

Visibility remains short

Finnair's Q4 was surprisingly strong, but guidance for 2019E indicates the operating environment will remain at least as tough as in H2. Valuation appears largely fair to us – we hence retain "Hold" rating.

Q4: fuel and yield behind the earnings beat

Finnair's Q4 adj. EBIT came in well above estimates at EUR +9m vs. EUR -9m Evli and EUR -6m cons. Compared to our estimates the beat was driven by somewhat stronger revenue (EUR 683m vs. EUR 671m) and fuel costs, which were EUR 10m less than what we expected. On the revenue side the beat was driven by unit revenues –RASK declined less than we expected, and yield surprisingly grew by 3.5% while we expected yield decline to continue as increased competition had been flagged during H2.

Increasing competition and potentially softer demand

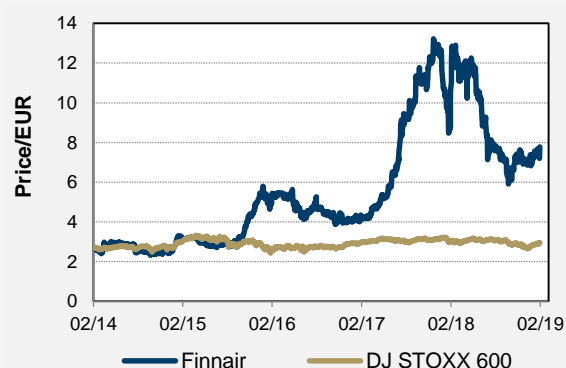
For 2019E Finnair guides ASK growth of 10% and revenue growth slightly behind ASK. We expected only 5% ASK growth for 2019E. Finnair will receive both of its 2019-delivered new A350s during H1, on top of which the Dec 2018 -delivered A350 will contribute to ASK growth. Added capacity will be mostly put to Asian routes. However, at the same time competition is expected to increase further with capacity increases, especially on routes between Europe and Asia and in intra-European traffic, even though Norwegian's planned capacity cuts may impact Finnair positively on some routes. At the same time, demand is seen to be at risk of softening with slowdown in economic growth. Increasing competition and potentially softer demand keep visibility short even though fuel appears to have stabilized.

Retaining "Hold"

On our estimates Finnair trades at an EV/EBITDA discount, but at a P/E premium to its primary peers. On P/B Finnair trades 0.9x in FY19E, or 1.1x when the EUR 200m hybrid removed from equity, while generating ROCE of ~8.5% in FY19E, close to our WACC (8.9%). We continue to think valuation does not look too attractive and hence we retain "Hold" rating with TP of EUR 7.3 (6.8). Our TP values the shares at par with Finnair's 3yr historical P/E on our FY19E estimates.

Rating

■ HOLD



Share price, EUR (Last trading day's closing price) 7.77

Target price, EUR 7.3

Latest change in recommendation 13-Nov-17

Latest report on company 15-Feb-19

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 996

Free float, % 44.0

Exchange rate EUR/USD 1.13

Reuters code FIA1S.HE

Bloomberg code FIA1S.FH

Average daily volume, EURm na.

Next interim report -

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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
2017	2,568	170	6.6%	157	0.88	14.6	0.5	4.3	8.2	0.30
2018	2,835	169	6.0%	151	0.84	8.4	0.2	2.4	3.0	0.27
2019E	3,051	151	5.0%	133	0.73	10.6	0.2	3.4	4.3	0.30
2020E	3,183	169	5.3%	147	0.82	9.5	0.2	3.3	4.2	0.35
2021E	3,310	185	5.6%	162	1.01	7.7	0.2	3.0	4.0	0.35
Market cap, EURm		996		BV per share 2019E, EUR		8.4		CAGR EPS 2018-21, %		6.2
Net debt 2019E, EURm		-342		Price/book 2019E		0.9		CAGR sales 2018-21, %		5.3
Enterprise value, EURm		654		Dividend yield 2019E, %		3.9		ROE 2019E, %		8.9
Total assets 2019E, EURm		3,171		Tax rate 2019E, %		20.0		ROCE 2019E, %		8.4
Goodwill 2019E, EURm		0		Equity ratio 2019E, %		38.3		PEG, P/E 19/CAGR		1.4

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

Estimates

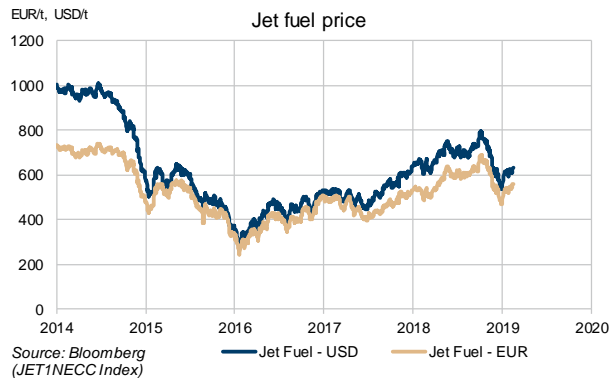
Our estimates do not yet reflect IFRS 16.

