

Profitability clearly below estimates

Finnair's Q3'19 adj. EBIT was EUR 100.7m vs. our expectation of EUR 135.4m and consensus of EUR 121.9m. Revenue was EUR 870.3 vs. our expectation of EUR 889.2 and consensus of EUR 871.4m. Finnair reiterated its guidance. The company expects capacity growth of 11-12% and revenue to grow at a somewhat slower pace than capacity in 2019. Finnair expects its EBIT% to be between 4.5%-6.0% in 2019.

- Q3 revenue was EUR 870m vs. EUR 889m/871m Evli/cons.
- ASK increased by 9.5% in Q3. RASK decreased by 1.5% y/y.
- Q3 adj. EBIT was EUR 101m vs. EUR 135m/122m Evli/cons. Profitability was negatively impacted by the year-on-year increase in jet fuel price paid (incl. hedging), a decline in the dollar-based discount rate on maintenance reserves and negative exchange rate effects.
- Q3 comparable EBITDA was EUR 182m vs. EUR 213m our view.
- Absolute costs in Q3: Fuel costs were EUR 190m vs. EUR 187m our view. Staff costs were EUR 132m vs. EUR 131m our view. All other OPEX combined were EUR 461m vs. EUR 455m our view.
- Unit costs: CASK was 6.10 eurocents vs. 5.97 eurocents our view

Rating	 BUY
Share price, EUR (Last trading day's closing price)	6.73
Target price, EUR	7.4
Latest change in rating	16-Oct-19
Latest report on company	16-Oct-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	862
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	22-Oct-19
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 BUY  HOLD  SELL

PRE-REPORT KEY FIGURES

	Sales EURm	EBIT EURm	EBIT %	FCF EURm	EPS EUR	P/E (x)	EV/Sales (x)	EV/EBIT (x)	FCF yield %	DPS EUR
2017	2,568.4	170.4	6.6%	134.6	0.88	14.6	0.5	8.2	8.2	0.30
2018	2,849.7	218.4	7.7%	185.3	0.40	17.7	0.6	7.4	20.4	0.27
2019E	3,103.8	180.9	5.8%	6.5	0.45	15.1	0.5	8.8	0.8	0.30
2020E	3,200.8	199.5	6.2%	-98.0	0.52	13.1	0.5	8.7	-11.4	0.35
2021E	3,328.0	236.2	7.1%	3.2	0.70	9.6	0.5	7.5	0.4	0.40

Market cap, EURm	862	BV per share 2019E, EUR	78.2	CAGR EPS 2018-21, %	20.7
Net debt 2019E, EURm	735	Price/book 2019E	0.9	CAGR sales 2018-21, %	5.3
Enterprise value, EURm	1,598	Dividend yield 2019E, %	4.5	ROE 2019E, %	6.1
Total assets 2019E, EURm	4,115	Tax rate 2019E, %	19.8	ROCE 2019E, %	6.5
Goodwill 2019E, EURm	0	Equity ratio 2019E, %	25.0	PEG, P/E 19/CAGR	0.5

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

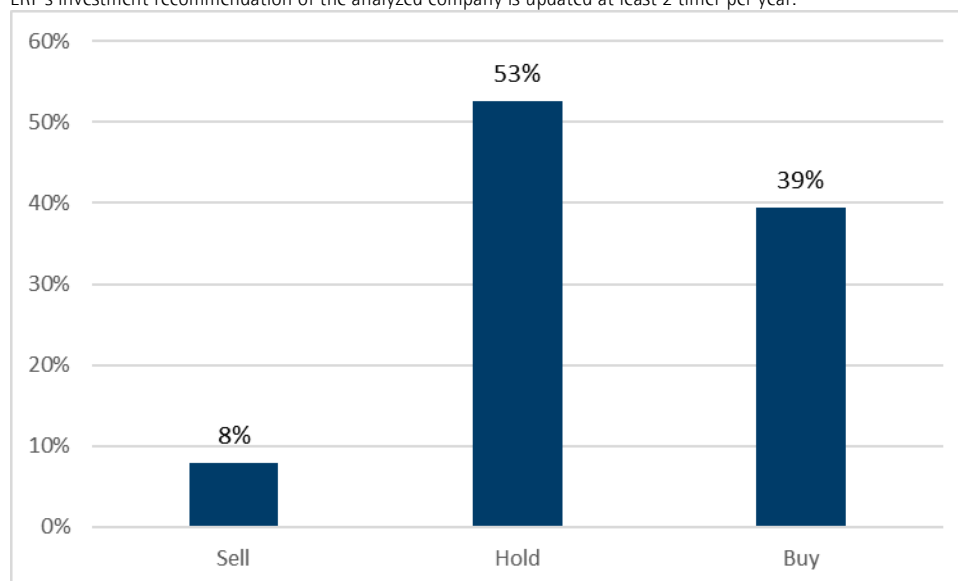
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Investment recommendations are defined as follows:

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.



The graph above shows the distribution of ERP's recommendations of companies under coverage in 1st of February 2019. If recommendation is not given, it is not mentioned here.

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

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