

## Global traffic expected to grow in '19E

Finnair's Q1'19 results fell short of expectations. Comparable EBIT was EUR -16.2m vs. -6m our view. Especially passenger growth in China was low. The company expects increased competition due to increased capacity especially on routes between Europe and Asia. Finnair reiterates its guidance: 10 % capacity growth in 2019 and revenue growth of slightly slower. We keep our "HOLD" rating with TP of EUR 8.0.

### Q1: costs and fuel weighed down the result

Finnair's revenue was in line with our expectation (EUR 673m vs. 679m our view). The company's Q1 adj. EBIT was clearly below expectations at EUR -16.2m vs. EUR -6m Evli and EUR -6m cons. Compared to our estimates the loss was driven by increased costs. Operating costs (excl. fuel and staff costs) were EUR 353m vs EUR 339 our view. Increase in OPEX was driven by higher passenger and handling costs as well as increased aircraft materials and overhaul costs. Fuel costs increased from the year end but was below our expectations (EUR 145m vs. 155m our view).

### Competition expected to increase in 2019

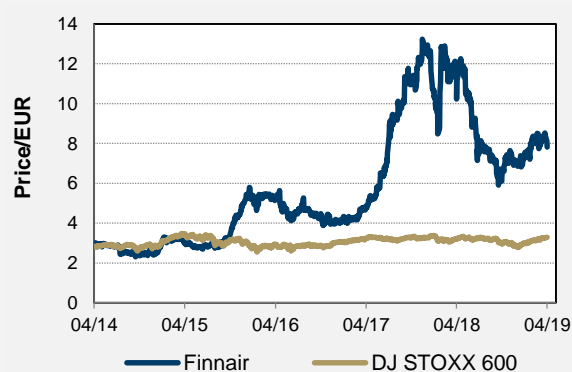
Finnair guides 10 % ASK growth in 2019 with passenger revenue slightly behind. This will be driven by Feb-2019 delivered A350 and a second A350 which will be delivered in Q2'19. Added capacity will be mostly put to Asian routes. Finnair expects increased competition due to added capacity especially on routes between Europe and Asia. Based on Q1 results, we have made small adjustments to our cost estimates but revenue remains intact. We expect EBIT 2019E to be EUR 195m (previous estimate EUR 203m).

### Retaining "Hold" with TP of EUR 8

It is notable that the peer multiples might not reflect the changes of IFRS 16 yet which makes the comparison challenging. On our estimates Finnair trades at an EV/EBITDA of 3.4x and P/B of 1.1x in FY19E-20E, while generating ROCE of ~7% with a WACC of 8.9. We see valuation as fair and hence retain "Hold" with TP of EUR 8.0.

## Rating

HOLD



Share price, EUR (Last trading day's closing price) 7.82

Target price, EUR 8.0

Latest change in rating 13-Nov-17

Latest report on company 24-Apr-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 1,002

Free float, % 44.0

Exchange rate EUR/USD 1.170

Reuters code FIA1S.HE

Bloomberg code FIA1S FH

Average daily volume, EURm -

Next interim report 17-Jul-19

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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	2,850	218	7.7%	89	0.40	17.7	0.6	2.4	7.4	0.27
2019E	3,096	195	6.3%	82	0.42	18.7	0.6	2.1	8.9	0.30
2020E	3,191	210	6.6%	82	0.42	18.8	0.6	2.1	8.5	0.35
2021E	3,319	260	7.8%	120	0.65	12.0	0.5	1.7	6.8	0.40
Market cap, EURm		1,002		BV per share 2019E, EUR		7.3		CAGR EPS 2018-21, %		17.6
Net debt 2019E, EURm		737		Price/book 2019E		1.1		CAGR sales 2018-21, %		5.2
Enterprise value, EURm		1,739		Dividend yield 2019E, %		3.8		ROE 2019E, %		5.8
Total assets 2019E, EURm		4,109		Tax rate 2019E, %		19.7		ROCE 2019E, %		7.1
Goodwill 2019E, EURm		0		Equity ratio 2019E, %		24.9		PEG, P/E 19/CAGR		1.0

