

Still waiting for Asian passengers

Finnair reports Q3 results on Oct 26. Losses remain large and focus is on narrowing them from Q4 onwards. We expect Finnair to achieve break-even EBIT in H1'22 even if traffic still continues to normalize throughout H2'22.

Q3 losses are going to be steep like before

Q3 traffic figures show revenue passenger kilometers doubled y/y and tripled q/q but were still only 13% of Q3'19 levels. The Q3 passenger volumes were also significantly below our estimates and hence we revise our revenue estimate down to EUR 264m (prev. EUR 332m). We now expect EUR 149m Q3 operating loss (prev. EUR 132m). Jet fuel prices have also advanced by some 25% during the past three months (average prices increased by about 10% q/q in Q3). We still expect losses will begin to narrow in Q4, however we don't see the recovery quite as fast as before and now estimate Q4 operating loss at EUR 65m (prev. EUR 13m). Somewhat slower-than-anticipated recovery should not be a major issue for Finnair, considering e.g. the recent sale-and-leaseback transaction which untied more than USD 400m.

We expect FY '23 RPK to be 95% of FY '19 levels

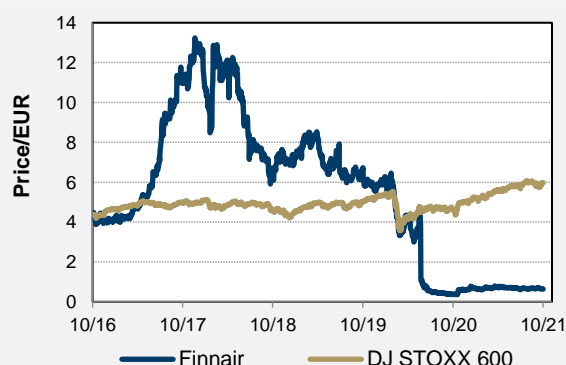
Important destinations like Japan and South Korea have progressed with vaccinations, but Finnair's Asian passenger volumes remain low for now. Asian Q3 RPK was only 4% of Q3'19 levels, while European RPK had already reached 21% of similar comparable levels. North American RPK also progressed to 19%, however Finnair does only marginal volumes on those routes. The Asian reliance means Finnair's volume recovery takes at least a bit longer than that for many other Western airlines. We expect Finnair to reach break-even EBIT in H1'22, and decent profitability should be possible during H2'22. The company could therefore achieve modest profitability next year, but more significant annual EBIT may have to wait until FY '23. We cut our FY '22 EBIT estimate from EUR 150m to EUR 75m, while our FY '23 estimate remains basically unchanged at around EUR 200m.

The inevitable passenger volume recovery is fully valued

Finnair is bound to make a strong operational recovery sooner or later, but in our view this outlook is pretty much fully valued already. Finnair is valued ca. 30x and 11.5x EV/EBIT on our FY '22-23 estimates, a level we find to be well in line with primary European peers. We retain our EUR 0.65 TP and HOLD rating.

Rating

■ HOLD



Share price, EUR (Last trading day's closing price) 0.64
Target price, EUR 0.65

Latest change in recommendation 16-Jul-20
Latest report on company 16-Jul-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 900
Free float, % 42.9
Exchange rate EUR/USD 1.16
Reuters code FIA1S.HE
Bloomberg code FIA1S.FH
Average daily volume, EURm 2.0
Next interim report 26-Oct-21
Web site investors.finnair.com