FINNAIR EURm	2015 FY	2016 FY	2017 FY	2018 Q1	2018 Q2	2018 Q3	2018 Q4	2018 FY	2019E Q1	2019E Q2	2019E Q3	2019E Q4	2019E FY
Passenger transportation													
Passenger revenue	1766	1816	2021	485	577	652	531	2244	515	616	709	573	2413
<i>y/y change</i>	7.7%	2.8%	11.3%	14.6%	13.4%	9.1%	8.0%	11.1%	6.3%	6.7%	8.8%	8.0%	7.5%
Passengers (thousands)	10294	10866	11905	3018	3456	3653	3155	13281	3282	3797	3991	3451	14521
<i>y/y change</i>	7%	6%	10%	16%	13%	12%	7%	12%	9%	10%	9%	9%	9%
ASK (mkm)	31 836	33 914	36 922	9 666	10 718	11 528	10 473	42 386	10 707	11 989	12 597	11 457	46 749
<i>y/y change</i>	3%	7%	9%	19%	18%	14%	9%	15%	11%	12%	9%	9%	10%
RPK (mkm)	25 592	27 065	30 749	8 016	8 847	9 743	8 055	34 660	8 566	9 733	10 642	8 892	37 833
<i>y/y change</i>	3%	6%	14%	21%	16%	11%	4%	13%	7%	10%	9%	10%	9%
Load factor (RPK/ASK), PLF	80.4%	79.8%	83.3%	82.9%	82.5%	84.5%	76.9%	81.8%	80%	81%	84%	78%	80.9%
<i>y/y change</i>	0.2% <i>-p</i>	-0.6% <i>-p</i>	3.5% <i>-p</i>	1.5% <i>-p</i>	-1.2% <i>-p</i>	-2.7% <i>-p</i>	-3.4% <i>-p</i>	-1.5% <i>-p</i>	-2.9% <i>-p</i>	-1.4% <i>-p</i>	0.0% <i>-p</i>	0.7% <i>-p</i>	-0.8% <i>-p</i>
RASK (total revenue / ASK), cents	7.08	6.83	6.96	6.57	6.67	6.95	6.52	6.69	6.32	6.38	6.91	6.44	6.53
<i>y/y change</i>	13.7%	-3.5%	1.8%	-3.6%	-4.2%	-4.6%	-2.9%	-3.9%	-3.8%	-4.3%	-0.5%	-1.3%	-2.4%
Yield (Traffic revenue / RPK), cents	6.90	6.71	6.57	6.05	6.52	6.69	6.59	6.48	6.01	6.33	6.66	6.44	6.38
<i>y/y change</i>	4%	-3%	-2%	-5%	-2%	-2%	3%	-1%	-1%	-3%	0%	-2%	-1%
CASK (cents)	7.01	6.67	6.49	6.53	6.22	6.01	6.43	6.29	6.43	6.06	5.94	6.41	6.20
<i>y/y change</i>	10%	-5%	-3%	-6%	-5%	-2%	-1%	-3%	-1%	-3%	-1%	0%	-1%
CASK ex-fuel (cents)	5.14	5.22	5.22	5.21	4.87	4.60	5.05	4.92	5.00	4.64	4.49	4.98	4.77
<i>y/y change</i>	19%	2%	0%	-6%	-8%	-6%	-3%	-6%	-4%	-5%	-2%	-1%	-3%
Ancillary and retail													
Revenue	103	126	145	39	41	42	39	161	45	47	48	45	185
<i>Revenue growth</i>	30.5%	21.6%	15.3%	15.7%	11.9%	12.3%	5.1%	11.1%	14.2%	15.3%	14.7%	14.9%	14.8%
Cargo													
Revenue	184	174	197	41	52	55	60	207	44	56	59	65	224
<i>Revenue growth</i>	-20.6%	-5.4%	13.5%	3.3%	4.5%	6.4%	4.9%	4.9%	8.1%	8.1%	8.1%	8.1%	8.1%
Travel services													
Revenue	207	201	206	71	46	53	53	223	73	47	54	55	229
<i>Revenue growth</i>	-3.2%	-2.7%	2.1%	21.1%	18.4%	7.8%	-10.7%	8.2%	3.0%	3.0%	3.0%	3.6%	3.1%
Passenger revenue													
Asia	730	740	882	217	243	311	228	999	239	274	350	262	1126
Europe	738	761	839	182	245	259	212	898	193	261	274	227	956
North Atlantic	106	116	119	25	36	46	31	138	29	39	51	32	150
Domestic	156	165	174	55	41	33	49	178	55	41	34	51	181
Total revenue	2255	2317	2569	635	715	801	683	2835	677	765	871	738	3051
YoY change	-1%	3%	11%	15%	13%	9%	6%	10%	7%	7%	9%	8%	8%
Other income	85	76	77	20	18	18	19	74	18	18	18	18	72
Staff costs	-353	-363	-423	-106	-116	-109	-102	-433	-109	-121	-115	-118	-463
<i>y/y change</i>	2%	3%	17%	17%	8%	-3%	-9%	2%	2%	5%	5%	16%	7%
<i>% of revenue</i>	16%	16%	16%	17%	16%	14%	15%	15%	16%	16%	13%	16%	15%
Fuel	-596	-492	-472	-127	-145	-163	-145	-581	-154	-171	-183	-164	-671
<i>y/y change</i>	-10%	-17%	-4%	14%	27%	31%	19%	23%	21%	17%	12%	13%	16%
<i>% of revenue</i>	26%	21%	18%	20%	20%	20%	21%	20%	23%	22%	21%	22%	22%
Other OPEX	-1160	-1268	-1314	-343	-349	-363	-364	-1419	-363	-371	-386	-387	-1507
<i>y/y change</i>	3%	9%	4%	6%	6%	11%	8%	8%	6%	6%	6%	6%	6%
<i>% of revenue</i>	51%	55%	51%	54%	49%	45%	53%	50%	54%	48%	44%	52%	49%
Comparable EBIT	24	55	171	4	48	108	9	169	-12	38	122	3	151
Comp. EBIT-%	1.0%	2.3%	6.4%	0.6%	6.6%	13.2%	1.3%	5.8%	-1.8%	4.9%	13.7%	0.4%	4.8%
IAC & fair value changes	98	61	54	2	-8	-3	47	38	0	0	0	0	0
EBIT	122	116	225	6	40	106	56	208	-12	38	122	3	151