## Estimates

FINNAIR	2015	2016	2017	2018	2019E	2019E	2019E	2019E	2019E
EUR m	FY	FY	FY	FY	Q1	Q2	Q3	Q4	FY
Passengers (thousands)	10294	10866	11905	13281	3148	3797	3991	3451	14387
<i>y/y change</i>	7 %	6 %	10 %	12 %	4 %	10 %	9 %	9 %	8 %
ASK (mkm)	31 836	33 914	36 922	42 386	10 670	11 989	12 597	11 457	46 713
<i>y/y change</i>	3 %	7 %	9 %	15 %	10 %	12 %	9 %	9 %	10 %
RPK (mkm)	25 592	27 065	30 749	34 660	8 356	9 733	10 642	8 884	37 615
<i>y/y change</i>	3 %	6 %	14 %	13 %	4 %	10 %	9 %	10 %	9 %
Load factor (RPK/ASK), PLF	80,4 %	79,8 %	83,3 %	81,8 %	78,3%	81,2%	84,5%	77,5%	80,5 %
<i>y/y change</i>	0,2%-p	-0,6%-p	3,5%-p	-1,5%-p	-4,6%-p	-1,4%-p	0,0%-p	0,6%-p	-1,2%-p
<b>Total revenue</b>	<b>2255</b>	<b>2317</b>	<b>2569</b>	<b>2850</b>	<b>673</b>	<b>785</b>	<b>889</b>	<b>748</b>	<b>3096</b>
<i>YoY change</i>	<b>-1 %</b>	<b>3 %</b>	<b>11 %</b>	<b>11 %</b>	<b>5 %</b>	<b>9 %</b>	<b>10 %</b>	<b>9 %</b>	<b>9 %</b>
Other income	85	76	77	74	15	18	18	18	69
<b>Staff costs</b>	<b>-353</b>	<b>-363</b>	<b>-423</b>	<b>-500</b>	<b>-130</b>	<b>-137</b>	<b>-131</b>	<b>-136</b>	<b>-533</b>
<i>y/y change</i>	2 %	3 %	17 %	18 %	5 %	3 %	5 %	14 %	7 %
<i>% of revenue</i>	16 %	16 %	16 %	18 %	19 %	17 %	15 %	18 %	17 %
<b>Fuel</b>	<b>-596</b>	<b>-492</b>	<b>-472</b>	<b>-581</b>	<b>-145</b>	<b>-167</b>	<b>-180</b>	<b>-166</b>	<b>-658</b>
<i>y/y change</i>	-10 %	-17 %	-4 %	23 %	14 %	15 %	11 %	14 %	13 %
<i>% of revenue</i>	26 %	21 %	18 %	20 %	22 %	21 %	20 %	22 %	21 %
<b>Other OPEX</b>	<b>-1160</b>	<b>-1268</b>	<b>-1314</b>	<b>-1330</b>	<b>-353</b>	<b>-370</b>	<b>-377</b>	<b>-367</b>	<b>-1467</b>
<i>y/y change</i>	3 %	9 %	4 %	1 %	9 %	13 %	9 %	10 %	10 %
<i>% of revenue</i>	51 %	55 %	51 %	47 %	52 %	47 %	42 %	49 %	47 %
<b>Comparable EBITDA</b>	<b>132</b>	<b>161</b>	<b>300</b>	<b>513</b>	<b>60</b>	<b>129</b>	<b>220</b>	<b>96</b>	<b>505</b>
Depreciation	-108	-106	-129	-294	-76	-78	-78	-78	-310
<b>Comparable EBIT</b>	<b>24</b>	<b>55</b>	<b>171</b>	<b>218</b>	<b>-16</b>	<b>51</b>	<b>142</b>	<b>18</b>	<b>195</b>
<i>Comp. EBIT-%</i>	<b>1,0 %</b>	<b>2,4 %</b>	<b>6,6 %</b>	<b>7,7 %</b>	<b>-2,4 %</b>	<b>6,5 %</b>	<b>16,0 %</b>	<b>2,4 %</b>	<b>6,3 %</b>
IAC & fair value changes	98	61	54	38	0	0	0	0	0
EBIT	122	116	225	256	-16	51	142	18	195

Sources: Finnair, Evli estimates

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.

