

## Further challenges undermine EBIT

Finnair reports Q1 results on Apr 27. The focus will be on the responses to the change which alters the strategy's viability; we view profitability potential hard to gauge.

### Finnair's Asian strategy will now have to be reviewed

Q1 traffic was robust relative to expectations (the RPK metric was only 2% below our estimate) despite the lag due to slow Asian openings. South Korea opened only in the beginning of Q2, while Japan remains basically closed to foreigners and according to our understanding is unlikely to open before H2. China was previously set to open for H2, however even this conservative schedule may now be in question considering the very strict local virus policies. Asian flight volumes would thus remain subdued even without the closure of Russian airspace. The Siberian flightpath is unlikely to open in the foreseeable future and Finnair is revising its network plans in response to the fact that many Asian routes will not be profitable due to the added costs.

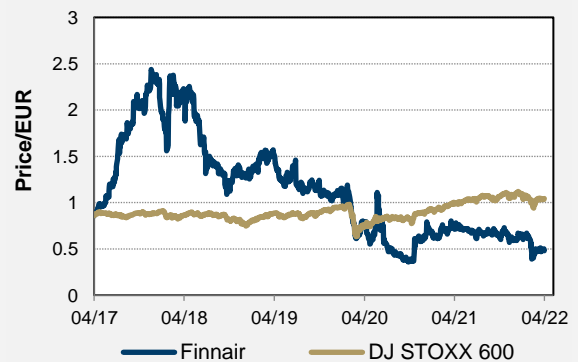
### We make some further estimate cuts

Finnair is in the process of leasing out some of its resources which it cannot itself deploy under the circumstances. In our opinion some such deals, either leases or sales, seem inevitable given the scale of the problem as the Asian flights made more than 50% of Finnair's pre-pandemic revenue. We cut our top line estimates by some 10% at this point; in the long-term Finnair may be able to employ some of its current idle capacity on new European and North American routes, but there may still be need for additional revenue estimate cuts. We revise our FY '22 EBIT estimate to EUR -220m (prev. EUR -82m) and that for FY '23 down to EUR 47m (prev. EUR 171m). Costs remain yet another issue as jet fuel prices have continued to surge to new records.

### Profitability potential remains highly uncertain for now

Finnair had EUR 1.7bn in cash at the end of last year; the financial position and potential additional measures, be they leases or outright sales of aircraft, should help the company manage through the extraordinary period of challenge. Finnair was valued, before the war, in line with other carriers on FY '23 estimates. It's now very hard to say how Finnair's next year will be like. Finnair is valued roughly 15x EV/EBIT on our FY '24 estimates, but this still doesn't seem like an attractive level. Our new TP is EUR 0.43 (0.60), and our rating is now SELL (HOLD).

Rating ■ SELL



Share price, EUR (Last trading day's closing price) 0.48  
Target price, EUR 0.43

Latest change in recommendation 21-Apr-22  
Latest report on company 18-Feb-22  
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 675  
Free float, % 42.9  
Exchange rate EUR/USD 1.09  
Reuters code FIA1S.HE  
Bloomberg code FIA1S.FH  
Average daily volume, EURm 2.0  
Next interim report 27-Apr-22  
Web site investors.finnair.com