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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	1,004.7	-509.3	-50.7%	110.5	-0.34	-1.9	2.1	-4.1	12.3	0.00
2022E	2,557.9	74.6	2.9%	-207.0	-0.02	-37.4	0.9	29.4	-23.0	0.00
2023E	2,911.0	201.4	6.9%	-212.9	0.05	13.1	0.8	11.4	-23.7	0.00
Market cap, EURm	900			Gearing 2021E, %	286.1			CAGR EPS 2020-23, %	0.0	
Net debt 2021E, EURm	1,188			Price/book 2021E	2.2			CAGR sales 2020-23, %	52.0	
Enterprise value, EURm	2,088			Dividend yield 2021E, %	0.0			ROE 2021E, %	-72.5	
Total assets 2021E, EURm	2,959			Tax rate 2021E, %	19.8			ROCE 2021E, %	-19.2	
Goodwill 2021E, EURm	0			Equity ratio 2021E, %	14.8			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	2021 Q2	2021E Q3	2021E Q4	2021E FY	2022E FY	2023E FY
Passengers (thousands)	11905	13281	14650	2656	98	454	278	3486	259	292	779	2087	3417	9317	10981
<i>y/y change</i>	10%	12%	10%	-16%	-97%	-89%	-92%	-76%	-90%	198%	72%	650%	-2%	173%	18%
ASK (mkm)	36 922	42 386	47 189	9 671	345	1 667	1 256	12 938	1 201	1 418	3 294	6 921	12 834	38 734	45 619
<i>y/y change</i>	9%	15%	11%	-9%	-97%	-87%	-89%	-73%	-88%	311%	98%	451%	-1%	202%	17.8%-p
RPK (mkm)	30 749	34 660	38 534	7 025	114	645	366	8 150	306	434	1 369	3 259	5 369	30 623	36 837
<i>y/y change</i>	14%	13%	11%	-16%	-99%	-94%	-96%	-79%	-96%	281%	112%	790%	-34%	470%	20%
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%	41.6%	47.1%	41.8%	79.1%	80.7%
<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	2.9%-p	17.9%-p	-21.2%-p	37.2%-p	1.7%-p
Ancillary and retail	145	161	176	43	6	9	5	62	9	6	12	29	56	168	197
Cargo	197	207	212	37	50	32	60	178	61	61	62	61	245	240	242
Travel services	206	223	230	58	0	2	1	61	1	0	14	26	40	126	129
Total revenue	2569	2835	3098	561	69	97	102	829	114	112	264	516	1005	2558	2911
<i>YoY change</i>	11%	10%	9%	-16%	-91%	-89%	-87%	-73%	-80%	63%	171%	406%	21%	155%	14%
Other income	77	74	56	14	11	11	12	48	9	8	10	10	37	52	52
Staff costs	-423	-500	-535	-136	-48	-57	-42	-284	-53	-54	-72	-95	-273	-403	-414
<i>y/y change</i>	17%	18%	7%	5%	-65%	-57%	-69%	-47%	-61%	12%	25%	125%	-4%	48%	3%
<i>% of revenue</i>	16%	18%	17%	24%	70%	59%	41%	34%	46%	48%	27%	18%	27%	16%	14%
Fuel	-472	-581	-687	-144	-33	-29	-27	-233	-30	-31	-77	-133	-271	-673	-843
<i>y/y change</i>	-4%	23%	18%	-1%	-82%	-85%	-85%	-66%	-79%	-7%	164%	402%	16%	148%	70%
<i>% of revenue</i>	18%	20%	22%	26%	48%	30%	26%	28%	27%	28%	29%	26%	27%	26%	29%
Other OPEX	-1314	-1316	-1444	-304	-87	-104	-117	-613	-100	-105	-189	-272	-667	-1108	-1149
<i>y/y change</i>	4%	0%	10%	-13%	-76%	-72%	-68%	-58%	-67%	20%	81%	132%	9%	66%	4%
<i>% of revenue</i>	51%	46%	47%	54%	127%	107%	115%	74%	88%	94%	72%	53%	66%	43%	39%
Comparable EBITDA	300	512	488	-9	-89	-82	-72	-251	-61	-70	-63	26	-169	427	557
Depreciation	-129	-294	-325	-83	-85	-85	-91	-344	-82	-81	-86	-91	-341	-352	-356
Comparable EBIT	171	218	163	-91	-174	-167	-163	-595	-143	-151	-149	-65	-509	75	201
Comp. EBIT-%	6.6%	7.7%	5.3%	-16.2%	-254.1%	-171.3%	-159.7%	-71.8%	-126.1%	-135.3%	-56.6%	-12.7%	-50.7%	2.9%	6.9%
IAC & fair value changes	54	39	-3	-4	3	-16	148	131	-6	-6	0	0	-12	0	0
EBIT	225	256	160	-96	-171	-183	-15	-465	-149	-157	-149	-65	-521	75	201