Sources: Finnair, Evli estimates

Fuel price

Fuel price has eased somewhat since late 2018.



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 1.1x in FY19E. On our estimates Finnair generates ROCE of ~8.5% in FY19-20E vs. our WACC of 8.9%.

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
		18	19	20	18	19	20	18	19	20	18	19	20
Primary European peers													
SAS AB	7491	4.2x	4.6x	5.3x	7.1x	8.6x	10.1x	5.5x	6.7x	5.2x	1.0x	0.9x	0.8x
International Consolidated Airlines Group	12054	3.1x	3.0x	2.9x	4.3x	4.2x	4.1x	5.8x	5.9x	5.5x	1.6x	1.3x	1.2x
Air France-KLM SA	3590	2.3x	2.1x	1.9x	7.5x	7.5x	6.7x	6.1x	5.9x	5.5x	1.2x	1.0x	0.8x
Deutsche Lufthansa AG	9033	2.4x	2.6x	2.3x	4.2x	4.4x	3.9x	4.5x	4.4x	4.2x	0.8x	0.7x	0.6x
Norwegian Air Shuttle ASA	9883		42.2x	18.2x			55.5x				2.6x	4.1x	4.4x
Other European peers													
Aegean Airlines SA	483	2.5x	2.6x	2.6x	3.1x	3.3x	3.3x	8.2x	8.2x	7.6x	1.8x	1.7x	1.5x
easyJet plc	4641	6.0x	6.1x	6.0x	8.4x	8.7x	8.7x	10.0x	9.8x	9.5x	1.5x	1.4x	1.3x
Flybe Group PLC	27	4.4x	2.9x	2.6x			25.2x			32.6x	0.3x	0.4x	0.4x
Ryanair Holdings Plc	13918	7.5x	7.0x	6.1x	11.3x	10.5x	9.0x	12.8x	11.8x	10.2x	2.9x	2.4x	2.0x
Wizz Air Holdings Plc	1825	1.9x	2.4x	2.2x	2.6x	3.4x	3.1x	11.7x	10.1x	8.3x	2.3x	1.6x	1.3x
North American peers													
American Airlines Group, Inc.	14907	6.9x	6.2x	5.6x	10.8x	9.5x	8.3x	7.4x	6.2x	5.2x	9.4x	4.1x	2.5x
Delta Air Lines, Inc.	36825	5.7x	4.9x	4.5x	8.2x	7.1x	6.5x	9.7x	8.5x	7.7x	2.5x	2.0x	1.7x
JetBlue Airways Corporation	5146	5.2x	4.7x	3.5x	9.1x	8.0x	5.4x	11.5x	9.9x	7.2x	1.0x	0.9x	0.8x
Southwest Airlines Co.	28599	6.8x	5.9x	5.1x	9.3x	8.0x	7.0x	12.1x	10.4x	9.2x	2.6x	2.2x	1.9x
Spirit Airlines, Inc.	3633	9.2x	8.0x	6.7x	13.7x	11.8x	9.8x	14.6x	12.0x	10.1x	1.8x	1.6x	1.4x
United Continental Holdings, Inc.	23323	5.7x	5.2x	4.4x	9.4x	8.3x	7.0x	10.1x	8.6x	7.2x	2.3x	1.9x	1.6x
WestJet	2163	7.2x	5.4x	4.1x	30.8x	15.0x	9.0x	29.3x	13.2x	8.4x	1.0x	0.9x	0.8x
Primary European peers median		2.8x	3.0x	2.9x	5.7x	6.0x	6.7x	5.7x	5.9x	5.4x	1.2x	1.0x	0.8x
Finnair (Evli est)*		2.3x	2.7x	2.4x	4.5x	5.7x	5.0x	8.7x	10.3x	8.4x	0.8x	0.8x	0.7x
<i>Finnair discount/premium to primary peer group median*</i>		-16%	-11%	-16%	-21%	-5%	-26%	53%	76%	56%	-32%	-20%	-11%