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■ BUY ■ HOLD ■ SELL

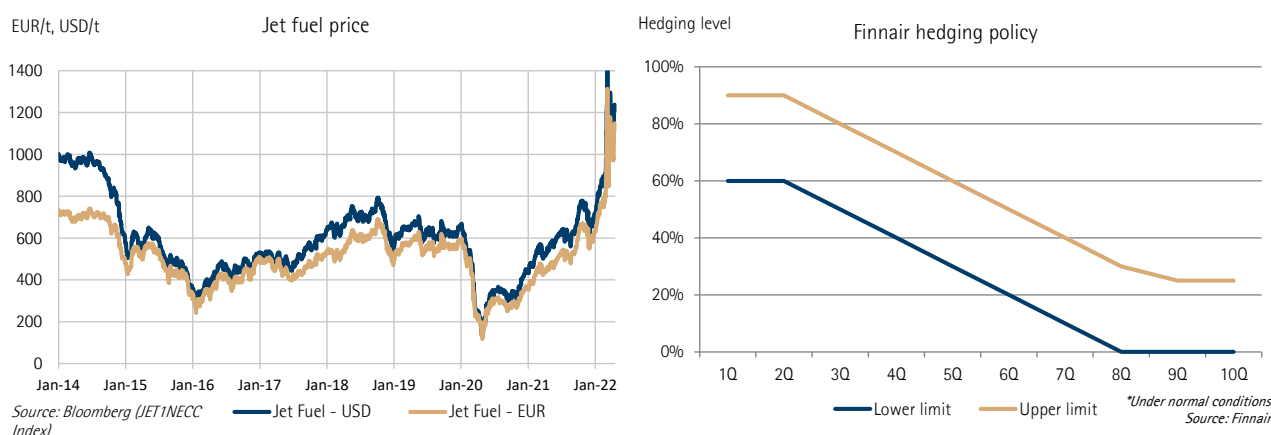
## KEY FIGURES

	Sales EURm	EBIT EURm	EBIT %	FCF EURm	EPS EUR	P/E (x)	EV/Sales (x)	EV/EBIT (x)	FCF yield %	DPS EUR
2020	829.2	-595.3	-71.8%	-1,281.1	-0.48	-1.6	2.9	-4.1	-119.8	0.00
2021	838.4	-468.9	-55.9%	-997.4	-0.34	-1.7	2.8	-5.1	-119.2	0.00
2022E	1,958.2	-220.2	-11.2%	276.6	-0.19	-2.5	0.9	-8.3	41.0	0.00
2023E	2,467.5	47.2	1.9%	-243.9	-0.04	-12.3	0.8	41.9	-36.1	0.00
2024E	2,590.9	155.5	6.0%	-287.0	0.02	21.2	0.9	14.6	-42.5	0.01
Market cap, EURm	675			Gearing 2022E, %	377.0			CAGR EPS 2021-24, %	0.0	
Net debt 2022E, EURm	1,162			Price/book 2022E	2.2			CAGR sales 2021-24, %	45.7	
Enterprise value, EURm	1,836			Dividend yield 2022E, %	0.0			ROE 2022E, %	-69.5	
Total assets 2022E, EURm	2,979			Tax rate 2022E, %	20.0			ROCE 2022E, %	-11.6	
Goodwill 2022E, EURm	0			Equity ratio 2022E, %	11.6			PEG, P/E 22/CAGR	0.1	

