

Long bumpy runway ahead

Finnair reports Q2 results on Jul 15. Capacity is being scaled up while passenger numbers have bottomed out, but there's a lot of uncertainty with regards to a meaningful recovery. The rebound will arrive in the years to come, however in our view valuation doesn't leave much upside. Our TP is now EUR 0.7 (0.75); we retain our HOLD rating.

Recovery may materialize somewhat slower than expected

Finnair's Q2'21 passenger figures show strong recovery relative to the exceptional halt witnessed in Q2'20, but in the big picture the volumes remained very modest. International volumes increased towards the quarter's end, however they remained at only around 5% of those seen in e.g. Q2'19 (in terms of RPK). Western passenger flows may pick up further in Q3, but strategically important Asian flights will in our view have to wait at least until Q4'21, if not even beyond that. Slow Asian vaccination rates may not matter that much because the delta variant now seems to act as an additional speed bump on the path to recovery. In our view Finnair's EBIT is likely to remain in the red until the end of this year. It's unclear how quick the pent-up passenger flight demand will materialize, but airlines are unlikely to return to normal before next year. We don't expect Finnair to see pre-pandemic EBIT levels before the year 2023.

We make some downgrades to our long-term estimates

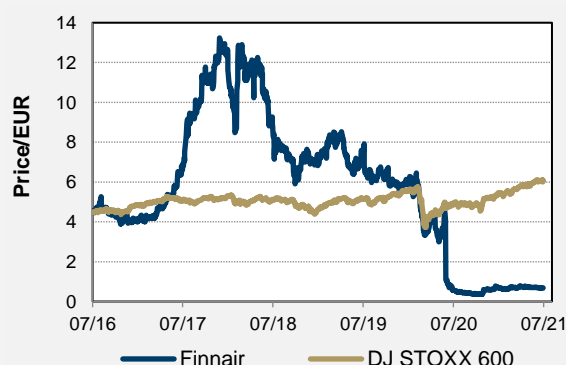
Finnair's Q2 passenger numbers were somewhat below our expectations as the pandemic situation has proved very resilient. Cargo volumes, nonetheless, were higher than we estimated. We thus make only small revisions to our Q2 estimates. We expect EUR 142m in revenue and EUR 144m in operating losses. We revise our long-term estimates down a bit due to the continued uncertainty that stems from the latest pandemic updates. We also note jet fuel spot prices increased another 13% q/q in Q2.

Valuation recognizes Finnair's long-term potential

In our opinion Finnair continues to hold a solid long-term strategic position as an airline that connects Europe with Northeast Asia. This seems well recognized as current valuation is not cheap. Finnair trades ca. 15x EV/EBIT on our FY '22 estimates. We believe Finnair's EBIT has plenty of room to improve beyond that, however the pandemic is unlikely to alter the inherent competitive nature of the airline industry.

Rating

■ HOLD



Share price, EUR (Last trading day's closing price) 0.69

Target price, EUR 0.7

Latest change in recommendation 14-Jul-20

Latest report on company 28-Apr-21

Research paid by issuer: YES

No. of shares outstanding, '000's 1,405,964

No. of shares fully diluted, '000's 1,405,964

Market cap, EURm 970

Free float, % 42.9

Exchange rate EUR/USD 1.19

Reuters code FIA1S.HE

Bloomberg code FIA1S.FH

Average daily volume, EURm 3.0

Next interim report 15-Jul-21

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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
2019	3,097.7	162.8	5.3%	-12.3	0.50	11.7	0.4	8.5	-1.6	0.00
2020	829.2	-595.3	-71.8%	-1,281.1	-0.48	-1.6	2.9	-4.1	-119.8	0.00
2021E	1,226.0	-391.7	-31.9%	120.4	-0.27	-2.5	1.8	-5.5	12.4	0.00
2022E	2,859.3	146.0	5.1%	-138.2	0.02	32.0	0.8	14.9	-14.2	0.00
2023E	3,032.1	183.2	6.0%	-184.5	0.04	17.9	0.7	12.3	-19.0	0.00
Market cap, EURm		970	Gearing 2021E, %			233.5	CAGR EPS 2020-23, %			0.0
Net debt 2021E, EURm		1,178	Price/book 2021E			1.9	CAGR sales 2020-23, %			54.1
Enterprise value, EURm		2,148	Dividend yield 2021E, %			0.0	ROE 2021E, %			-55.2
Total assets 2021E, EURm		3,237	Tax rate 2021E, %			20.2	ROCE 2021E, %			-14.2
Goodwill 2021E, EURm		0	Equity ratio 2021E, %			16.6	PEG, P/E 21/CAGR			0.0