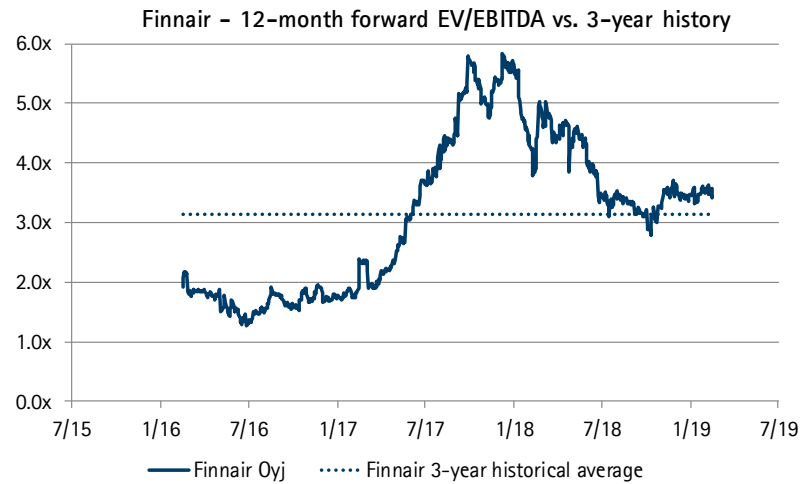
FINNAIR PEER GROUP	Ticker	Div yield	Div yield	Div yield	EBIT-%	EBIT-%	EBIT-%	ROCE-%	ROCE-%	ROCE-%	ROE-%	ROE-%	ROE-%
		18	19	20	18	19	20	18	19	20	18	19	20
Primary European peers													
SAS AB	SAS-SE	0.9%	0.2%	0.2%	5.2%	4.2%	5.4%	11.6%	9.5%	11.7%	18.0%	13.6%	14.6%
International Consolidated Airlines Group	IAG-GB	4.3%	4.5%	4.9%	13.4%	12.3%	12.3%	18.1%	16.5%	16.1%	27.0%	22.8%	21.0%
Air France-KLM SA	AF-FR	0.4%	0.7%	1.2%	4.8%	4.2%	4.2%	7.0%	6.3%	6.6%	19.3%	16.4%	14.9%
Deutsche Lufthansa AG	LHA-DE	4.3%	4.7%	5.0%	7.7%	7.6%	7.8%	11.7%	11.1%	11.1%	18.2%	15.7%	14.6%
Norwegian Air Shuttle ASA	NAS-NO	0.0%	0.0%	0.0%	-4.3%	-1.2%	2.3%	-4.7%	-1.1%	2.1%	-48.7%	-54.2%	-13.4%
Other European peers													
Aegean Airlines SA	AEGN-GR	7.9%	8.0%	8.1%	7.1%	7.0%	7.0%	23.5%	22.7%	21.9%	21.7%	20.2%	20.2%
easyJet plc	EZJ-GB	4.6%	5.1%	5.5%	9.9%	8.9%	8.6%	12.3%	11.0%	10.3%	15.4%	14.7%	14.0%
Flybe Group PLC	FLYB-GB	0.0%	0.0%	0.6%	-2.2%	-0.7%	0.8%				-25.8%	-13.4%	1.1%
Ryanair Holdings Plc	RY4C-IE	0.8%	0.7%	0.9%	16.7%	15.5%	16.1%	13.9%	13.8%	14.9%	22.3%	20.2%	19.7%
Wizz Air Holdings Plc	WIZZ-GB	0.0%	0.0%	0.0%	14.1%	13.7%	14.1%	17.2%	16.3%	17.3%	19.4%	16.0%	15.8%
North American peers													
American Airlines Group, Inc.	AAL-US	1.3%	1.4%	1.5%	7.4%	8.1%	8.7%	8.8%	9.6%	10.6%	126.4%	65.5%	48.4%
Delta Air Lines, Inc.	DAL-US	2.4%	2.7%	3.1%	11.9%	12.4%	12.5%	14.7%	15.2%	15.6%	25.6%	23.7%	21.8%
JetBlue Airways Corporation	JBLU-US	0.0%	0.0%	0.0%	8.6%	9.1%	10.9%	8.3%	8.5%		8.9%	9.1%	10.8%
Southwest Airlines Co.	LUV-US	1.2%	1.3%	1.7%	14.3%	15.0%	15.1%	16.5%	17.6%	19.4%	21.2%	21.1%	20.9%
Spirit Airlines, Inc.	SAVE-US	0.0%	0.0%	0.0%	11.5%	11.9%	12.2%	8.5%	8.8%		12.6%	13.2%	13.6%
United Continental Holdings, Inc.	UAL-US	0.0%	0.0%	0.0%	8.6%	8.9%	9.7%	11.1%	11.3%		23.2%	22.3%	22.4%
WestJet	WJA-CA	3.0%	3.1%	3.5%	2.8%	5.2%	7.4%	2.8%	5.5%	8.0%	3.3%	6.9%	9.5%
Primary European peers median		0.9%	0.7%	1.2%	5.2%	4.2%	5.4%	11.6%	9.5%	11.1%	18.2%	15.7%	14.6%
Finnair (Evli est)*	SUY1V-FI	4.5%	4.5%	5.2%	5.6%	4.7%	5.3%	8.5%	6.7%	7.4%	9.5%	7.6%	8.9%

