3.1	3.5	3.1
P/E	-6.3	-107.2	24.9	14.6	10.0	11.2	9.1
P/E excl. goodwill	-6.3	-107.2	24.9	14.6	10.0	11.2	9.1
P/B	0.6	1.0	0.6	1.6	0.9	0.8	0.8
P/sales	0.1	0.3	0.2	0.6	0.3	0.3	0.3
P/CF	13.6	4.1	2.4	4.3	3.2	3.3	2.9
Target EV/EBIT	0.0	0.0	0.0	0.0	4.9	5.8	5.1
Target P/E	0.0	0.0	0.0	0.0	9.4	10.4	8.5
Target P/B	0.0	0.0	0.0	0.0	0.8	0.8	0.7
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	-0.40	-0.05	0.16	0.88	0.73	0.65	0.80
EPS excl. goodwill	-0.40	-0.05	0.16	0.88	0.73	0.65	0.80
Cash EPS	0.36	1.13	1.43	2.31	1.97	1.95	2.26
Operating cash flow per share	0.18	1.33	1.71	2.98	2.26	2.18	2.50
Capital employed per share	3.99	2.83	5.92	5.99	7.24	8.19	8.99
Book value per share	4.01	5.68	6.69	7.93	8.35	8.70	9.20
Book value excl. goodwill	4.01	5.68	6.69	7.93	8.35	8.70	9.20
Dividend per share	0.00	0.00	0.10	0.30	0.30	0.30	0.35
Dividend payout ratio, %	0.0	0.0	61.7	34.1	41.3	46.1	43.8
Dividend yield, %	0.0	0.0	2.5	2.3	4.1	4.1	4.8
Efficiency measures							
ROE	-10.8	-1.0	2.6	12.0	8.9	7.6	8.9
ROCE	-4.1	2.4	4.2	10.3	8.1	6.7	7.4
Financial ratios							
Capex/sales, %	-5.3	-16.3	14.4	9.2	11.7	9.7	9.3
Capex/depreciation excl. goodwill, %	-90.2	-339.6	314.7	183.2	224.9	188.3	166.5
Net debt/EBITDA, book-weighted	0.0	-2.7	-0.6	-0.8	-0.5	-0.2	-0.1
Debt/equity, market-weighted	1.3	0.5	1.4	0.4	1.0	1.1	1.2
Equity ratio, book-weighted	31.5	40.6	37.8	39.1	37.2	36.3	36.3
Gearing	0.00	-0.50	-0.11	-0.24	-0.13	-0.06	-0.02
Number of employees, average	0	0	0	0	0	0	0
Sales per employee, EUR	0	0	0	0	0	0	0
EBIT per employee, EUR	0	0	0	0	0	0	0

COMPANY DESCRIPTION: Finnair is the Finnish flag carrier airline.

INVESTMENT CASE: Finnair has clearly improved its profitability in 2016-2017. Strategy relies on traffic between Asia and Europe with new A350 fleet.

OWNERSHIP STRUCTURE	SHARES	EURm	%
Prime Minister's Office	71,515,426	519.917	55.8%
The Local Government Pensions Institution	6,200,875	45.080	4.8%
Tiiviste-Group Oy	2,150,000	15.630	1.7%
Ilmarinen Mutual Pension Insurance Company	1,945,000	14.140	1.5%
The State Pension Fund	1,700,000	12.359	1.3%
Oy Etra Invest Ab	1,000,000	7.270	0.8%
Laakkonen Mikko Kalervo	640,000	4.653	0.5%
Veritas Pension Insurance Company Ltd.	607,993	4.420	0.5%
Varma Mutual Pension Insurance Company	382,486	2.781	0.3%
Finnairin Henkilöstörahassto Hr.	293,000	2.130	0.2%
Ten largest	86,434,780	628.381	67%
Residual	41,701,335	303.169	33%
Total	128,136,115	931.550	100%

EARNINGS CALENDAR

OTHER EVENTS

March 20, 2018

AGM

COMPANY MISCELLANEOUS

CEO: Topi Manner

Tietotie 9, 01053 FINNAIR (VANTAA AIRPORT)