**Estimates**

FINNAIR	2017	2018	2019	2020	2021	2021	2021	2021	2021	2021	2022E	2022E	2022E	2022E	2022E	2023E
EURm	FY	FY	FY	FY	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY	FY	
Passengers (thousands)	11905	13281	14650	3486	259	292	779	1523	2852	1509	1347	1733	2162	6750	8726	
<i>y/y change</i>	10 %	12 %	10 %	-76 %	-90 %	198 %	72 %	447 %	-18 %	482 %	362 %	123 %	42 %	137 %	29 %	
ASK (mkm)	36 922	42 386	47 189	12 938	1 201	1 418	3 294	6 181	12 094	6 915	6 549	7 332	8 774	29 569	38 494	
<i>y/y change</i>	9 %	15 %	11 %	-73 %	-88 %	311 %	98 %	392 %	-7 %	476 %	362 %	123 %	42 %	144 %	30.2%-p	
RPK (mkm)	30 749	34 660	38 534	8 150	306	434	1 369	3 068	5 178	3 269	4 059	5 866	7 421	20 615	31 672	
<i>y/y change</i>	14 %	13 %	11 %	-79 %	-96 %	281 %	112 %	738 %	-36 %	967 %	834 %	328 %	142 %	298 %	54 %	
Load factor (RPK/ASK), PLF	83.3 %	81.8 %	81.7%	63.0 %	25.5 %	30.6 %	41.6 %	49.6 %	42.8 %	47.3 %	62.0 %	80.0 %	84.6 %	69.7 %	82.3 %	
<i>y/y change</i>	3.5%-p	-1.5%-p	-0.1%-p	-18.7%-p	-47.1%-p	-2.5%-p	2.9%-p	20.5%-p	-20.2%-p	21.8%-p	31.3%-p	38.4%-p	34.9%-p	26.9%-p	12.6%-p	
<b>Ancillary and retail</b>	145	161	176	62	9	6	11	19	44	25	35	28	31	119	197	
<b>Cargo</b>	197	207	212	178	61	61	65	147	335	76	60	66	110	312	316	
<b>Travel services</b>	206	223	230	61	1	0	10	28	39	25	27	29	37	118	133	
<b>Total revenue</b>	<b>2569</b>	<b>2835</b>	<b>3098</b>	<b>829</b>	<b>114</b>	<b>112</b>	<b>199</b>	<b>414</b>	<b>838</b>	<b>397</b>	<b>405</b>	<b>498</b>	<b>658</b>	<b>1958</b>	<b>2467</b>	
<i>YoY change</i>	<b>11 %</b>	<b>10 %</b>	<b>9 %</b>	<b>-73 %</b>	<b>-80 %</b>	<b>63 %</b>	<b>104 %</b>	<b>305 %</b>	<b>1 %</b>	<b>249 %</b>	<b>263 %</b>	<b>150 %</b>	<b>59 %</b>	<b>134 %</b>	<b>26 %</b>	
Other income	77	74	56	48	9	8	32	15	64	13	13	13	13	52	52	
<b>Staff costs</b>	<b>-423</b>	<b>-500</b>	<b>-535</b>	<b>-284</b>	<b>-53</b>	<b>-54</b>	<b>-58</b>	<b>-84</b>	<b>-249</b>	<b>-89</b>	<b>-86</b>	<b>-88</b>	<b>-97</b>	<b>-360</b>	<b>-367</b>	
<i>y/y change</i>	17 %	18 %	7 %	-47 %	-61 %	12 %	2 %	100 %	-12 %	70 %	60 %	50 %	15 %	45 %	2 %	
<i>% of revenue</i>	16 %	18 %	17 %	34 %	46 %	48 %	29 %	20 %	30 %	23 %	21 %	18 %	15 %	18 %	15 %	
<b>Fuel</b>	<b>-472</b>	<b>-581</b>	<b>-687</b>	<b>-233</b>	<b>-30</b>	<b>-31</b>	<b>-48</b>	<b>-102</b>	<b>-212</b>	<b>-115</b>	<b>-120</b>	<b>-110</b>	<b>-164</b>	<b>-509</b>	<b>-719</b>	
<i>y/y change</i>	-4 %	23 %	18 %	-66 %	-79 %	-7 %	65 %	286 %	-9 %	278 %	290 %	130 %	60 %	141 %	70 %	
<i>% of revenue</i>	18 %	20 %	22 %	28 %	27 %	28 %	24 %	25 %	25 %	29 %	30 %	22 %	25 %	26 %	29 %	
<b>Other OPEX</b>	<b>-1314</b>	<b>-1316</b>	<b>-1444</b>	<b>-613</b>	<b>-100</b>	<b>-105</b>	<b>-134</b>	<b>-227</b>	<b>-566</b>	<b>-247</b>	<b>-228</b>	<b>-249</b>	<b>-286</b>	<b>-1010</b>	<b>-1030</b>	
<i>y/y change</i>	4 %	0 %	10 %	-58 %	-67 %	20 %	28 %	94 %	-8 %	146 %	117 %	86 %	26 %	78 %	2 %	
<i>% of revenue</i>	51 %	46 %	47 %	74 %	88 %	94 %	67 %	55 %	68 %	62 %	56 %	50 %	43 %	52 %	42 %	
<b>Comparable EBIT</b>	<b>171</b>	<b>218</b>	<b>163</b>	<b>-595</b>	<b>-143</b>	<b>-151</b>	<b>-109</b>	<b>-65</b>	<b>-445</b>	<b>-128</b>	<b>-102</b>	<b>-22</b>	<b>33</b>	<b>-220</b>	<b>47</b>	
<i>Comp. EBIT-%</i>	<b>6.6 %</b>	<b>7.7 %</b>	<b>5.3 %</b>	<b>-71.8 %</b>	<b>-126.1 %</b>	<b>-135.3 %</b>	<b>-54.8 %</b>	<b>-15.8 %</b>	<b>-53.1 %</b>	<b>-32.3 %</b>	<b>-25.3 %</b>	<b>-4.5 %</b>	<b>5.0 %</b>	<b>-11.2 %</b>	<b>1.9 %</b>	