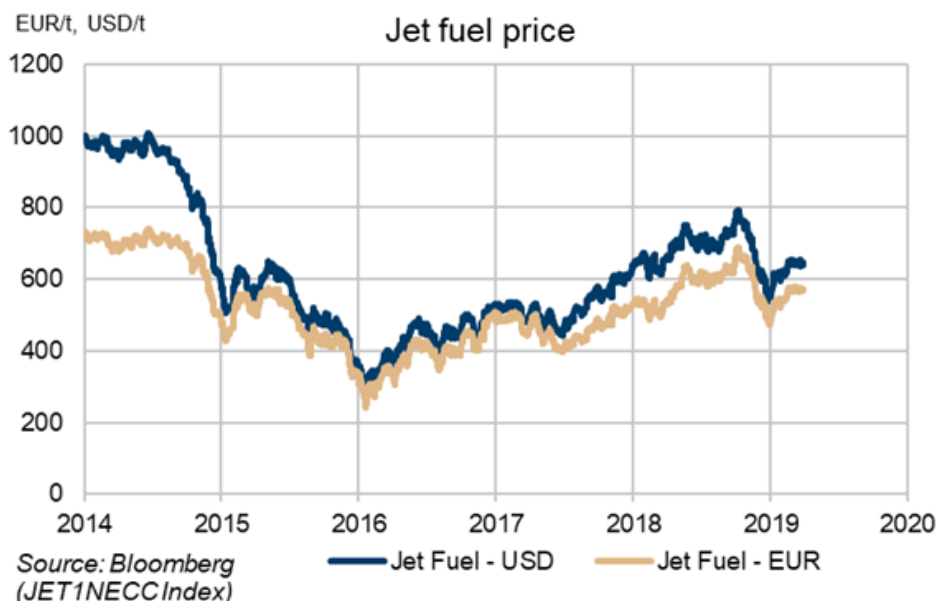
	MCAP	EV/EBITDA	EV/EBITDA	EV/EBITDA	EV/EBIT	EV/EBIT	EV/EBIT	P/E	P/E	P/E	P/B	P/B	P/B
	local FX	19	20	21	19	20	21	19	20	21	19	20	21
<b>FINNAIR PEER GROUP</b>													
<b>Primary European peers</b>													
SAS AB	7277	5,0x	4,4x	3,8x	9,6x	8,9x	7,1x	7,1x	5,4x	4,2x	1,1x	0,9x	0,7x
International Consolidated Airlines Group	10599	2,8x	3,0x	3,0x	4,1x	4,4x	4,4x	5,4x	5,0x	4,6x	1,6x	1,3x	1,2x
Air France-KLM SA	4459	2,7x	2,4x	2,1x	8,6x	7,2x	5,9x	6,8x	5,7x	4,7x	1,5x	1,2x	1,1x
Deutsche Lufthansa AG	10459	3,1x	2,9x	2,8x	5,8x	5,2x	4,9x	5,3x	4,9x	4,5x	0,9x	0,8x	0,7x
Norwegian Air Shuttle ASA	5249	12,0x	10,2x	9,0x	99,2x	33,3x	23,4x			10,0x	1,5x	1,8x	1,6x
<b>Other European peers</b>													
Aegean Airlines SA	606	2,7x	2,6x	2,7x	3,8x	3,6x	3,9x	8,9x	8,6x	7,8x	2,0x	1,8x	1,8x
easyJet plc	4647	6,4x	6,0x	5,2x	10,0x	9,3x	7,9x	12,7x	11,3x	9,5x	1,4x	1,3x	1,2x
Flybe Group PLC													
Ryanair Holdings Plc	13034	7,2x	5,9x	4,6x	11,3x	9,0x	6,8x	12,1x	10,0x	8,0x	2,3x	1,9x	
Wizz Air Holdings Plc	2470	3,4x	2,6x	1,5x	4,9x	3,8x	2,6x	14,2x	11,6x	9,9x	2,2x	1,8x	1,8x
<b>North American peers</b>													
American Airlines Group, Inc.	15263	6,3x	5,9x	5,3x	9,3x	8,7x	7,9x	6,0x	5,6x	4,9x	8,0x	3,8x	2,4x
Delta Air Lines, Inc.	37892	5,1x	4,8x	4,4x	7,2x	6,8x	6,2x	8,6x	8,0x	7,4x	2,3x	1,9x	1,5x
JetBlue Airways Corporation	5474	5,1x	4,5x	4,0x	8,3x	7,0x	6,1x	10,0x	8,1x	7,0x	1,0x	0,9x	0,8x
Southwest Airlines Co.	28934	6,2x	5,5x	5,2x	8,6x	7,6x	7,1x	11,4x	10,0x	8,8x	2,4x	2,0x	1,7x
Spirit Airlines, Inc.	3990	6,4x	5,9x	4,9x	8,5x	8,1x	6,8x	9,6x	8,8x	7,7x	1,7x	1,4x	1,2x
United Continental Holdings, Inc.	23163	5,3x	4,9x	4,7x	8,2x	7,7x	7,1x	7,9x	7,3x	6,4x	1,9x	1,5x	1,3x
WestJet	2178	4,1x	3,7x	2,7x	11,2x	9,3x	6,6x	12,2x	9,5x	7,4x	0,8x	0,8x	0,7x
<b>Primary European peers median</b>		<b>3,1x</b>	<b>3,0x</b>	<b>3,0x</b>	<b>8,6x</b>	<b>7,2x</b>	<b>5,9x</b>	<b>6,1x</b>	<b>5,2x</b>	<b>4,6x</b>	<b>1,5x</b>	<b>1,2x</b>	<b>1,1x</b>
<b>Finnair (Evl est)*</b>		<b>3,4x</b>	<b>3,4x</b>	<b>2,8x</b>	<b>8,9x</b>	<b>8,5x</b>	<b>6,8x</b>	<b>18,7x</b>	<b>18,8x</b>	<b>12,0x</b>	<b>1,1x</b>	<b>1,1x</b>	<b>1,0x</b>
<i>Finnair discount/premium to primary peer group median*</i>		10 %	12 %	-6 %	4 %	17 %	16 %	204 %	261 %	163 %	-29 %	-11 %	-7 %