Estimates

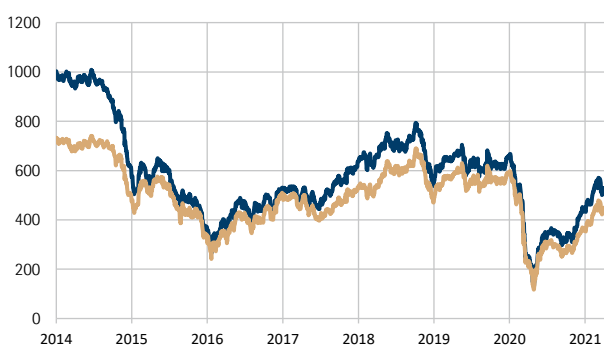
FINNAIR EURm	2017 FY	2018 FY	2019 FY	2020 Q1	2020 Q2	2020 Q3	2020 Q4	2020 FY	2021 Q1	2021E Q2	2021E Q3	2021E Q4	2021E FY	2022E FY	2023E FY
Passengers (thousands)	11905	13281	14650	2656	98	454	278	3486	259	403	1323	2366	4351	11059	11741
<i>y/y change</i>	10%	12%	10%	-16%	-97%	-89%	-92%	-76%	-90%	311%	191%	750%	25%	154%	6%
ASK (mkm)	36 922	42 386	47 189	9 671	345	1 667	1 256	12 938	1 201	1 418	4 858	8 176	15 653	41 590	44 167
<i>y/y change</i>	9%	15%	11%	-9%	-97%	-87%	-89%	-73%	-88%	311%	191%	551%	21%	166%	6.2%-p
RPK (mkm)	30 749	34 660	38 534	7 025	114	645	366	8 150	306	434	3 063	5 712	9 516	32 788	35 408
<i>y/y change</i>	14%	13%	11%	-16%	-99%	-94%	-96%	-79%	-96%	281%	375%	1460%	17%	245%	8%
Load factor (RPK/ASK), PLF	83.3%	81.8%	81.7%	72.6%	33.1%	38.7%	29.2%	63.0%	25.5%	30.6%	63.1%	69.9%	60.8%	78.8%	80.2%
<i>y/y change</i>	3.5%-p	-1.5%-p	-0.1%-p	-5.7%-p	-49.4%-p	-47.5%-p	-49.8%-p	-18.7%-p	-47.1%-p	-2.5%-p	24.4%-p	40.7%-p	-2.2%-p	18.0%-p	1.3%-p
Ancillary and retail	145	161	176	43	6	9	5	62	9	10	15	35	69	201	197
Cargo	197	207	212	37	50	32	60	178	61	72	62	61	256	250	253
Travel services	206	223	230	58	0	2	1	61	1	4	25	36	66	149	155
Total revenue	2569	2835	3098	561	69	97	102	829	114	142	371	599	1226	2859	3032
<i>YoY change</i>	11%	10%	9%	-16%	-91%	-89%	-87%	-73%	-80%	107%	281%	487%	48%	133%	6%
Other income	77	74	56	14	11	11	12	48	9	13	13	13	48	52	52
Staff costs	-423	-500	-535	-136	-48	-57	-42	-284	-53	-55	-86	-105	-299	-476	-489
<i>y/y change</i>	17%	18%	7%	5%	-65%	-57%	-69%	-47%	-61%	15%	50%	150%	5%	59%	3%
<i>% of revenue</i>	16%	18%	17%	24%	70%	59%	41%	34%	46%	39%	23%	18%	24%	17%	16%
Fuel	-472	-581	-687	-144	-33	-29	-27	-233	-30	-38	-97	-152	-318	-683	-747
<i>y/y change</i>	-4%	23%	18%	-1%	-82%	-85%	-85%	-66%	-79%	16%	235%	473%	37%	115%	70%
<i>% of revenue</i>	18%	20%	22%	26%	48%	30%	26%	28%	27%	27%	26%	25%	26%	24%	25%
Other OPEX	-1314	-1316	-1444	-304	-87	-104	-117	-613	-100	-120	-206	-278	-704	-1254	-1309
<i>y/y change</i>	4%	0%	10%	-13%	-76%	-72%	-68%	-58%	-67%	38%	97%	136%	15%	78%	4%
<i>% of revenue</i>	51%	46%	47%	54%	127%	107%	115%	74%	88%	85%	56%	46%	57%	44%	43%
Comparable EBITDA	300	512	488	-9	-89	-82	-72	-251	-61	-59	-5	77	-47	498	539
Depreciation	-129	-294	-325	-83	-85	-85	-91	-344	-82	-85	-86	-91	-344	-352	-356
Comparable EBIT	171	218	163	-91	-174	-167	-163	-595	-143	-144	-91	-14	-392	146	183
Comp. EBIT-%	6.6%	7.7%	5.3%	-16.2%	-254.1%	-171.3%	-159.7%	-71.8%	-126.1%	-101.3%	-24.4%	-2.3%	-31.9%	5.1%	6.0%
IAC & fair value changes	54	39	-3	-4	3	-16	148	131	-6	0	0	0	-6	0	0
EBIT	225	256	160	-96	-171	-183	-15	-465	-149	-144	-91	-14	-397	146	183