Sources: Finnair, Evli estimates

**Jet fuel cost**


**Valuation**

FINNAIR PEER GROUP	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	21	22	23	21	22	23	21	22	23	21	22	23
<b>Primary European peers</b>													
SAS AB	7847		14.1x	7.0x			48.9x				3.0x		
International Consolidated Airlines Group	7152		7.7x	4.9x		25.8x	9.1x		391.5x	6.5x			8.0x
Air France-KLM SA	2630	16.3x	5.4x	3.7x			15.1x			20.8x			
Deutsche Lufthansa AG	8551		6.5x	4.7x		56.6x	13.1x			12.0x	1.4x	2.1x	1.9x
Norwegian Air Shuttle ASA	10894		7.1x	3.0x		20.5x	6.1x			10.5x	4.3x		2.5x
<b>Other European peers</b>													
Aegean Airlines SA	500		5.5x	3.9x		51.2x	10.6x		179.4x	9.1x		2.4x	1.9x
easyJet plc	4265		6.9x	4.3x		42.4x	10.1x		466.3x	13.9x	1.3x	1.6x	1.4x
Ryanair Holdings Plc	16479	59.2x	7.8x	6.4x		12.0x	9.6x		13.0x	10.6x	3.7x	2.9x	2.3x
Wizz Air Holdings Plc	3110		10.5x	5.1x		235.9x	10.7x			10.2x	15.3x	16.5x	5.6x
<b>North American peers</b>													
American Airlines Group, Inc.	12646		50.1x	8.5x			15.7x			12.4x			
Delta Air Lines, Inc.	27912		9.9x	6.0x		17.2x	8.5x		17.0x	7.5x	8.7x	5.0x	2.7x
JetBlue Airways Corporation	4186		14.8x	4.9x			9.2x			10.2x	1.2x	1.1x	1.0x
Southwest Airlines Co.	28036		10.1x	6.0x		21.1x	8.9x		41.9x	15.2x	2.8x	2.5x	2.2x
Spirit Airlines, Inc.	2753		53.8x	8.5x			16.0x			14.5x	1.3x	1.3x	1.1x
<b>Primary European peers median</b>		<b>16.3x</b>	<b>7.1x</b>	<b>4.7x</b>	<b>-</b>	<b>25.8x</b>	<b>13.1x</b>	<b>-</b>	<b>391.5x</b>	<b>11.3x</b>	<b>3.0x</b>	<b>2.1x</b>	<b>2.5x</b>
<b>Finnair (Evli est)*</b>		<b>-16.0x</b>	<b>14.0x</b>	<b>4.0x</b>	<b>-5.1x</b>	<b>-8.4x</b>	<b>42.0x</b>	<b>-1.7x</b>	<b>-2.5x</b>	<b>-12.4x</b>	<b>1.8x</b>	<b>2.2x</b>	<b>1.9x</b>
<i>Finnair discount/premium to primary peer group median*</i>		<i>-198 %</i>	<i>98 %</i>	<i>-15 %</i>	<i>-</i>	<i>-132 %</i>	<i>221 %</i>	<i>-</i>	<i>-101 %</i>	<i>-210 %</i>	<i>-41 %</i>	<i>6 %</i>	<i>-25 %</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