Source: Factset, Evli Research

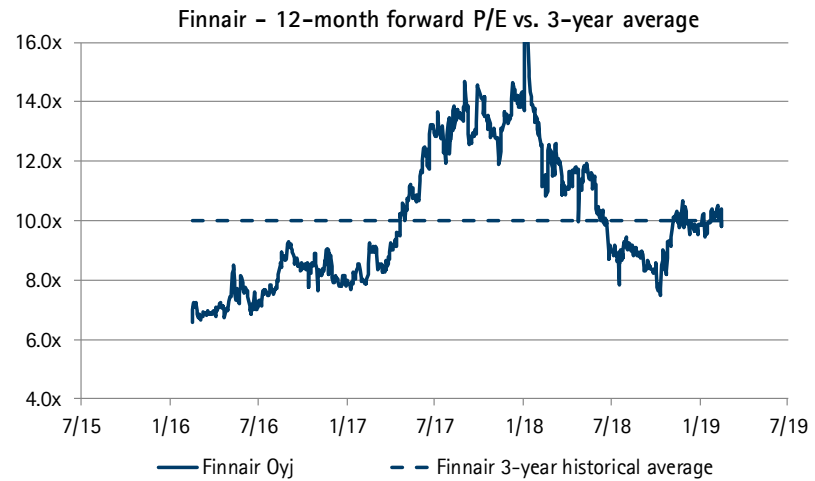
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Finnair valuation vs. own 3yr history

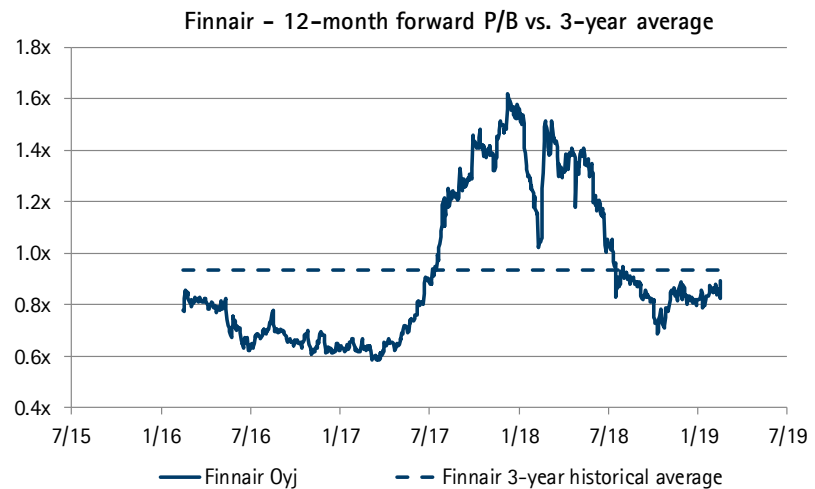
Our TP of EUR (7.3) 6.8 values Finnair shares at a discount to Finnair's 3yr historical average NTM EV/EBITDA, but at par with 3yr historical P/E on our FY19E estimates.



Source: Factset



Source: Factset



Source: Factset

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC
Current share price	7.77 PV of Free Cash Flow	431 Long-term growth, %	2.0 Risk-free interest rate, %
DCF share value	10.52 PV of Horizon value	514 WACC, %	8.9 Market risk premium, %
Share price potential, %	35.4 Unconsolidated equity	0 Spread, %	0.5 Debt risk premium, %
Maximum value	11.1 Marketable securities	1,073 Minimum WACC, %	8.4 Equity beta coefficient
Minimum value	10.0 Debt - dividend	-669 Maximum WACC, %	9.4 Target debt ratio, %
Horizon value, %	54.4 Value of stock	1,348 Nr of shares, Mn	128.1 Effective tax rate, %