Sources: Finnair, Evli estimates

Jet fuel cost

EUR/t, USD/t

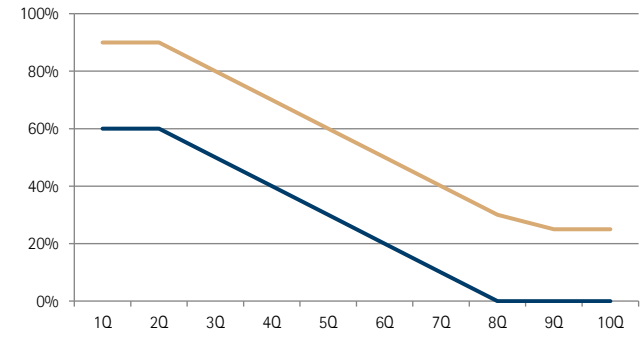
Jet fuel price



Source: Bloomberg (JET1NECC Index)

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	13566		7.4x	4.2x		87.9x	10.8x			6.7x	5.5x	6.7x	11.7x
International Consolidated Airlines Group	8224		6.9x	4.5x		17.6x	8.1x		19.8x	5.7x			7.3x
Air France-KLM SA	2563		5.6x	3.9x			15.0x			14.4x			
Deutsche Lufthansa AG	6898	799.2x	6.0x	4.4x		34.7x	11.4x		345.9x	8.0x	2.9x	3.9x	2.3x
Norwegian Air Shuttle ASA	9273		3.5x			7.5x		13.3x	11.9x	7.4x	5.3x	3.6x	
Other European peers													
Aegean Airlines SA	463		3.9x	3.4x		11.0x	8.0x		12.3x	7.2x	2.5x	2.0x	1.6x
easyJet plc	4611		7.9x	4.7x		26.7x	8.7x		36.3x	9.8x	1.7x	2.1x	1.8x
Ryanair Holdings Plc	18438	30.7x	7.9x	6.2x	1536.7x	11.4x	8.6x		12.4x	9.6x	4.0x	3.0x	2.3x
Wizz Air Holdings Plc	4588	20.8x	6.9x	5.0x		12.9x	8.6x		14.6x	9.7x	7.9x	5.1x	3.2x
North American peers													
American Airlines Group, Inc.	12710		11.4x	6.8x		23.5x	10.4x		73.1x	7.4x			
Delta Air Lines, Inc.	25997		7.1x	4.9x		10.7x	6.6x		11.4x	6.5x	11.4x	5.3x	2.8x
JetBlue Airways Corporation	4764		6.6x	4.2x		13.0x	6.5x		18.7x	7.5x	1.3x	1.2x	1.1x
Southwest Airlines Co.	29381		6.1x	3.9x		9.1x	5.2x		18.3x	11.1x	3.2x	2.8x	2.2x
Spirit Airlines, Inc.	2558		11.4x	7.8x		23.9x	12.8x		28.4x	8.3x	1.4x	1.3x	1.1x
Primary European peers median		799.2x	6.0x	4.3x	-	26.2x	11.1x	-	19.8x	7.4x	5.3x	3.9x	7.3x
Finnair (Evli est)*		-12.5x	5.5x	4.3x	-4.1x	29.5x	11.5x	-1.9x	-38.0x	13.3x	2.2x	1.8x	1.4x
<i>Finnair discount/premium to primary peer group median*</i>		<i>-102%</i>	<i>-8%</i>	<i>-1%</i>	<i>-</i>	<i>13%</i>	<i>3%</i>	<i>-</i>	<i>-292%</i>	<i>81%</i>	<i>-91%</i>	<i>-54%</i>	<i>-81%</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%	-41.5%	1.5%	9.1%	-15.1%	1.3%	10.3%	-270.0%	-34.2%	175.0%
International Consolidated Airlines Group	IAG-GB	0.3%	0.1%	1.2%	-30.9%	6.7%	11.8%	-14.2%	6.5%	12.9%			127.3%
Air France-KLM SA	AF-FR	0.0%	0.0%	0.6%	-20.3%	-0.3%	4.0%	-15.3%	-0.4%	6.1%			
Deutsche Lufthansa AG	LHA-DE	0.0%	0.0%	0.3%	-14.0%	1.9%	5.1%	-8.8%	1.8%	5.7%	-136.9%	1.1%	28.3%
Norwegian Air Shuttle ASA	NAS-NO	0.0%	5.0%	20.0%	-59.0%	9.1%					39.6%	30.1%	
Other European peers													
Aegean Airlines SA	AEGN-GR	0.0%	1.5%	5.3%	-1.6%	7.2%	9.2%	-1.1%	7.0%	10.3%	-12.5%	16.0%	21.7%
easyJet plc	EZJ-GB	0.0%	0.4%	3.7%	-77.1%	4.1%	9.6%	-18.4%	3.6%	10.2%	-53.0%	5.7%	18.1%
Ryanair Holdings Plc	RY4C-IE	0.0%	0.2%	0.2%	0.3%	18.5%	20.3%	0.1%	16.4%	18.4%	-0.8%	24.5%	24.2%