<b>Primary European peers</b>													
SAS AB	SAS-SE	0.0%	0.0%	0.0%	-38.8%	-5.2%	2.1%	-14.8%	-4.7%	2.5%	-246.0%		
International Consolidated Airlines Group	IAG-GB	0.0%	0.5%	1.3%	-35.1%	4.2%	9.6%	-13.5%	3.8%	10.2%			123.6%
Air France-KLM SA	AF-FR	0.0%	0.0%	0.0%	-12.2%	-0.6%	3.5%	-8.9%	-0.8%	6.0%			
Deutsche Lufthansa AG	LHA-DE	0.0%	0.0%	0.1%	-45.3%	1.1%	4.1%	-8.1%	1.1%	4.8%	-53.4%	-2.8%	15.8%
Norwegian Air Shuttle ASA	NAS-NO	0.0%	0.0%	1.7%	-55.0%	6.9%	9.6%				-43.4%		24.2%
<b>Other European peers</b>													
Aegean Airlines SA	AEGN-GR	0.0%	0.7%	4.5%		1.8%	7.3%		2.3%	14.0%		1.3%	20.8%
easyJet plc	EZJ-GB	0.0%	0.0%	1.4%	-71.5%	2.2%	6.5%	-14.2%	1.6%	6.7%	-38.7%	0.3%	10.3%
Ryanair Holdings Plc	RYA-IE	0.0%	0.0%	0.3%	-7.6%	15.4%	15.7%	-3.8%	13.6%	15.0%	-8.0%	22.1%	21.6%
Wizz Air Holdings Plc	WIZZ-GB	0.0%	0.0%	0.0%	-30.5%	0.7%	11.5%	-15.6%	0.7%	13.2%	-214.6%	-24.3%	55.3%
<b>North American peers</b>													
American Airlines Group, Inc.	AAL-US	0.0%	0.0%	0.1%	-18.5%	-3.5%	5.8%	-11.6%	-3.5%	7.0%			
Delta Air Lines, Inc.	DAL-US	0.1%	0.0%	0.5%	-8.6%	6.4%	11.1%	-4.9%	5.6%	10.6%	-76.9%	29.4%	36.1%
JetBlue Airways Corporation	JBLU-US	0.0%	0.0%	0.0%	-15.1%	-1.9%	7.2%	-8.8%	-1.6%	6.5%	-21.6%	-5.0%	9.5%
Southwest Airlines Co.	LUV-US	0.0%	0.1%	0.8%	-6.7%	5.6%	11.3%	-3.9%	4.3%	9.9%	-12.5%	6.0%	14.3%
Spirit Airlines, Inc.	SAVE-US	0.0%	0.0%	0.0%	-13.0%	-3.5%	7.0%	-6.0%	-2.4%	5.5%	-20.7%	-12.7%	7.5%
<b>Primary European peers median</b>		<b>0.0%</b>	<b>0.0%</b>	<b>0.1%</b>	<b>-38.8%</b>	<b>1.1%</b>	<b>4.1%</b>	<b>-11.2%</b>	<b>0.2%</b>	<b>5.4%</b>	<b>-53.4%</b>	<b>-2.8%</b>	<b>24.2%</b>
<b>Finnair (Evli est)*</b>	FIA1S-FI	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>-55.9%</b>	<b>-11.2%</b>	<b>1.9%</b>	<b>-17.9%</b>	<b>-11.6%</b>	<b>-2.2%</b>	<b>-69.8%</b>	<b>-69.5%</b>	<b>-16.5%</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.