DCF valuation, EURm	2018	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	Horizon
Net sales	2,835	3,051	3,183	3,310	3,425	3,494	3,564	3,635	3,708	3,782	3,858	3,935
<i>Sales growth, %</i>	10.4	7.6	4.3	4.0	3.5	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Operating income (EBIT)	169	151	169	185	171	175	178	182	148	151	154	157
<i>EBIT margin, %</i>	6.0	5.0	5.3	5.6	5.0	5.0	5.0	5.0	4.0	4.0	4.0	4.0
+ Depreciation+amort.	151	168	165	177	189	190	192	195	198	202	206	
- Income taxes	-34	-30	-34	-37	-34	-35	-36	-36	-30	-30	-31	
- Change in NWC	50	1	1	1	1	0	0	0	0	0	0	
<i>NWC/Sales, %</i>	-26.5	-24.6	-23.6	-22.8	-22.0	-21.6	-21.2	-20.8	-20.4	-20.0	-19.6	
+ Change in other liabs	-91	0	0	0	0	0	0	0	0	0	0	
- Capital Expenditure	-102	-290	-290	-290	-200	-210	-220	-230	-240	-240	-250	-255
<i>Investments/Sales, %</i>	3.6	9.5	9.1	8.8	5.8	6.0	6.2	6.3	6.5	6.3	6.5	6.5
- Other items	34	-13	-13	0	0	0	0	0	0	0	0	
= Unlevered Free CF (FCF)	177	-12	-2	36	126	120	115	110	77	84	80	1,188
= Discounted FCF (DFCF)		-11	-2	29	91	79	70	62	40	39	35	514
= DFCF min WACC		-11	-2	29	93	81	72	64	41	41	36	580
= DFCF max WACC		-11	-2	28	89	78	68	60	38	38	33	458

INTERIM FIGURES

EVLI ESTIMATES, EURm	2018Q1	2018Q2	2018Q3	2018Q4	2018	2019Q1E	2019Q2E	2019Q3E	2019Q4E	2019E	2020E	2021E
Net sales	635	715	801	683	2,835	677	765	871	738	3,051	3,183	3,310
EBITDA	40	84	146	52	320	30	80	164	45	319	334	363
<i>EBITDA margin (%)</i>	6.2	11.7	18.2	7.5	11.3	4.4	10.5	18.8	6.1	10.5	10.5	11.0
EBIT	4	48	108	9	169	-12	38	122	3	151	169	185
<i>EBIT margin (%)</i>	0.6	6.7	13.5	1.3	6.0	-1.8	5.0	14.0	0.4	5.0	5.3	5.6
Net financial items	-4	-5	-5	-4	-18	-5	-5	-5	-5	-18	-22	-24
Pre-tax profit	0	43	103	5	151	-17	34	118	-2	133	147	162
Tax	0	-9	-21	-1	-30	3	-7	-24	0	-27	-29	-32
<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	-3	31	79	1	108	-17	24	91	-4	94	105	129
EPS	-0.03	0.24	0.62	0.01	0.84	-0.13	0.19	0.71	-0.03	0.73	0.82	1.01
EPS adjusted (diluted no. of shares)	-0.03	0.24	0.62	0.01	0.84	-0.13	0.19	0.71	-0.03	0.73	0.82	1.01
Dividend per share	0.00	0.00	0.00	0.00	0.27	0.00	0.00	0.00	0.00	0.30	0.35	0.35
SALES, EURm												
Group total	635	715	801	683	2,835	677	765	871	738	3,051	3,183	3,310
Total	635	715	801	683	2,835	677	765	871	738	3,051	3,183	3,310
SALES GROWTH, Y/Y %												
Group total	14.6	12.9	8.9	5.8	10.4	6.5	7.0	8.7	8.0	7.6	4.3	4.0
Total	14.6	12.9	8.9	5.8	10.4	6.5	7.0	8.7	8.0	7.6	4.3	4.0
EBIT, EURm												
Group total	4	48	108	9	169	-12	38	122	3	151	169	185
Total	4	48	108	9	169	-12	38	122	3	151	169	185
EBIT margin, %												
Group total	0.6	6.7	13.5	1.3	6.0	-1.8	5.0	14.0	0.4	5.0	5.3	5.6
Total	0.6	6.7	13.5	1.3	6.0	-1.8	5.0	14.0	0.4	5.0	5.3	5.6

