

## Losses will continue for now

Finnair's Q3 operating loss was smaller than estimated despite certain top line softness. Slow Asian traffic recovery nevertheless continues to limit potential and losses will not subside in Q4. Finnair might not be back to black before H2'22.

- Q3 revenue grew by 105% y/y and was EUR 199.4m vs the EUR 263.7m/246.7m Evli/consensus estimates.
- Adjusted EBIT amounted to EUR -109.1m, compared to the EUR -149.3m/-144.0m Evli/consensus estimates.
- Fuel costs were EUR 48m vs our EUR 77m estimate. Staff costs were EUR 58m vs our EUR 72m estimate. All other OPEX+D&A combined amounted to EUR 212m, compared to our EUR 275m estimate.
- Cost per Available Seat Kilometer was 9.37 eurocents vs our estimate of 12.50 eurocents.
- Finnair expects Q4 operating loss to be of similar magnitude as in Q3. This is not a major surprise compared to the EUR -65.5m/-59.8m Evli/consensus estimate for Q4. Finnair estimates positive operating cash flow for Q4.
- Finnair estimates operating losses will continue during H1'22 due to the slow recovery of Asian traffic. Finnair doesn't expect return to pre-pandemic traffic levels before 2023, although the H2'22 operational environment could be already closer to that era.

Rating				🟡 HOLD
Q3'21	Actual	Evli	Year ago	Q2'21
Revenue	199.4	263.7	97.4	111.8
Adj. EBIT	-109.1	-149.3	-167.0	-151.3
Adj. EBIT-%	-54.7 %	-56.6 %	-171.3 %	-135.3 %
Share price, EUR (Last trading day's closing price)				0.60
Target price, EUR				0.7
Latest change in recommendation				16-Jul-20
Latest report on company				20-Oct-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				844
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
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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
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	-1.8	2.0	-4.0	13.1	0.00
2022E	2,557.9	74.6	2.9%	-207.0	-0.02	-35.1	0.8	28.6	-24.5	0.00
2023E	2,911.0	201.4	6.9%	-212.9	0.05	12.3	0.8	11.1	-25.2	0.00
Market cap, EURm	844		BV per share 2021E, EUR		286.1		CAGR EPS 2020-23, %		0.0	
Net debt 2021E, EURm	1,188		Price/book 2021E		2.0		CAGR sales 2020-23, %		52.0	
Enterprise value, EURm	2,031		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	

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

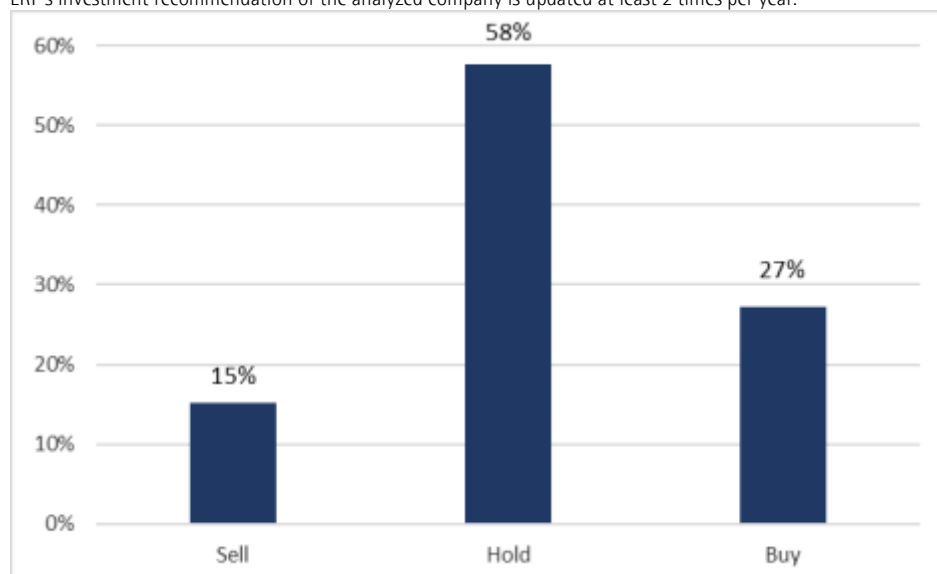
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Investment recommendations are defined as follows:

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

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

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