Wizz Air Holdings Plc	WIZZ-GB	0.0%	0.0%	0.0%	-5.4%	15.8%	17.9%	-2.9%	12.4%	14.9%	-21.6%	35.0%	33.1%
North American peers													
American Airlines Group, Inc.	AAL-US	0.1%	0.1%	0.2%	-17.0%	4.1%	7.9%	-9.7%	3.4%	7.6%			
Delta Air Lines, Inc.	DAL-US	0.0%	0.0%	1.2%	-9.2%	9.9%	13.3%	-4.9%	7.8%	11.5%	-123.7%	46.1%	43.1%
JetBlue Airways Corporation	JBLU-US	0.0%	0.0%	0.0%	-14.5%	6.7%	11.4%	-7.9%	5.0%	9.4%	-21.9%	6.6%	14.1%
Southwest Airlines Co.	LUV-US	0.1%	0.3%	0.7%	-8.9%	11.5%	16.1%	-5.1%	9.4%	14.9%	-14.4%	15.1%	20.1%
Spirit Airlines, Inc.	SAVE-US	0.0%	0.0%	0.0%	-11.2%	6.2%	10.1%	-5.7%	4.5%	8.6%	-24.1%	4.4%	12.9%
Primary European peers median		0.0%	0.0%	0.6%	-30.9%	1.9%	7.1%	-14.6%	1.6%	8.2%	-136.9%	1.1%	127.3%
Finnair (Evli est)*	FIA1S-FI	0.0%	0.0%	0.0%	-50.7%	2.9%	6.9%	-19.2%	5.4%	5.8%	-72.5%	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	0.64 PV of Free Cash Flow	1,126 Long-term growth, %	2.0 Risk-free interest rate, %
DCF share value	0.87 PV of Horizon value	1,472 WACC, %	10.3 Market risk premium, %
Share price potential, %	36.0 Unconsolidated equity	0 Spread, %	0.5 Debt risk premium, %
Maximum value	1.0 Marketable securities	824 Minimum WACC, %	9.8 Equity beta coefficient
Minimum value	0.8 Debt - dividend	-2,198 Maximum WACC, %	10.8 Target debt ratio, %
Horizon value, %	56.7 Value of stock	1,224 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	1,005	2,558	2,911	2,969	3,029	3,089	3,151	3,214	3,278	3,344	3,411
<i>Sales growth, %</i>	-73.2	21.2	154.6	13.8	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Operating income (EBIT)	-595	-509	75	201	154	157	161	164	167	170	174	177
<i>Operating income margin, %</i>	-71.8	-50.7	2.9	6.9	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2
+ Depreciation+amort.	344	341	325	336	333	377	383	388	392	397	401	
EBITDA	-251	-169	400	538	487	534	543	552	560	567	575	
- Paid taxes	-50	101	-15	-40	-31	-31	-32	-33	-33	-34	-35	
- Change in NWC	-489	160	-19	26	4	4	5	5	5	5	5	
<i>NWC / Sales, %</i>	-30.3	-41.0	-15.4	-14.4	-14.3	-14.1	-14.0	-13.9	-13.8	-13.6	-13.5	
+ 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	-9.1	19.1	22.1	22.5	13.9	13.8	13.3	13.1	13.0	7.2	
- 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	62	149	61	48	244	253	271	278	285	292	3,613
= Discounted FCFF		61	133	49	35	162	152	148	138	128	119	1,472
= DCF min WACC		61	133	50	36	165	156	152	142	133	124	1,634
= DCF max WACC		61	132	49	35	159	149	144	133	123	114	1,331