INCOME STATEMENT, EURm	2014	2015	2016	2017	2018	2019E	2020E	2021E
Sales	2,285	2,255	2,317	2,568	2,835	3,051	3,183	3,310
<i>Sales growth (%)</i>	-4.8	-1.3	2.8	10.9	10.4	7.6	4.3	4.0
Costs	-2,187	-2,123	-2,156	-2,269	-2,514	-2,731	-2,849	-2,947
Reported EBITDA	98	132	161	300	320	319	334	363
Extraordinary items in EBITDA	0	0	0	0	0	0	0	0
<i>EBITDA margin (%)</i>	4.3	5.8	6.9	11.7	11.3	10.5	10.5	11.0
Depreciation	-134	-108	-106	-129	-151	-168	-165	-177
EBITA	-36	24	55	170	169	151	169	185
Goodwill amortization / writedown	0	0	0	0	0	0	0	0
Reported EBIT	-36	24	55	170	169	151	169	185
<i>EBIT margin (%)</i>	-1.6	1.1	2.4	6.6	6.0	5.0	5.3	5.6
Net financials	-27	-8	-10	-14	-18	-18	-22	-24
Pre-tax profit	-63	15	45	157	151	133	147	162
Extraordinary items	0	-11	-1	-1	0	-11	0	0
Taxes	13	-3	-9	-31	-30	-27	-29	-32
Minority shares	0	0	0	0	0	0	0	0
Net profit	-51	-18	19	112	108	94	105	129
BALANCE SHEET, EURm								
Assets								
Fixed assets	1,053	957	1,189	1,446	1,555	1,677	1,802	1,914
<i>% of sales</i>	46	42	51	56	55	55	57	58
Goodwill	0	0	0	0	0	0	0	0
<i>% of sales</i>	0	0	0	0	0	0	0	0
Inventory	15	12	15	17	25	27	28	29
<i>% of sales</i>	1	1	1	1	1	1	1	1
Receivables	358	364	512	460	294	313	324	335
<i>% of sales</i>	16	16	22	18	10	10	10	10
Liquid funds	426	708	814	965	1,073	1,155	1,205	1,253
<i>% of sales</i>	19	31	35	38	38	38	38	38
Total assets	1,885	2,050	2,529	2,887	2,947	3,171	3,359	3,532
Liabilities								
Equity	514	727	857	1,016	1,022	1,080	1,147	1,231
<i>% of sales</i>	23	32	37	40	36	35	36	37
Deferred taxes	0	0	33	74	74	74	74	74
<i>% of sales</i>	0	0	1	3	3	2	2	2
Interest bearing debt	428	346	718	719	669	813	921	996
<i>% of sales</i>	19	15	31	28	24	27	29	30
Non-interest bearing current liabilities	601	682	519	566	285	307	320	333
<i>% of sales</i>	26	30	22	22	10	10	10	10
Other interest free debt	246	201	339	428	806	806	806	806
<i>% of sales</i>	11	9	15	17	28	26	25	24
Total liabilities	1,885	2,050	2,529	2,887	2,947	3,171	3,359	3,532
CASH FLOW, EURm								
+ EBITDA	98	132	161	300	320	319	334	363
- Net financial items	-27	-8	-10	-14	-18	-18	-22	-24
- Taxes	0	0	33	-1	-31	-27	-29	-32
- Increase in Net Working Capital	-33	43	56	57	50	1	1	1
+/- Other	-15	5	-19	40	62	-13	-13	0
= Cash flow from operations	23	171	220	382	383	263	271	307
- Capex	-146	-81	-486	-394	-316	-290	-290	-290
- Acquisitions	0	0	0	0	0	0	0	0
+ Divestments	268	448	153	157	214	0	0	0
= Net cash flow	144	538	-113	146	281	-27	-19	17
+/- Change in interest-bearing debt	-165	-81	372	1	-49	144	108	75
+/- New issues/buybacks	143	231	110	60	-64	0	0	0
- Paid dividend	0	0	0	-13	-38	-35	-38	-45
+/- Change in loan receivables	-107	-291	-167	79	-91	0	0	0
Change in cash	15	397	202	273	39	82	50	48