Sources: Finnair, Evli estimates

Jet fuel cost

EUR/t, USD/t

Jet fuel price

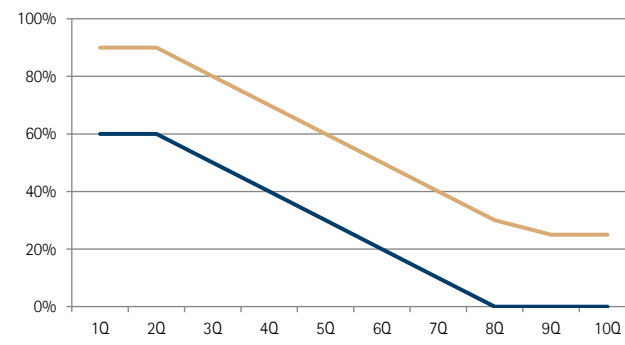


Source: Bloomberg (JET1NECC Index)

Jet Fuel - USD Jet Fuel - EUR

Hedging level

Finnair hedging policy



Lower limit Upper limit

 *Under normal conditions
 Source: Finnair

Valuation

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
		21	22	23	21	22	23	21	22	23	21	22	23
Primary European peers													
SAS AB	15586	2 834.2x	8.0x	6.0x		57.2x	17.5x			11.1x	5.0x	4.4x	4.9x
International Consolidated Airlines Group	9169		6.3x	4.4x		14.8x	7.8x	14.4x		5.8x			8.0x
Air France-KLM SA	2608		5.3x	3.9x		526.1x	15.6x			14.2x			
Deutsche Lufthansa AG	6011	139.3x	5.7x	4.3x		29.0x	11.1x	84.4x		7.4x	19.3x	7.8x	3.7x
Norwegian Air Shuttle ASA	8460		9.0x	8.3x		53.7x	40.2x						
Other European peers													
Aegean Airlines SA	479		2.6x	2.1x		7.9x	4.3x		8.5x	5.6x	3.4x	2.1x	1.5x
easyJet plc	4242		7.7x	5.0x		21.1x	9.0x		20.7x	9.3x	3.6x	3.2x	2.5x
Ryanair Holdings Plc	18289	29.0x	7.9x	6.4x	405.1x	11.5x	8.7x		12.5x	9.8x	4.0x	3.0x	2.3x
Wizz Air Holdings Plc	4891	21.5x	6.6x	4.9x		12.2x	8.3x		14.8x	10.3x	7.9x	5.0x	3.3x
North American peers													
American Airlines Group, Inc.	13398		14.3x	8.1x		33.1x	12.3x			8.3x			
Delta Air Lines, Inc.	27454	77.0x	6.4x	4.4x		9.8x	6.1x		10.5x	6.5x	26.5x	9.4x	4.4x
JetBlue Airways Corporation	5215		6.3x	4.3x		11.2x	6.6x		15.2x	7.6x	1.5x	1.4x	1.1x
Southwest Airlines Co.	31248	53.0x	6.2x	4.2x		9.0x	5.6x		16.5x	11.2x	3.3x	2.8x	2.2x
Spirit Airlines, Inc.	3209	144.9x	7.1x	5.4x		12.6x	8.5x		15.1x	8.4x	1.4x	1.2x	1.1x
Primary European peers median		1 486.7x	6.3x	4.4x		53.7x	15.6x		49.4x	9.3x	12.1x	6.1x	4.9x
Finnair (Evli est)*		-45.5x	4.4x	4.3x		-5.5x	15.0x		-2.5x	32.1x	18.0x	1.9x	1.5x
<i>Finnair discount/premium to primary peer group median*</i>		<i>-103 %</i>	<i>-29 %</i>	<i>-3 %</i>		<i>-</i>	<i>-</i>		<i>-</i>	<i>94 %</i>	<i>-84 %</i>	<i>-75 %</i>	<i>-75 %</i>