INTERIM FIGURES

EVLI ESTIMATES, EURm	2020Q1	2020Q2	2020Q3	2020Q4	2020	2021Q1	2021Q2	2021Q3E	2021Q4E	2021E	2022E	2023E
Net sales	561.2	68.6	97.4	102.0	829.2	113.6	111.8	263.7	515.6	1,004.7	2,557.9	2,911.0
EBITDA	-8.6	-89.2	-82.0	-71.7	-251.5	-60.9	-70.1	-63.3	25.5	-168.8	399.8	537.6
<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>-62.7</i>	<i>-24.0</i>	<i>4.9</i>	<i>-16.8</i>	<i>15.6</i>	<i>18.5</i>
EBIT	-91.1	-174.3	-167.0	-162.9	-595.3	-143.2	-151.3	-149.3	-65.5	-509.3	74.6	201.4
<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>-135.3</i>	<i>-56.6</i>	<i>-12.7</i>	<i>-50.7</i>	<i>2.9</i>	<i>6.9</i>
Net financial items	-82.7	-44.0	-66.3	2.9	-190.1	-32.7	-11.0	-20.0	-20.0	-83.7	-84.1	-99.9
Pre-tax profit	-173.8	-218.3	-233.3	-160.0	-785.4	-175.9	-162.3	-169.3	-85.5	-593.0	-9.5	101.5
Tax	35.6	43.1	49.9	2.6	131.2	36.3	30.1	33.9	17.1	117.4	1.9	-20.3
<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>18.5</i>	<i>20.0</i>	<i>20.0</i>	<i>19.8</i>	<i>20.0</i>	<i>20.0</i>
Net profit	-141.4	-178.3	-187.9	-161.3	-669.0	-139.6	-132.2	-135.4	-68.4	-475.6	-24.0	68.6
EPS	-0.10	-0.13	-0.13	-0.11	-0.48	-0.10	-0.09	-0.10	-0.05	-0.34	-0.02	0.05
EPS adjusted (diluted no. of shares)	-0.10	-0.13	-0.13	-0.11	-0.48	-0.10	-0.09	-0.10	-0.05	-0.34	-0.02	0.05
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	111.8	263.7	515.6	1,004.7	2,557.9	2,911.0
Total	561.2	68.6	97.4	102.0	829.2	113.6	111.8	263.7	515.6	1,004.7	2,557.9	2,911.0
SALES GROWTH, Y/Y %												
Group total	-16.0	-91.3	-88.7	-86.8	-73.2	-79.8	63.0	170.6	405.5	21.2	154.6	13.8
Total	-16.0	-91.3	-88.7	-86.8	-73.2	-79.8	63.0	170.6	405.5	21.2	154.6	13.8
EBIT, EURm												
Group total	-91.1	-174.3	-167.0	-162.9	-595.3	-143.2	-151.3	-149.3	-65.5	-509.3	74.6	201.4
Total	-91.1	-174.3	-167.0	-162.9	-595.3	-143.2	-151.3	-149.3	-65.5	-509.3	74.6	201.4
EBIT margin, %												
Group total	-16.2	-254.1	-171.3	-159.7	-71.8	-126.1	-135.3	-56.6	-12.7	-50.7	2.9	6.9
Total	-16.2	-254.1	-171.3	-159.7	-71.8	-126.1	-135.3	-56.6	-12.7	-50.7	2.9	6.9