CFO: Pekka Vähähyyppä

Tel: +358 9 818 2780

IR: Mari Reponen

DEFINITIONS

P/E	$\frac{\text{Price per share}}{\text{Earnings per share}}$	EPS	$\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes} + \text{minority interest}}{\text{Number of shares}}$
P/Sales	$\frac{\text{Market cap}}{\text{Sales}}$	DPS	Dividend for the financial period per share
P/BV	$\frac{\text{Price per share}}{\text{Shareholders' equity} + \text{taxed provisions per share}}$	CEPS	$\frac{\text{Gross cash flow from operations}}{\text{Number of shares}}$
P/CF	$\frac{\text{Price per share}}{\text{Operating cash flow per share}}$	EV/Share	$\frac{\text{Enterprise value}}{\text{Number of shares}}$
EV (Enterprise value)	Market cap + net debt + minority interest at market value – share of associated companies at market value	Sales/Share	$\frac{\text{Sales}}{\text{Number of shares}}$
Net debt	Interest bearing debt – financial assets	EBITDA/Share	$\frac{\text{Earnings before interest, tax, depreciation and amortisation}}{\text{Number of shares}}$
EV/Sales	$\frac{\text{Enterprise value}}{\text{Sales}}$	EBIT/Share	$\frac{\text{Operating profit}}{\text{Number of shares}}$
EV/EBITDA	$\frac{\text{Enterprise value}}{\text{Earnings before interest, tax, depreciation and amortisation}}$	EAFI/Share	$\frac{\text{Pretax profit}}{\text{Number of shares}}$
EV/EBIT	$\frac{\text{Enterprise value}}{\text{Operating profit}}$	Capital employed/Share	$\frac{\text{Total assets} - \text{non interest bearing debt}}{\text{Number of shares}}$
Div yield, %	$\frac{\text{Dividend per share}}{\text{Price per share}}$	Total assets	Balance sheet total
Payout ratio, %	$\frac{\text{Total dividends}}{\text{Earnings before extraordinary items and taxes} - \text{income taxes} + \text{minority interest}}$	Interest coverage (x)	$\frac{\text{Operating profit}}{\text{Financial items}}$
Net cash/Share	$\frac{\text{Financial assets} - \text{interest bearing debt}}{\text{Number of shares}}$	Asset turnover (x)	$\frac{\text{Turnover}}{\text{Balance sheet total (average)}}$
ROA, %	$\frac{\text{Operating profit} + \text{financial income} + \text{extraordinary items}}{\text{Balance sheet total} - \text{interest free short term debt} - \text{long term advances received and accounts payable (average)}}$	Debt/Equity, %	$\frac{\text{Interest bearing debt}}{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions}}$
ROCE, %	$\frac{\text{Profit before extraordinary items} + \text{interest expenses} + \text{other financial costs}}{\text{Balance sheet total} - \text{non interest bearing debt (average)}}$	Equity ratio, %	$\frac{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions}}{\text{Total assets} - \text{interest free loans}}$
ROE, %	$\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes}}{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions (average)}}$	CAGR, %	Cumulative annual growth rate = Average growth per year

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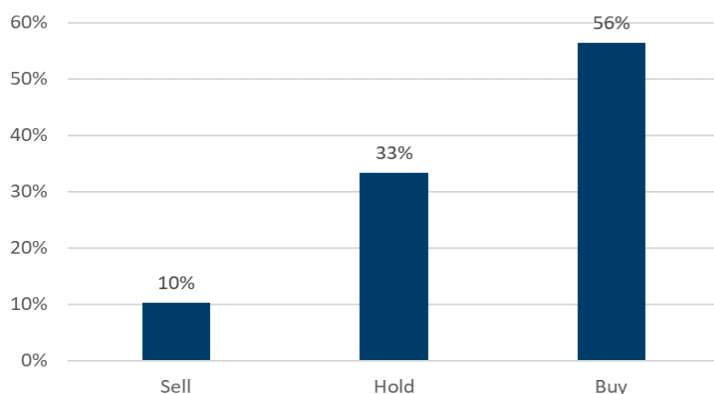
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Investment recommendations are defined as follows:

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

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Name(s) of the analyst(s): Häyhä

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