KEY FIGURES	2015	2016	2017	2018	2019E	2020E	2021E
M-cap	694	516	1,643	908	996	996	996
Net debt	-362	-96	-246	-404	-342	-284	-257
Enterprise value	332	420	1,397	505	654	711	739
Sales	2,255	2,317	2,568	2,835	3,051	3,183	3,310
EBITDA	132	161	300	320	319	334	363
EBIT	24	55	170	169	151	169	185
Pre-tax	15	45	157	151	133	147	162
Earnings	-6	21	113	108	94	105	129
Book value	727	857	1,016	1,022	1,080	1,147	1,231
Valuation multiples							
EV/sales	0.1	0.2	0.5	0.2	0.2	0.2	0.2
EV/EBITDA	2.5	2.6	4.7	1.6	2.0	2.1	2.0
EV/EBITA	14.0	7.6	8.2	3.0	4.3	4.2	4.0
EV/EBIT	14.0	7.6	8.2	3.0	4.3	4.2	4.0
EV/operating cash flow	1.9	1.9	3.7	1.3	2.3	2.4	2.3
EV/cash earnings	2.3	2.3	4.7	1.9	2.4	2.5	2.4
P/E	-107.2	24.9	14.6	8.4	10.6	9.5	7.7
P/E excl. goodwill	-107.2	24.9	14.6	8.4	10.6	9.5	7.7
P/B	1.0	0.6	1.6	0.9	0.9	0.9	0.8
P/sales	0.3	0.2	0.6	0.3	0.3	0.3	0.3
P/CF	4.1	2.4	4.3	2.4	3.4	3.3	3.0
Target EV/EBIT	0.0	0.0	0.0	0.0	3.9	3.9	3.7
Target P/E	0.0	0.0	0.0	0.0	10.0	8.9	7.2
Target P/B	0.0	0.0	0.0	0.0	0.9	0.8	0.8
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	-0.05	0.16	0.88	0.84	0.73	0.82	1.01
EPS excl. goodwill	-0.05	0.16	0.88	0.84	0.73	0.82	1.01
Cash EPS	1.13	1.43	2.31	2.12	2.14	2.21	2.39
Operating cash flow per share	1.33	1.71	2.98	2.99	2.27	2.35	2.55
Capital employed per share	2.83	5.92	5.99	4.80	5.74	6.71	7.58
Book value per share	5.68	6.69	7.93	7.97	8.43	8.95	9.61
Book value excl. goodwill	5.68	6.69	7.93	7.97	8.43	8.95	9.61
Dividend per share	0.00	0.10	0.30	0.27	0.30	0.35	0.35
Dividend payout ratio, %	0.0	61.7	34.1	32.5	41.0	42.7	34.7
Dividend yield, %	0.0	2.5	2.3	3.5	3.9	4.5	4.5
Efficiency measures							
ROE	-1.0	2.6	12.0	10.6	8.9	9.4	10.9
ROCE	2.4	4.2	10.3	9.9	8.4	8.5	8.6
Financial ratios							
Capex/sales, %	-16.3	14.4	9.2	3.6	9.5	9.1	8.8
Capex/depreciation excl. goodwill, %	-339.6	314.7	183.2	67.8	172.6	175.9	163.5
Net debt/EBITDA, book-weighted	-2.7	-0.6	-0.8	-1.3	-1.1	-0.9	-0.7
Debt/equity, market-weighted	0.5	1.4	0.4	0.7	0.8	0.9	1.0
Equity ratio, book-weighted	40.6	37.8	39.1	38.9	38.3	38.3	39.0
Gearing	-0.50	-0.11	-0.24	-0.40	-0.32	-0.25	-0.21
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	555.675	55.8%
The Local Government Pensions Institution	6,200,875	48.181	4.8%
Tiiviste-Group Oy	2,150,000	16.705	1.7%
Ilmarinen Mutual Pension Insurance Company	1,945,000	15.113	1.5%
The State Pension Fund	1,700,000	13.209	1.3%
Oy Etra Invest Ab	1,000,000	7.770	0.8%
Laakkonen Mikko Kalervo	640,000	4.973	0.5%
Veritas Pension Insurance Company Ltd.	607,993	4.724	0.5%
Varma Mutual Pension Insurance Company	382,486	2.972	0.3%
Finnairin Henkilöstörahassto Hr.	293,000	2.277	0.2%
Ten largest	86,434,780	671.598	67%
Residual	41,701,335	324.019	33%
Total	128,136,115	995.618	100%

EARNINGS CALENDAR

OTHER EVENTS

March 20, 2018

AGM

COMPANY MISCELLANEOUS

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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

Important Disclosures

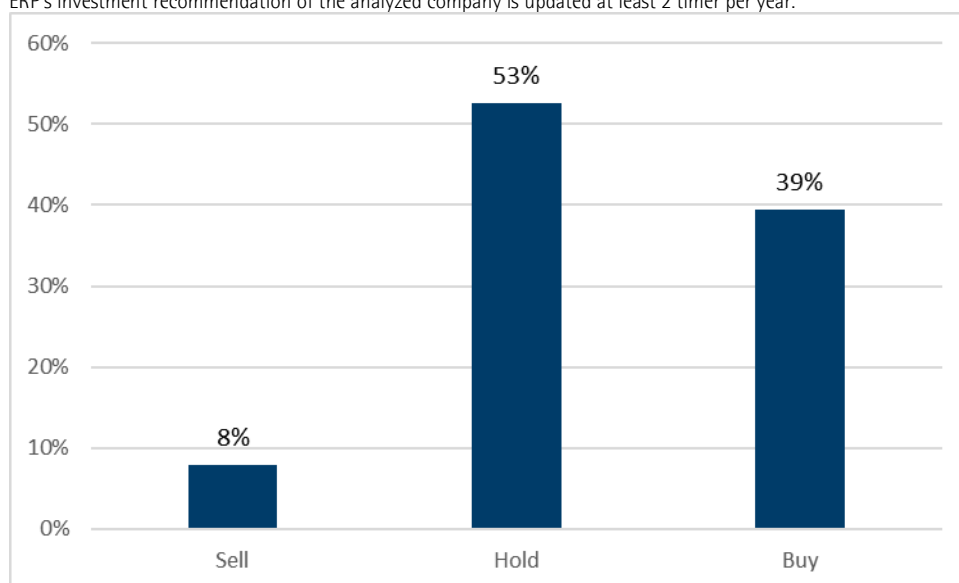
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Target price compared to share price	Recommendation
< -10 %	SELL
-10 - (+10) %	HOLD
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Name(s) of the analyst(s): Häyhä

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