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC
Current share price	0.48 PV of Free Cash Flow	720 Long-term growth, %	2.0 Risk-free interest rate, %
DCF share value	0.47 PV of Horizon value	1,484 WACC, %	9.6 Market risk premium, %
Share price potential, %	-2.2 Unconsolidated equity	0 Spread, %	0.5 Debt risk premium, %
Maximum value	0.6 Marketable securities	1,266 Minimum WACC, %	9.1 Equity beta coefficient
Minimum value	0.3 Debt - dividend	-2,809 Maximum WACC, %	10.1 Target debt ratio, %
Horizon value, %	67.3 Value of stock	660 Nr of shares, Mn	1,406.0 Effective tax rate, %

DCF valuation, EURm	2021	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	Horizon
Net sales	838	1,958	2,467	2,591	2,669	2,722	2,776	2,832	2,889	2,946	3,005	3,065
<i>Sales growth, %</i>	<i>1.1</i>	<i>133.6</i>	<i>26.0</i>	<i>5.0</i>	<i>3.0</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>	<i>2.0</i>
Operating income (EBIT)	-469	-220	47	155	173	163	167	170	173	192	195	199
<i>Operating income margin, %</i>	<i>-55.9</i>	<i>-11.2</i>	<i>1.9</i>	<i>6.0</i>	<i>6.5</i>	<i>6.0</i>	<i>6.0</i>	<i>6.0</i>	<i>6.0</i>	<i>6.5</i>	<i>6.5</i>	<i>6.5</i>
+ Depreciation+amort.	320	352	443	324	302	315	326	335	344	351	359	
EBITDA	-149	132	490	479	475	479	493	505	517	543	554	
- Paid taxes	-15	44	-9	-31	-35	-33	-33	-34	-35	-38	-39	
- Change in NWC	117	22	38	9	6	4	4	4	4	4	4	
<i>NWC / Sales, %</i>	<i>-43.9</i>	<i>-20.0</i>	<i>-17.4</i>	<i>-16.9</i>	<i>-16.6</i>	<i>-16.5</i>	<i>-16.3</i>	<i>-16.1</i>	<i>-15.9</i>	<i>-15.8</i>	<i>-15.6</i>	
+ Change in other liabs	39	0	0	0	0	0	0	0	0	0	0	
- Operative CAPEX	-434	-400	-450	-400	-250	-250	-240	-240	-240	-240	-240	
<i>opCAPEX / Sales, %</i>	<i>100.5</i>	<i>-8.9</i>	<i>27.2</i>	<i>25.2</i>	<i>15.3</i>	<i>14.9</i>	<i>14.3</i>	<i>14.1</i>	<i>14.0</i>	<i>13.8</i>	<i>8.0</i>	
- 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	-6	-16	-13	-13	-13	-13	-13	-13	-13	-13	-13	
= FCFF	-448	-218	56	45	184	187	211	223	234	256	267	3,597
= Discounted FCFF		-205	48	35	131	122	125	121	116	116	110	1,484
= DFCF min WACC		-205	49	35	133	125	129	125	120	121	115	1,661
= DFCF max WACC		-204	48	34	129	119	122	117	112	111	105	1,332