FINNAIR PEER GROUP	Ticker	Div yield	Div yield	Div yield	EBIT-%	EBIT-%	EBIT-%	ROCE-%	ROCE-%	ROCE-%	ROE-%	ROE-%	ROE-%
		21	22	23	21	22	23	21	22	23	21	22	23
Primary European peers													
SAS AB	SAS-SE	0.0%	0.0%	0.0%	-32.9%	2.5%	7.9%	-13.9%	2.4%	8.7%	-175.3%	-10.1%	43.9%
International Consolidated Airlines Group	IAG-GB	0.2%	0.5%	1.2%	-19.6%	8.0%	12.4%	-10.6%	7.8%	13.6%			138.7%
Air France-KLM SA	AF-FR	0.0%	0.0%	0.6%	-21.2%	0.1%	4.0%	-19.7%	0.2%	8.8%			
Deutsche Lufthansa AG	LHA-DE	0.0%	0.3%	0.3%	-13.0%	2.3%	5.4%	-9.2%	2.4%	6.3%	-734.2%	9.2%	50.2%
Norwegian Air Shuttle ASA	NAS-NO	0.0%	2.1%	8.4%	-39.6%	3.4%	4.6%						
Other European peers													
Aegean Airlines SA	AEGN-GR	0.0%	1.1%	10.8%	-5.9%	7.9%	12.4%	-4.4%	7.7%	13.2%	-25.7%	24.7%	27.4%
easyJet plc	EZJ-GB	0.0%	0.5%	4.1%	-66.2%	5.6%	10.3%	-18.5%	5.3%	11.0%	-76.8%	15.4%	27.1%
Ryanair Holdings Plc	RY4C-IE	0.0%	0.2%	0.2%	1.0%	19.1%	20.9%	0.6%	16.5%	18.6%	-0.3%	24.2%	23.7%
Wizz Air Holdings Plc	WIZZ-GB	0.0%	0.0%	0.0%	-2.7%	16.8%	18.6%	-1.4%	13.7%	15.4%	-12.4%	33.4%	32.3%
North American peers													
American Airlines Group, Inc.	AAL-US	0.0%	0.0%	0.0%	-19.1%	3.4%	7.7%	-10.3%	2.7%	7.9%			
Delta Air Lines, Inc.	DAL-US	0.0%	0.0%	1.1%	-7.1%	11.7%	14.8%	-3.6%	8.6%	12.9%	-233.9%	89.0%	67.5%
JetBlue Airways Corporation	JBLU-US	0.0%	0.0%	0.0%	-12.5%	9.2%	13.4%	-6.6%	6.8%	11.5%	-22.0%	8.9%	15.0%
Southwest Airlines Co.	LUV-US	0.1%	0.1%	0.5%	-4.2%	13.4%	17.0%	-2.3%	10.7%	15.6%	-9.9%	16.7%	20.0%
Spirit Airlines, Inc.	SAVE-US	0.0%	0.0%	0.0%	-8.5%	9.1%	11.3%	-4.1%	5.9%	8.5%	-16.2%	7.9%	13.4%
Primary European peers median		0.0%	0.3%	0.6%	-21.2%	2.5%	5.4%	-12.3 %	2.4 %	8.8 %	-454.7%	-0.4%	50.2%
Finnair (Evli est)*	FIA1S-FI	0.0%	0.0%	0.0%	-31.9%	5.1%	6.0%	-14.2 %	5.4 %	5.8 %	-55.2%	5.3%	7.5%

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	0.69 PV of Free Cash Flow	1,398 Long-term growth, %	2.0 Risk-free interest rate, %
DCF share value	1.46 PV of Horizon value	2,022 WACC, %	8.9 Market risk premium, %
Share price potential, %	110.9 Unconsolidated equity	0 Spread, %	0.5 Debt risk premium, %
Maximum value	1.7 Marketable securities	824 Minimum WACC, %	8.4 Equity beta coefficient
Minimum value	1.3 Debt - dividend	-2,198 Maximum WACC, %	9.4 Target debt ratio, %
Horizon value, %	59.1 Value of stock	2,046 Nr of shares, Mn	1,406.0 Effective tax rate, %