	Div yield	Div yield	Div yield	EBIT-%	EBIT-%	EBIT-%	ROCE-%	ROCE-%	ROCE-%	ROE-%	ROE-%	ROE-%	
	19	20	21	19	20	21	19	20	21	19	20	21	
<b>FINNAIR PEER GROUP</b>													
<b>Primary European peers</b>													
SAS AB	SAS-SE	0,0%	0,0%	0,0%	3,9%	5,2%	6,1%	8,4%	10,1%	11,3%	15,5%	16,6%	17,2%
International Consolidated Airlines Group	IAG-GB	5,0%	5,1%	5,6%	12,5%	12,7%	13,0%	17,1%	17,3%	17,1%	28,7%	26,0%	25,9%
Air France-KLM SA	AF-FR	0,3%	0,8%	1,4%	4,8%	5,2%	5,9%	7,3%	7,9%	9,5%	22,0%	20,8%	23,1%
Deutsche Lufthansa AG	LHA-DE	3,9%	4,3%	4,6%	7,3%	7,7%	8,2%	11,5%	11,8%	12,0%	16,9%	16,0%	16,0%
Norwegian Air Shuttle ASA	NAS-NO	0,0%	0,1%	0,4%	1,6%	4,8%	6,9%	1,0%	3,1%	4,6%	-50,8%	-11,7%	15,9%
<b>Other European peers</b>													
Aegean Airlines SA	AEGN-GR	5,8%	6,0%	7,1%	8,3%	9,0%	10,0%	14,7%	16,3%	18,1%	22,6%	21,3%	23,2%
easyJet plc	EZJ-GB	4,1%	4,6%	5,5%	7,6%	7,8%	8,8%	8,9%	9,1%	10,1%	10,6%	11,1%	12,1%
Flybe Group PLC	FLYB-GB												
Ryanair Holdings Plc	RY4C-IE	0,2%	0,2%	0,0%	14,5%	16,1%	18,0%	12,7%	14,2%	15,0%	18,6%	18,9%	
Wizz Air Holdings Plc	WIZZ-GB	0,0%	0,0%	0,0%	14,5%	15,2%	14,5%	18,3%	20,4%		15,9%	15,7%	18,1%
<b>North American peers</b>													
American Airlines Group, Inc.	AAL-US	1,2%	1,2%	1,2%	8,8%	8,5%	8,5%	9,5%	9,5%	10,5%	132,0%	68,6%	49,7%
Delta Air Lines, Inc.	DAL-US	2,4%	2,7%	3,0%	13,4%	13,0%	13,2%	14,7%	14,3%	14,8%	27,2%	23,4%	20,4%
JetBlue Airways Corporation	JBLU-US	0,0%	5,5%	0,0%	10,0%	11,0%	11,9%	9,4%	10,3%	11,5%	10,3%	11,1%	10,9%
Southwest Airlines Co.	LUV-US	1,3%	1,5%	1,9%	14,3%	14,6%	14,4%	17,4%	18,1%	19,9%	20,8%	20,4%	18,8%
Spirit Airlines, Inc.	SAVE-US	0,0%	1,7%	0,0%	15,4%	14,5%	14,6%	12,4%	11,5%	11,3%	18,0%	16,4%	15,8%
United Continental Holdings, Inc.	UAL-US	0,0%	0,0%	0,0%	9,9%	9,7%	9,9%	11,3%	10,9%	11,2%	23,9%	21,1%	20,6%
WestJet	WJA-CA	2,9%	2,9%	2,9%	5,7%	6,5%	7,6%	5,9%	7,1%		6,8%	8,2%	9,6%
<b>Primary European peers median</b>		<b>0,3%</b>	<b>0,8%</b>	<b>1,4%</b>	<b>4,8%</b>	<b>5,2%</b>	<b>6,9%</b>	<b>8,4%</b>	<b>10,1%</b>	<b>11,3%</b>	<b>16,9%</b>	<b>16,6%</b>	<b>17,2%</b>
<b>Finnair (Evl est)*</b>	FIA1 S-FI	<b>3,8%</b>	<b>4,5%</b>	<b>5,1%</b>	<b>6,3%</b>	<b>6,6%</b>	<b>7,8%</b>	<b>7,1%</b>	<b>7,3%</b>	<b>8,8%</b>	<b>5,8%</b>	<b>5,6%</b>	<b>8,6%</b>