## INTERIM FIGURES

EVLI ESTIMATES, EURm	2021Q1	2021Q2	2021Q3	2021Q4	2021	2022Q1E	2022Q2E	2022Q3E	2022Q4E	2022E	2023E	2024E
Net sales	113.6	111.8	199.5	413.5	838.4	396.6	405.4	498.0	658.2	1,958.2	2,467.5	2,590.9
EBITDA	-60.9	-70.1	-30.6	12.6	-149.0	-42.2	-15.4	64.7	124.7	131.8	490.3	479.1
<i>EBITDA margin (%)</i>	<i>-53.6</i>	<i>-62.7</i>	<i>-15.3</i>	<i>3.0</i>	<i>-17.8</i>	<i>-10.7</i>	<i>-3.8</i>	<i>13.0</i>	<i>19.0</i>	<i>6.7</i>	<i>19.9</i>	<i>18.5</i>
EBIT	-143.2	-151.3	-109.1	-65.3	-468.9	-128.2	-102.4	-22.3	32.7	-220.2	47.2	155.5
<i>EBIT margin (%)</i>	<i>-126.1</i>	<i>-135.3</i>	<i>-54.7</i>	<i>-15.8</i>	<i>-55.9</i>	<i>-32.3</i>	<i>-25.3</i>	<i>-4.5</i>	<i>5.0</i>	<i>-11.2</i>	<i>1.9</i>	<i>6.0</i>
Net financial items	-32.7	-11.0	-39.1	-44.7	-127.5	-25.0	-25.0	-25.0	-25.0	-100.0	-100.0	-100.0
Pre-tax profit	-175.9	-162.3	-148.2	-110.0	-596.4	-153.2	-127.4	-47.3	7.7	-320.2	-52.8	55.5
Tax	36.3	30.1	30.1	21.1	117.6	30.6	25.5	9.5	-1.5	64.0	10.6	-11.1
<i>Tax rate (%)</i>	<i>20.6</i>	<i>18.5</i>	<i>20.3</i>	<i>19.2</i>	<i>19.7</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>
Net profit	-139.6	-132.2	-118.1	-88.9	-478.8	-126.7	-106.0	-41.9	2.1	-272.6	-54.8	31.8
EPS	-0.10	-0.09	-0.08	-0.06	-0.34	-0.09	-0.08	-0.03	0.00	-0.19	-0.04	0.02
EPS adjusted (diluted no. of shares)	-0.10	-0.09	-0.08	-0.06	-0.34	-0.09	-0.08	-0.03	0.00	-0.19	-0.04	0.02
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	0.01
<b>SALES, EURm</b>												
Group total	113.6	111.8	199.5	413.5	838.4	396.6	405.4	498.0	658.2	1,958.2	2,467.5	2,590.9
Total	113.6	111.8	199.5	413.5	838.4	396.6	405.4	498.0	658.2	1,958.2	2,467.5	2,590.9
<b>SALES GROWTH, Y/Y %</b>												
Group total	-79.8	63.0	104.7	305.4	1.1	249.1	262.6	149.6	59.2	133.6	26.0	5.0
Total	-79.8	63.0	104.7	305.4	1.1	249.1	262.6	149.6	59.2	133.6	26.0	5.0
<b>EBIT, EURm</b>												
Group total	-143.2	-151.3	-109.1	-65.3	-468.9	-128.2	-102.4	-22.3	32.7	-220.2	47.2	155.5
Total	-143.2	-151.3	-109.1	-65.3	-468.9	-128.2	-102.4	-22.3	32.7	-220.2	47.2	155.5
<b>EBIT margin, %</b>												
Group total	-126.1	-135.3	-54.7	-15.8	-55.9	-32.3	-25.3	-4.5	5.0	-11.2	1.9	6.0
Total	-126.1	-135.3	-54.7	-15.8	-55.9	-32.3	-25.3	-4.5	5.0	-11.2	1.9	6.0