DCF valuation, EURm	2020	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	Horizon
Net sales	829	1,226	2,859	3,032	3,093	3,155	3,218	3,282	3,348	3,415	3,483	3,553
<i>Sales growth, %</i>	-73.2	47.8	133.2	6.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Operating income (EBIT)	-595	-392	146	183	161	164	167	171	174	178	181	185
<i>Operating income margin, %</i>	-71.8	-31.9	5.1	6.0	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2
+ Depreciation+amort.	344	344	346	349	338	382	389	394	399	403	407	
EBITDA	-251	-47	492	532	498	546	556	565	573	581	589	
- Paid taxes	-50	79	-29	-37	-32	-33	-33	-34	-35	-36	-36	
- Change in NWC	-489	207	-43	13	5	5	5	5	5	5	5	
<i>NWC / Sales, %</i>	-30.3	-37.4	-14.5	-14.1	-14.0	-13.9	-13.7	-13.6	-13.5	-13.4	-13.3	
+ Change in other liabs	-71	76	0	0	0	0	0	0	0	0	0	
- Operative CAPEX	-138	-100	-200	-450	-400	-250	-250	-240	-240	-240	-240	
<i>opCAPEX / Sales, %</i>	38.0	3.1	16.5	19.8	21.9	13.6	13.4	13.0	12.8	12.7	6.9	
- Acquisitions	0	0	0	0	0	0	0	0	0	0	0	
+ Divestments	0	0	0	0	0	0	0	0	0	0	0	
- Other items	-17	-6	-16	-13	-13	-13	-13	-13	-13	-13	-13	
= FCFF	-1,017	209	203	46	58	256	265	283	290	298	305	4,527
= Discounted FCFF		200	179	37	43	175	166	163	154	145	136	2,022
= DFCF min WACC		201	180	37	44	178	170	168	159	151	142	2,278
= DFCF max WACC		200	178	37	43	171	162	158	149	139	130	1,805

INTERIM FIGURES

EVLI ESTIMATES, EURm	2020Q1	2020Q2	2020Q3	2020Q4	2020	2021Q1	2021Q2E	2021Q3E	2021Q4E	2021E	2022E	2023E
Net sales	561.2	68.6	97.4	102.0	829.2	113.6	142.1	371.4	598.9	1,226.0	2,859.3	3,032.1
EBITDA	-8.6	-89.2	-82.0	-71.7	-251.5	-60.9	-58.9	-4.7	77.2	-47.4	491.9	531.9
<i>EBITDA margin (%)</i>	<i>-1.5</i>	<i>-130.0</i>	<i>-84.1</i>	<i>-70.3</i>	<i>-30.3</i>	<i>-53.6</i>	<i>-41.5</i>	<i>-1.3</i>	<i>12.9</i>	<i>-3.9</i>	<i>17.2</i>	<i>17.5</i>
EBIT	-91.1	-174.3	-167.0	-162.9	-595.3	-143.2	-143.9	-90.7	-13.8	-391.7	146.0	183.2
<i>EBIT margin (%)</i>	<i>-16.2</i>	<i>-254.1</i>	<i>-171.3</i>	<i>-159.7</i>	<i>-71.8</i>	<i>-126.1</i>	<i>-101.3</i>	<i>-24.4</i>	<i>-2.3</i>	<i>-31.9</i>	<i>5.1</i>	<i>6.0</i>
Net financial items	-82.7	-44.0	-66.3	2.9	-190.1	-32.7	-20.0	-20.0	-20.0	-92.7	-87.5	-99.6
Pre-tax profit	-173.8	-218.3	-233.3	-160.0	-785.4	-175.9	-163.9	-110.7	-33.8	-484.4	58.4	83.6
Tax	35.6	43.1	49.9	2.6	131.2	36.3	32.8	22.1	6.8	98.0	-11.7	-16.7
<i>Tax rate (%)</i>	<i>20.5</i>	<i>19.7</i>	<i>21.4</i>	<i>1.6</i>	<i>16.7</i>	<i>20.6</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>20.2</i>	<i>20.0</i>	<i>20.0</i>
Net profit	-141.4	-178.3	-187.9	-161.3	-669.0	-139.6	-131.1	-88.5	-27.1	-386.4	30.4	54.3
EPS	-0.10	-0.13	-0.13	-0.11	-0.48	-0.10	-0.09	-0.06	-0.02	-0.27	0.02	0.04
EPS adjusted (diluted no. of shares)	-0.10	-0.13	-0.13	-0.11	-0.48	-0.10	-0.09	-0.06	-0.02	-0.27	0.02	0.04
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
SALES, EURm												
Group total	561.2	68.6	97.4	102.0	829.2	113.6	142.1	371.4	598.9	1,226.0	2,859.3	3,032.1
Total	561.2	68.6	97.4	102.0	829.2	113.6	142.1	371.4	598.9	1,226.0	2,859.3	3,032.1
SALES GROWTH, Y/Y %												
Group total	-16.0	-91.3	-88.7	-86.8	-73.2	-79.8	107.2	281.1	487.1	47.8	133.2	6.0
Total	-16.0	-91.3	-88.7	-86.8	-73.2	-79.8	107.2	281.1	487.1	47.8	133.2	6.0
EBIT, EURm												
Group total	-91.1	-174.3	-167.0	-162.9	-595.3	-143.2	-143.9	-90.7	-13.8	-391.7	146.0	183.2
Total	-91.1	-174.3	-167.0	-162.9	-595.3	-143.2	-143.9	-90.7	-13.8	-391.7	146.0	183.2
EBIT margin, %												
Group total	-16.2	-254.1	-171.3	-159.7	-71.8	-126.1	-101.3	-24.4	-2.3	-31.9	5.1	6.0
Total	-16.2	-254.1	-171.3	-159.7	-71.8	-126.1	-101.3	-24.4	-2.3	-31.9	5.1	6.0