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.

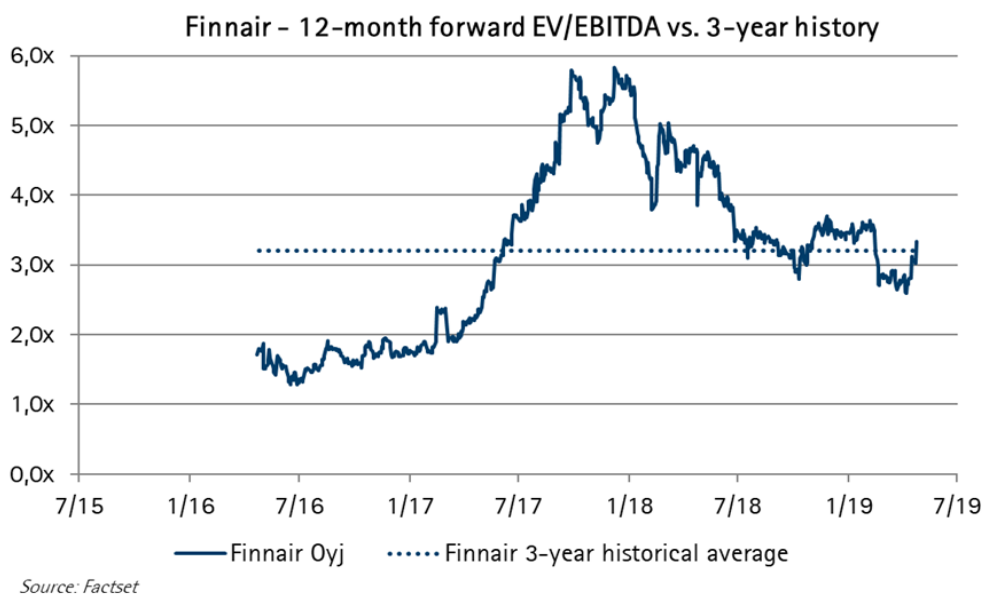
### Fuel price

Fuel price has increased from the year end 2018. Fuel costs increased by 14 % from Q1'18. 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.



### Finnair valuation vs. own 3yr history

Our TP of EUR 8 values the shares close to Finnair's 3yr historical average NTM EV/EBITDA (3.2x) and P/E (10.4x) levels on our FY19E estimates.



VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC
Current share price	7.82 PV of Free Cash Flow	1,318 Long-term growth, %	2.0 Risk-free interest rate, %
DCF share value	14.40 PV of Horizon value	1,269 WACC, %	8.9 Market risk premium, %
Share price potential, %	84.1 Unconsolidated equity	0 Spread, %	0.5 Debt risk premium, %
Maximum value	15.9 Marketable securities	1,067 Minimum WACC, %	8.4 Equity beta coefficient
Minimum value	13.1 Debt - dividend	-1,809 Maximum WACC, %	9.4 Target debt ratio, %
Horizon value, %	49.1 Value of stock	1,845 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	2,850	3,096	3,191	3,319	3,435	3,503	3,574	3,645	3,718	3,792	3,868	3,945
<i>Sales growth, %</i>	<i>11.0</i>	<i>8.6</i>	<i>3.1</i>	<i>4.0</i>	<i>3.5</i>	<i>2.0</i>	<i>2.0</i>	<i>2.0</i>	<i>2.0</i>	<i>2.0</i>	<i>2.0</i>	<i>2.0</i>
Operating income (EBIT)	218	195	210	260	275	245	250	244	249	254	259	264
<i>EBIT margin, %</i>	<i>7.7</i>	<i>6.3</i>	<i>6.6</i>	<i>7.8</i>	<i>8.0</i>	<i>7.0</i>	<i>7.0</i>	<i>6.7</i>	<i>6.7</i>	<i>6.7</i>	<i>6.7</i>	<i>6.7</i>
+ Depreciation+amort.	294	310	320	377	382	348	328	310	296	293	290	
- Income taxes	-89	-38	-42	-52	-55	-49	-50	-49	-50	-51	-52	
- Change in NWC	50	1	0	1	0	0	0	0	0	0	0	
<i>NWC / Sales, %</i>	<i>-26.3</i>	<i>-24.2</i>	<i>-23.5</i>	<i>-22.6</i>	<i>-21.9</i>	<i>-21.4</i>	<i>-21.0</i>	<i>-20.6</i>	<i>-20.2</i>	<i>-19.8</i>	<i>-19.5</i>	
+ Change in other liabs	-91	0	0	0	0	0	0	0	0	0	0	
- Capital Expenditure	-106	-360	-380	-400	-270	-260	-250	-250	-280	-280	-290	-296
<i>Investments / Sales, %</i>	<i>3.7</i>	<i>11.6</i>	<i>11.9</i>	<i>12.1</i>	<i>7.9</i>	<i>7.4</i>	<i>7.0</i>	<i>6.9</i>	<i>7.5</i>	<i>7.4</i>	<i>7.5</i>	<i>7.5</i>
- Other items	-103	-13	-13	-13	-13	-13	-13	-13	-13	-13	-13	
= Unlevered Free CF (FCF)	174	95	96	173	320	272	266	243	203	203	195	2,891
= Discounted FCF (DFCF)		90	83	137	234	183	164	138	106	97	85	1,269
= DFCF min WACC		90	84	139	238	187	168	142	110	101	89	1,431
= DFCF max WACC		90	83	136	230	179	160	134	102	93	82	1,131