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	1,004.7	2,557.9	2,911.0
<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>21.2</i>	<i>154.6</i>	<i>13.8</i>
EBITDA	161.0	299.6	512.6	488.2	-251.5	-168.8	399.8	537.6
<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>-16.8</i>	<i>15.6</i>	<i>18.5</i>
Depreciation	-105.8	-129.2	-294.2	-325.4	-343.8	-340.5	-325.2	-336.2
EBITA	55.2	170.4	218.4	162.8	-595.3	-509.3	74.6	201.4
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	-509.3	74.6	201.4
<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>-50.7</i>	<i>2.9</i>	<i>6.9</i>
Reported EBIT	53.8	169.5	218.3	160.0	-597.7	-515.1	74.6	201.4
<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>-51.3</i>	<i>2.9</i>	<i>6.9</i>
Net financials	-10.5	-13.7	-129.0	-67.0	-190.1	-83.7	-84.1	-99.9
Pre-tax profit	44.7	156.7	89.4	95.8	-785.4	-593.0	-9.5	101.5
Taxes	-8.9	-31.3	-25.6	-18.4	131.2	117.4	1.9	-20.3
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	-481.4	-24.0	68.6
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	1,566	1,539	1,767
Goodwill	0	0	0	0	0	0	0	0
Right of use assets	0	0	999	878	918	603	793	873
Inventory	15	17	121	80	68	40	64	73
Receivables	512	460	210	217	70	63	89	100
Liquid funds	814	965	1,067	952	824	603	1,023	1,164
Total assets	2,529	2,887	3,944	3,878	3,646	2,959	3,593	4,062
Liabilities								
Shareholder's equity	857	1,016	918	966	897	415	496	670
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	603	793	873
Deferred taxes	33	74	48	64	0	0	0	0
Interest bearing debt	718	719	615	521	1,182	1,188	1,520	1,689
Non-interest bearing current liabilities	519	566	285	243	176	301	333	378
Other interest-free debt	339	428	811	873	215	291	291	291
Total liabilities	2,529	2,887	3,944	3,878	3,647	2,959	3,593	4,062
CASH FLOW, EURm								
+ EBITDA	161	300	513	488	-251	-169	400	538
- Net financial items	-10	-14	-129	-67	-190	-84	-84	-100
- Taxes	33	-1	-52	-2	-18	117	2	-20
- Increase in Net Working Capital	56	57	50	-7	-489	160	-19	26
+/- Other	-19	40	1	-16	-17	-6	-16	-13
= Cash flow from operations	220	382	383	397	-966	19	282	431
- Capex	-486	-405	-330	-409	-315	91	-489	-644
- 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	110	-207	-213
+/- 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	-331	522	249
Change in cash	105	151	103	-116	-128	-221	420	141

KEY FIGURES	2017	2018	2019	2020	2021E	2022E	2023E
M-cap	1,643	908	753	1,069	900	900	900
Net debt (excl. convertibles)	-246	707	623	1,374	1,188	1,290	1,398
Enterprise value	1,397	1,615	1,377	2,443	2,088	2,190	2,298
Sales	2,568	2,836	3,098	829	1,005	2,558	2,911
EBITDA	300	513	488	-251	-169	400	538
EBIT	170	218	163	-595	-509	75	201
Pre-tax	157	89	96	-785	-593	-10	101
Earnings	113	51	65	-669	-476	-24	69
Equity book value (excl. minorities)	1,016	918	966	897	415	496	670
Valuation multiples							
EV/sales	0.5	0.6	0.4	2.9	2.1	0.9	0.8
EV/EBITDA	4.7	3.2	2.8	-9.7	-12.4	5.5	4.3
EV/EBITA	8.2	7.4	8.5	-4.1	-4.1	29.4	11.4
EV/EBIT	8.2	7.4	8.5	-4.1	-4.1	29.4	11.4
EV/OCF	3.7	4.2	3.5	-2.5	107.4	7.8	5.3
EV/FCFF	6.3	6.1	8.4	-2.4	33.6	14.7	37.6
P/FCFE	12.2	3.4	-61.4	-0.8	8.1	-4.3	-4.2
P/E	14.6	10.2	11.7	-1.6	-1.9	-37.4	13.1
P/B	1.6	1.0	0.8	1.2	2.2	1.8	1.3
Target EV/EBITDA	0.0	0.0	0.0	0.0	-12.5	5.5	4.3
Target EV/EBIT	0.0	0.0	0.0	0.0	-4.1	29.5	11.5
Target EV/FCF	0.0	0.0	0.0	0.0	19.0	-10.6	-10.9
Target P/B	0.0	0.0	0.0	0.0	2.2	1.8	1.4
Target P/E	0.0	0.0	0.0	0.0	-1.9	-38.0	13.3
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	-0.34	-0.02	0.05
Operating cash flow per share	2.98	2.99	3.09	-0.69	0.01	0.20	0.31
Free cash flow per share	1.05	2.09	-0.10	-0.91	0.08	-0.15	-0.15
Book value per share	7.93	7.17	7.54	0.64	0.30	0.35	0.48
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	12.3	-23.0	-23.7
Efficiency measures							
ROE	12.0	5.3	6.9	-71.8	-72.5	-5.3	11.8
ROCE	10.3	9.9	6.2	-21.1	-19.2	3.0	6.7
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	6.2	3.5	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	-41.0	-15.4	-14.4
Operative CAPEX/sales, %	15.8	11.6	13.2	38.0	-9.1	19.1	22.1
CAPEX/sales (incl. acquisitions), %	15.8	11.6	13.2	38.0	-9.1	19.1	22.1
FCFF/EBITDA	0.7	0.5	0.3	4.0	-0.4	0.4	0.1
Net debt/EBITDA, book-weighted	-0.8	1.4	1.3	-5.5	-7.0	3.2	2.6
Debt/equity, market-weighted	0.4	0.7	0.7	1.1	1.3	1.7	1.9
Equity ratio, book-weighted	39.1	25.4	27.4	25.5	14.8	15.6	18.6
Gearing, %	-24.2	77.0	64.5	153.3	286.1	260.0	208.7