INCOME STATEMENT, EURm	2016	2017	2018	2019	2020	2021E	2022E	2023E
Sales	2,316.8	2,568.4	2,836.1	3,097.7	829.2	1,226.0	2,859.3	3,032.1
<i>Sales growth (%)</i>	<i>2.8</i>	<i>10.9</i>	<i>10.4</i>	<i>9.2</i>	<i>-73.2</i>	<i>47.8</i>	<i>133.2</i>	<i>6.0</i>
EBITDA	161.0	299.6	512.6	488.2	-251.5	-47.4	491.9	531.9
<i>EBITDA margin (%)</i>	<i>6.9</i>	<i>11.7</i>	<i>18.1</i>	<i>15.8</i>	<i>-30.3</i>	<i>-3.9</i>	<i>17.2</i>	<i>17.5</i>
Depreciation	-105.8	-129.2	-294.2	-325.4	-343.8	-344.3	-345.9	-348.7
EBITA	55.2	170.4	218.4	162.8	-595.3	-391.7	146.0	183.2
Goodwill amortization / writedown	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	55.2	170.4	218.4	162.8	-595.3	-391.7	146.0	183.2
<i>EBIT margin (%)</i>	<i>2.4</i>	<i>6.6</i>	<i>7.7</i>	<i>5.3</i>	<i>-71.8</i>	<i>-31.9</i>	<i>5.1</i>	<i>6.0</i>
Reported EBIT	53.8	169.5	218.3	160.0	-597.7	-397.5	146.0	183.2
<i>EBIT margin (reported) (%)</i>	<i>2.3</i>	<i>6.6</i>	<i>7.7</i>	<i>5.2</i>	<i>-72.1</i>	<i>-32.4</i>	<i>5.1</i>	<i>6.0</i>
Net financials	-10.5	-13.7	-129.0	-67.0	-190.1	-92.7	-87.5	-99.6
Pre-tax profit	44.7	156.7	89.4	95.8	-785.4	-484.4	58.4	83.6
Taxes	-8.9	-31.3	-25.6	-18.4	131.2	98.0	-11.7	-16.7
Minority shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit	19.4	111.9	51.1	61.8	-671.4	-392.2	30.4	54.3
Cash NRIs	-1.4	-0.9	-0.1	-2.8	-2.4	-5.8	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	1,189	1,446	1,547	1,751	1,683	1,559	1,533	1,762
Goodwill	0	0	0	0	0	0	0	0
Right of use assets	0	0	999	878	918	736	886	910
Inventory	15	17	121	80	68	49	71	76
Receivables	512	460	210	217	70	74	98	103
Liquid funds	814	965	1,067	952	824	736	1,144	1,213
Total assets	2,529	2,887	3,944	3,878	3,646	3,237	3,818	4,148
Liabilities								
Shareholder's equity	857	1,016	918	966	897	504	640	799
Minority interest	0	0	0	0	0	0	0	0
Convertibles	0	0	0	0	0	0	0	0
Lease liabilities	0	0	1,159	1,054	1,016	736	886	910
Deferred taxes	33	74	48	64	0	0	0	0
Interest bearing debt	718	719	615	521	1,182	1,178	1,469	1,594
Non-interest bearing current liabilities	519	566	285	243	176	368	372	394
Other interest-free debt	339	428	811	873	215	291	291	291
Total liabilities	2,529	2,887	3,944	3,878	3,647	3,237	3,818	4,148
CASH FLOW, EURm								
+ EBITDA	161	300	513	488	-251	-47	492	532
- Net financial items	-10	-14	-129	-67	-190	-93	-88	-100
- Taxes	33	-1	-52	-2	-18	98	-12	-17
- Increase in Net Working Capital	56	57	50	-7	-489	207	-43	13
+/- Other	-19	40	1	-16	-17	-6	-16	-13
= Cash flow from operations	220	382	383	397	-966	159	333	416
- Capex	-486	-405	-330	-409	-315	-39	-471	-600
- Acquisitions	0	0	0	0	0	0	0	0
+ Divestments	153	157	214	0	0	0	0	0
= Free cash flow	-113	134	268	-12	-1,281	120	-138	-184
+/- New issues/buybacks	110	60	-110	21	602	0	105	105
- Paid dividend	0	-13	-38	-35	0	0	0	0
+/- Other	108	-30	-17	-89	551	-208	441	149
Change in cash	105	151	103	-116	-128	-88	408	69