## INTERIM FIGURES

EVLI ESTIMATES, EURm	2018Q1	2018Q2	2018Q3	2018Q4	2018	2019Q1	2019Q2E	2019Q3E	2019Q4E	2019E	2020E	2021E
Net sales	641	718	807	684	2,850	673	785	889	748	3,096	3,191	3,319
EBITDA	87	131	191	104	513	60	129	220	96	505	530	637
<i>EBITDA margin (%)</i>	<i>13.5</i>	<i>18.2</i>	<i>23.7</i>	<i>15.2</i>	<i>18.0</i>	<i>8.9</i>	<i>16.4</i>	<i>24.8</i>	<i>12.9</i>	<i>16.3</i>	<i>16.6</i>	<i>19.2</i>
EBIT	15	59	118	27	218	-16	51	142	18	195	210	260
<i>EBIT margin (%)</i>	<i>2.3</i>	<i>8.2</i>	<i>14.6</i>	<i>3.9</i>	<i>7.7</i>	<i>-2.4</i>	<i>6.5</i>	<i>16.0</i>	<i>2.4</i>	<i>6.3</i>	<i>6.6</i>	<i>7.8</i>
Net financial items	0	-70	-28	-31	-129	-31	-28	-27	-27	-113	-128	-140
Pre-tax profit	15	-11	90	-4	89	-47	23	115	-9	82	82	120
Tax	-3	4	-18	-9	-26	10	-5	-23	2	-16	-16	-24
<i>Tax rate (%)</i>	<i>22.8</i>	<i>35.5</i>	<i>19.5</i>	<i>-191.1</i>	<i>28.6</i>	<i>20.6</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>19.7</i>	<i>20.0</i>	<i>20.0</i>
Net profit	8	-10	70	-16	51	-41	15	89	-10	54	53	83
EPS	0.06	-0.08	0.54	-0.13	0.40	-0.32	0.12	0.70	-0.08	0.42	0.42	0.65
EPS adjusted (diluted no. of shares)	0.06	-0.08	0.54	-0.13	0.40	-0.32	0.12	0.70	-0.08	0.42	0.42	0.65
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	0.40
<b>SALES, EURm</b>												
Group total	641	718	807	684	2,850	673	785	889	748	3,096	3,191	3,319
Total	641	718	807	684	2,850	673	785	889	748	3,096	3,191	3,319
<b>SALES GROWTH, Y/Y %</b>												
Group total	15.6	13.4	9.7	5.9	11.0	5.0	9.3	10.2	9.5	8.6	3.1	4.0
Total	15.6	13.4	9.7	5.9	11.0	5.0	9.3	10.2	9.5	8.6	3.1	4.0
<b>EBIT, EURm</b>												
Group total	15	59	118	27	218	-16	51	142	18	195	210	260
Total	15	59	118	27	218	-16	51	142	18	195	210	260
<b>EBIT margin, %</b>												
Group total	2.3	8.2	14.6	3.9	7.7	-2.4	6.5	16.0	2.4	6.3	6.6	7.8
Total	2.3	8.2	14.6	3.9	7.7	-2.4	6.5	16.0	2.4	6.3	6.6	7.8