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	503.469	56.0%
Varma Mutual Pension Insurance Company	50,081,263	32.052	3.6%
Ilmarinen Mutual Pension Insurance Company	37,000,000	23.680	2.6%
The State Pension Fund	14,978,215	9.586	1.1%
Elo Mutual Pension Insurance Company	14,671,668	9.390	1.0%
OP-Finland Fund	8,000,000	5.120	0.6%
OP-Finland Small Firms Fund	4,917,610	3.147	0.3%
Finnairin Henkilöstörahoisto Hr	4,000,000	2.560	0.3%
Veritas Pension Insurance Company Ltd.	2,707,011	1.732	0.2%
Länsiauto Oy	1,854,505	1.187	0.1%
Ten largest	924,879,956	591.923	66%
Residual	481,084,116	307.894	34%
Total	1,405,964,072	899.817	100%

EARNINGS CALENDAR

October 26, 2021

Q3 report

OTHER EVENTS**COMPANY MISCELLANEOUS**

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Tietotie 9, 01053 FINNAIR (VANTAA AIRPORT)

CFO: Mika Stirkkinen

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

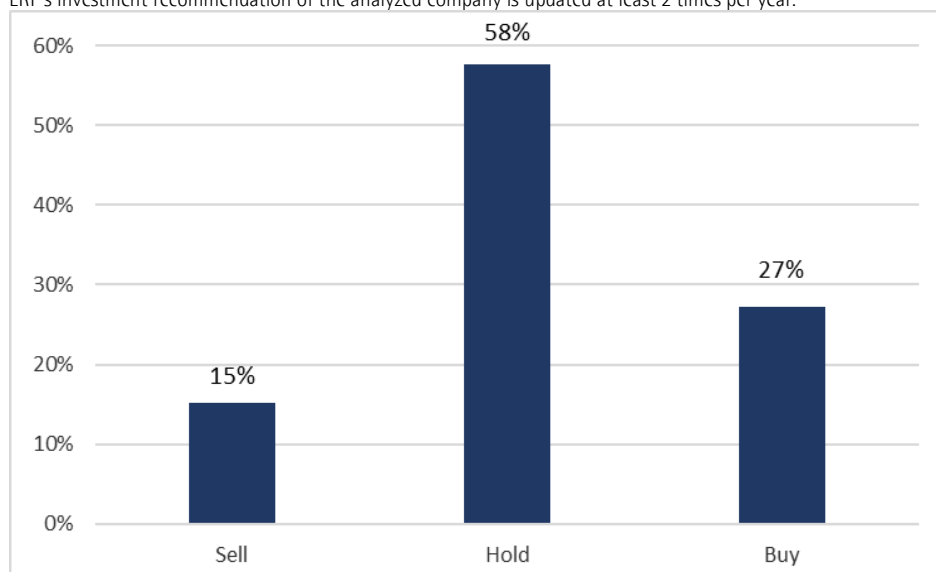
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Investment recommendations are defined as follows:

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

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

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