KEY FIGURES	2017	2018	2019	2020	2021E	2022E	2023E
M-cap	1,643	908	753	1,069	970	970	970
Net debt (excl. convertibles)	-246	707	623	1,374	1,178	1,211	1,291
Enterprise value	1,397	1,615	1,377	2,443	2,148	2,181	2,261
Sales	2,568	2,836	3,098	829	1,226	2,859	3,032
EBITDA	300	513	488	-251	-47	492	532
EBIT	170	218	163	-595	-392	146	183
Pre-tax	157	89	96	-785	-484	58	84
Earnings	113	51	65	-669	-386	30	54
Equity book value (excl. minorities)	1,016	918	966	897	504	640	799
Valuation multiples							
EV/sales	0.5	0.6	0.4	2.9	1.8	0.8	0.7
EV/EBITDA	4.7	3.2	2.8	-9.7	-45.4	4.4	4.3
EV/EBITA	8.2	7.4	8.5	-4.1	-5.5	14.9	12.3
EV/EBIT	8.2	7.4	8.5	-4.1	-5.5	14.9	12.3
EV/OCF	3.7	4.2	3.5	-2.5	13.5	6.5	5.4
EV/FCFF	6.3	6.1	8.4	-2.4	10.3	10.7	49.6
P/FCFE	12.2	3.4	-61.4	-0.8	8.1	-7.0	-5.3
P/E	14.6	10.2	11.7	-1.6	-2.5	32.0	17.9
P/B	1.6	1.0	0.8	1.2	1.9	1.5	1.2
Target EV/EBITDA	0.0	0.0	0.0	0.0	-45.7	4.5	4.3
Target EV/EBIT	0.0	0.0	0.0	0.0	-5.5	15.0	12.4
Target EV/FCF	0.0	0.0	0.0	0.0	18.0	-15.9	-12.3
Target P/B	0.0	0.0	0.0	0.0	2.0	1.5	1.2
Target P/E	0.0	0.0	0.0	0.0	-2.5	32.4	18.1
Per share measures							
Number of shares	128,136	128,136	128,136	1,407,231	1,405,964	1,405,964	1,405,964
Number of shares (diluted)	128,136	128,136	128,136	1,407,231	1,405,964	1,405,964	1,405,964
EPS	0.88	0.40	0.50	-0.48	-0.27	0.02	0.04
Operating cash flow per share	2.98	2.99	3.09	-0.69	0.11	0.24	0.30
Free cash flow per share	1.05	2.09	-0.10	-0.91	0.09	-0.10	-0.13
Book value per share	7.93	7.17	7.54	0.64	0.36	0.46	0.57
Dividend per share	0.30	0.27	0.00	0.00	0.00	0.00	0.00
Dividend payout ratio, %	34.1	68.6	0.0	0.0	0.0	0.0	0.0
Dividend yield, %	2.3	3.9	0.0	0.0	0.0	0.0	0.0
FCF yield, %	8.2	29.5	-1.6	-119.8	12.4	-14.2	-19.0
Efficiency measures							
ROE	12.0	5.3	6.9	-71.8	-55.2	5.3	7.5
ROCE	10.3	9.9	6.2	-21.1	-14.2	5.4	5.8
Financial ratios							
Inventories as % of sales	0.7	4.3	2.6	8.2	4.0	2.5	2.5
Receivables as % of sales	17.9	7.4	7.0	8.4	6.0	3.4	3.4
Non-interest bearing liabilities as % of sales	22.0	10.1	7.8	21.2	30.0	13.0	13.0
NWC/sales, %	-18.7	-26.4	-23.9	-30.3	-37.4	-14.5	-14.1
Operative CAPEX/sales, %	15.8	11.6	13.2	38.0	3.1	16.5	19.8
CAPEX/sales (incl. acquisitions), %	15.8	11.6	13.2	38.0	3.1	16.5	19.8
FCFF/EBITDA	0.7	0.5	0.3	4.0	-4.4	0.4	0.1
Net debt/EBITDA, book-weighted	-0.8	1.4	1.3	-5.5	-24.9	2.5	2.4
Debt/equity, market-weighted	0.4	0.7	0.7	1.1	1.2	1.5	1.6
Equity ratio, book-weighted	39.1	25.4	27.4	25.5	16.6	19.1	21.8
Gearing, %	-24.2	77.0	64.5	153.3	233.5	189.3	161.5