INCOME STATEMENT, EURm	2014	2015	2016	2017	2018	2019E	2020E	2021E
Sales	2,285	2,255	2,317	2,568	2,850	3,096	3,191	3,319
<i>Sales growth (%)</i>	-4.8	-1.3	2.8	10.9	11.0	8.6	3.1	4.0
Costs	-2,187	-2,123	-2,156	-2,269	-2,337	-2,590	-2,661	-2,682
Reported EBITDA	98	132	161	300	513	505	530	637
Extraordinary items in EBITDA	0	0	0	0	0	0	0	0
<i>EBITDA margin (%)</i>	4.3	5.8	6.9	11.7	18.0	16.3	16.6	19.2
Depreciation	-134	-108	-106	-129	-294	-310	-320	-377
EBITA	-36	24	55	170	218	195	210	260
Goodwill amortization / writedown	0	0	0	0	0	0	0	0
Reported EBIT	-36	24	55	170	218	195	210	260
<i>EBIT margin (%)</i>	-1.6	1.1	2.4	6.6	7.7	6.3	6.6	7.8
Net financials	-27	-8	-10	-14	-129	-113	-128	-140
Pre-tax profit	-63	15	45	157	89	82	82	120
Extraordinary items	0	-11	-1	-1	0	0	0	0
Taxes	13	-3	-9	-31	-26	-16	-16	-24
Minority shares	0	0	0	0	0	0	0	0
Net profit	-51	-18	19	112	51	54	53	83
<b>BALANCE SHEET, EURm</b>								
Assets								
Fixed assets	1,053	957	1,189	1,446	2,545	2,595	2,655	2,679
<i>% of sales</i>	46	42	51	56	89	84	83	81
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	121	131	135	141
<i>% of sales</i>	1	1	1	1	4	4	4	4
Receivables	358	364	512	460	210	224	229	235
<i>% of sales</i>	16	16	22	18	7	7	7	7
Liquid funds	426	708	814	965	1,067	1,159	1,195	1,243
<i>% of sales</i>	19	31	35	38	37	37	37	37
Total assets	1,885	2,050	2,529	2,887	3,944	4,109	4,215	4,297
Liabilities								
Equity	514	727	857	1,016	918	937	952	990
<i>% of sales</i>	23	32	37	40	32	30	30	30
Deferred taxes	0	0	33	74	48	48	48	48
<i>% of sales</i>	0	0	1	3	2	2	1	1
Interest bearing debt	428	346	718	719	1,774	1,897	1,977	2,009
<i>% of sales</i>	19	15	31	28	62	61	62	61
Non-interest bearing current liabilities	601	682	519	566	285	310	320	332
<i>% of sales</i>	26	30	22	22	10	10	10	10
Other interest free debt	246	201	339	428	811	811	811	811
<i>% of sales</i>	11	9	15	17	28	26	25	24
Total liabilities	1,885	2,050	2,529	2,887	3,944	4,109	4,215	4,297
<b>CASH FLOW, EURm</b>								
+ EBITDA	98	132	161	300	513	505	530	637
- Net financial items	-27	-8	-10	-14	-129	-113	-128	-140
- Taxes	0	0	33	-1	-52	-16	-16	-24
- Increase in Net Working Capital	-33	43	56	57	50	1	0	1
+/- Other	-15	5	-19	40	1	-13	-13	-13
= Cash flow from operations	23	171	220	382	383	365	374	461
- Capex	-146	-81	-486	-394	-320	-360	-380	-400
- 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	277	5	-6	61
+/- Change in interest-bearing debt	-165	-81	372	1	1,056	123	81	32
+/- New issues/buybacks	143	231	110	60	-110	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	1,094	92	36	48