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	786,669,685	542.802	56.0%
Varma Mutual Pension Insurance Company	50,081,263	34.556	3.6%
Ilmarinen Mutual Pension Insurance Company	37,000,000	25.530	2.6%
The State Pension Fund	14,978,215	10.335	1.1%
Elo Mutual Pension Insurance Company	14,671,668	10.123	1.0%
OP-Finland Fund	8,000,000	5.520	0.6%
OP-Finland Small Firms Fund	4,917,610	3.393	0.3%
Finnairin Henkilöstörahoisto Hr	4,000,000	2.760	0.3%
Veritas Pension Insurance Company Ltd.	2,707,011	1.868	0.2%
Länsiauto Oy	1,854,505	1.280	0.1%
Ten largest	924,879,956	638.167	66%
Residual	481,084,116	331.948	34%
Total	1,405,964,072	970.115	100%

EARNINGS CALENDAR

July 15, 2021

Q2 report

October 26, 2021

Q3 report

OTHER EVENTS**COMPANY MISCELLANEOUS**

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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, %	$\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes}}{\text{Shareholder's equity} + \text{minority interest} + \text{taxed provisions (average)}}$		

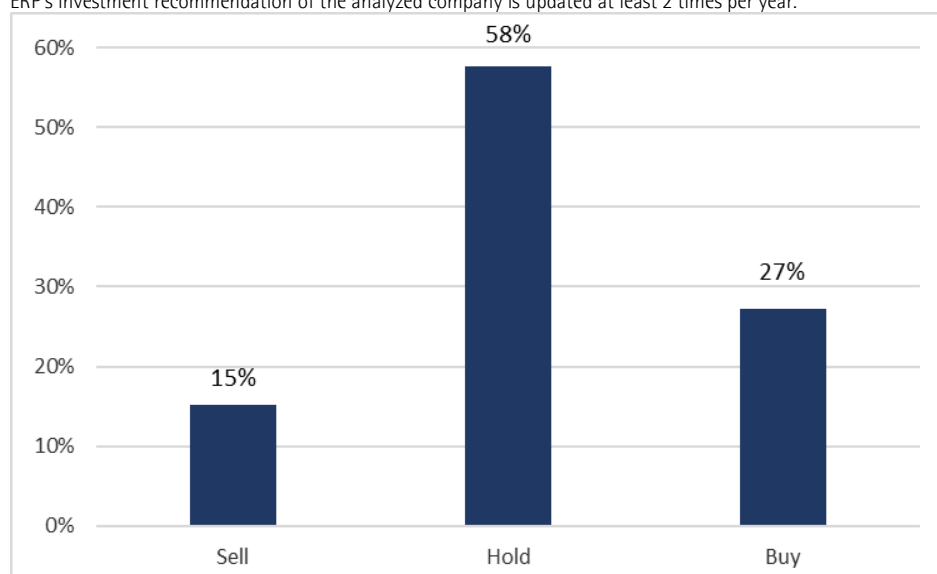
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Target price compared to share price	Recommendation
< -10 %	SELL
-10 – (+10) %	HOLD
> 10 %	BUY

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

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