KEY FIGURES	2015	2016	2017	2018	2019E	2020E	2021E
M-cap	694	516	1,643	908	1,002	1,002	1,002
Net debt	-362	-96	-246	707	737	782	766
Enterprise value	332	420	1,397	1,615	1,739	1,784	1,768
Sales	2,255	2,317	2,568	2,850	3,096	3,191	3,319
EBITDA	132	161	300	513	505	530	637
EBIT	24	55	170	218	195	210	260
Pre-tax	15	45	157	89	82	82	120
Earnings	-6	21	113	51	54	53	83
Book value	727	857	1,016	918	937	952	990
<b>Valuation multiples</b>							
EV/sales	0.1	0.2	0.5	0.6	0.6	0.6	0.5
EV/EBITDA	2.5	2.6	4.7	3.2	3.4	3.4	2.8
EV/EBITA	14.0	7.6	8.2	7.4	8.9	8.5	6.8
EV/EBIT	14.0	7.6	8.2	7.4	8.9	8.5	6.8
EV/operating cash flow	1.9	1.9	3.7	4.2	3.7	3.6	3.0
EV/cash earnings	2.3	2.3	4.7	4.9	4.6	4.6	3.7
P/E	-107.2	24.9	14.6	17.7	18.7	18.8	12.0
P/E excl. goodwill	-107.2	24.9	14.6	17.7	18.7	18.8	12.0
P/B	1.0	0.6	1.6	1.0	1.1	1.1	1.0
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	2.1	2.1	1.7
Target EV/EBIT	0.0	0.0	0.0	0.0	9.0	8.6	6.9
Target P/E	0.0	0.0	0.0	0.0	19.1	19.2	12.3
Target P/B	0.0	0.0	0.0	0.0	1.1	1.1	1.0
<b>Per share measures</b>							
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	0.40	0.42	0.42	0.65
EPS excl. goodwill	-0.05	0.16	0.88	0.40	0.42	0.42	0.65
Cash EPS	1.13	1.43	2.31	2.59	2.94	3.01	3.69
Operating cash flow per share	1.33	1.71	2.98	2.99	3.65	3.81	4.57
Capital employed per share	2.83	5.92	5.99	12.68	13.07	13.53	13.71
Book value per share	5.68	6.69	7.93	7.17	7.31	7.43	7.73
Book value excl. goodwill	5.68	6.69	7.93	7.17	7.31	7.43	7.73
Dividend per share	0.00	0.10	0.30	0.27	0.30	0.35	0.40
Dividend payout ratio, %	0.0	61.7	34.1	68.6	71.6	84.1	61.5
Dividend yield, %	0.0	2.5	2.3	3.9	3.8	4.5	5.1
<b>Efficiency measures</b>							
ROE	-1.0	2.6	12.0	5.3	5.8	5.6	8.6
ROCE	2.4	4.2	10.3	9.9	7.1	7.3	8.8
<b>Financial ratios</b>							
Capex/sales, %	-16.3	14.4	9.2	3.7	11.6	11.9	12.1
Capex/depreciation excl. goodwill,%	-339.6	314.7	183.2	35.9	116.2	118.8	106.2
Net debt/EBITDA, book-weighted	-2.7	-0.6	-0.8	1.4	1.5	1.5	1.2
Debt/equity, market-weighted	0.5	1.4	0.4	2.0	1.9	2.0	2.0
Equity ratio, book-weighted	40.6	37.8	39.1	25.4	24.9	24.7	25.3
Gearing	-0.50	-0.11	-0.24	0.77	0.79	0.82	0.77
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	559.251	55.8%
The Local Government Pensions Institution	6,250,875	48.882	4.9%
Tiiviste-Group Oy	2,150,000	16.813	1.7%
Ilmarinen Mutual Pension Insurance Company	1,945,000	15.210	1.5%
The State Pension Fund	1,700,000	13.294	1.3%
Oy Etra Invest Ab	1,000,000	7.820	0.8%
Veritas Pension Insurance Company Ltd.	818,946	6.404	0.6%
Laakkonen Mikko Kalervo	740,000	5.787	0.6%
Finnair Oyj	542,002	4.238	0.4%
Finnairin Henkilöstöraho Ho.	440,000	3.441	0.3%
Ten largest	87,102,249	681.140	68%
Residual	41,033,866	320.885	32%
Total	128,136,115	1,002.024	100%

## EARNINGS CALENDAR

July 17, 2019 Q2 report  
 October 22, 2019 Q3 report

## OTHER EVENTS

March 20, 2018 AGM

## COMPANY MISCELLANEOUS

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 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

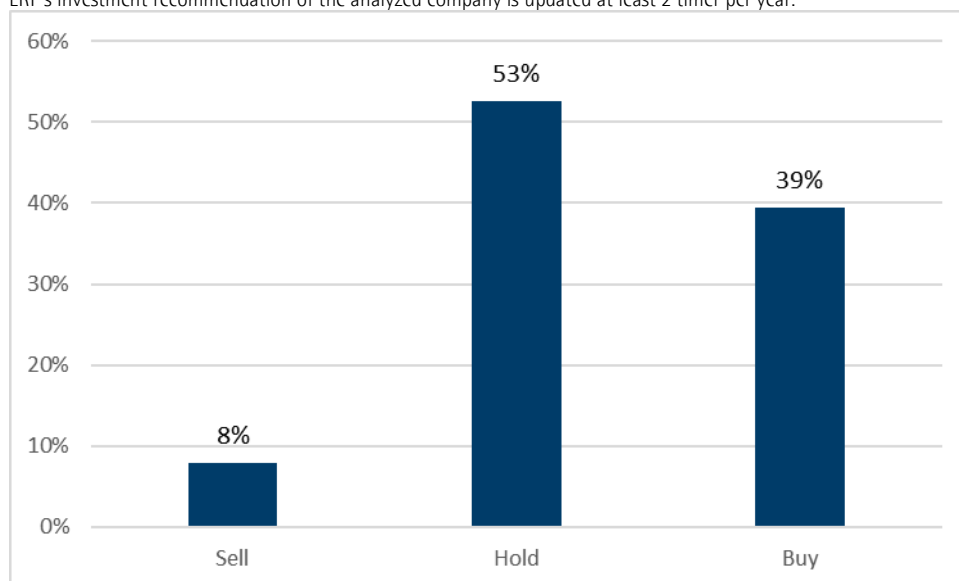
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Investment recommendations are defined as follows:

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

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

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