INCOME STATEMENT, EURm	2017	2018	2019	2020	2021	2022E	2023E	2024E
Sales	2,568.4	2,836.1	3,097.7	829.2	838.4	1,958.2	2,467.5	2,590.9
<i>Sales growth (%)</i>	10.9	10.4	9.2	-73.2	1.1	133.6	26.0	5.0
EBITDA	299.6	512.6	488.2	-251.5	-149.0	131.8	490.3	479.1
<i>EBITDA margin (%)</i>	11.7	18.1	15.8	-30.3	-17.8	6.7	19.9	18.5
Depreciation	-129.2	-294.2	-325.4	-343.8	-319.9	-352.0	-443.1	-323.6
EBITA	170.4	218.4	162.8	-595.3	-468.9	-220.2	47.2	155.5
Goodwill amortization / writedown	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	170.4	218.4	162.8	-595.3	-468.9	-220.2	47.2	155.5
<i>EBIT margin (%)</i>	6.6	7.7	5.3	-71.8	-55.9	-11.2	1.9	6.0
Reported EBIT	169.5	218.3	160.0	-597.7	-474.7	-220.2	47.2	155.5
<i>EBIT margin (reported) (%)</i>	6.6	7.7	5.2	-72.1	-56.6	-11.2	1.9	6.0
Net financials	-13.7	-129.0	-67.0	-190.1	-127.5	-100.0	-100.0	-100.0
Pre-tax profit	156.7	89.4	95.8	-785.4	-596.4	-320.2	-52.8	55.5
Taxes	-31.3	-25.6	-18.4	131.2	117.6	64.0	10.6	-11.1
Minority shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit	111.9	51.1	61.8	-671.4	-484.6	-272.6	-54.8	31.8
Cash NRIs	-0.9	-0.1	-2.8	-2.4	-5.8	0.0	0.0	0.0
Non-cash NRIs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>BALANCE SHEET, EURm</b>								
<b>Assets</b>								
Fixed assets	1,446	1,547	1,751	1,683	1,215	1,263	1,357	1,544
Goodwill	0	0	0	0	0	0	0	0
Right of use assets	0	999	878	918	1,182	607	740	881
Inventory	17	121	80	68	56	49	62	65
Receivables	460	210	217	70	137	85	100	104
Liquid funds	965	1,067	952	824	1,266	783	987	1,036
Total assets	2,887	3,944	3,878	3,646	4,047	2,979	3,438	3,822
<b>Liabilities</b>								
Shareholder's equity	1,016	918	966	897	476	308	358	390
Minority interest	0	0	0	0	0	0	0	0
Convertibles	0	0	0	0	0	0	0	0
Lease liabilities	0	1,159	1,054	1,016	1,381	607	740	881
Deferred taxes	74	48	64	0	0	0	0	0
Interest bearing debt	719	615	521	1,182	1,428	1,338	1,547	1,743
Non-interest bearing current liabilities	566	285	243	176	291	255	321	337
Other interest-free debt	428	811	873	215	271	271	271	271
Total liabilities	2,887	3,944	3,878	3,647	4,047	2,979	3,438	3,822
<b>CASH FLOW, EURm</b>								
+ EBITDA	300	513	488	-251	-149	132	490	479
- Net financial items	-14	-129	-67	-190	-127	-100	-100	-100
- Taxes	-1	-52	-2	-18	11	64	11	-11
- Increase in Net Working Capital	57	50	-7	-489	117	22	38	9
+/- Other	40	1	-16	-17	-6	-16	-13	-13
= Cash flow from operations	382	383	397	-966	-155	102	426	365
- Capex	-405	-330	-409	-315	-842	175	-670	-652
- Acquisitions	0	0	0	0	0	0	0	0
+ Divestments	157	214	0	0	0	0	0	0
= Free cash flow	134	268	-12	-1,281	-997	277	-244	-287
+/- New issues/buybacks	60	-110	21	602	64	105	105	0
- Paid dividend	-13	-38	-35	0	0	0	0	0
+/- Other	-30	-17	-89	551	1,376	-864	343	336
Change in cash	151	103	-116	-128	442	-482	204	49

KEY FIGURES	2018	2019	2020	2021	2022E	2023E	2024E
M-cap	908	753	1,069	837	675	675	675
Net debt (excl. convertibles)	707	623	1,374	1,543	1,162	1,300	1,588
Enterprise value	1,615	1,377	2,443	2,380	1,836	1,975	2,262
Sales	2,836	3,098	829	838	1,958	2,467	2,591
EBITDA	513	488	-251	-149	132	490	479
EBIT	218	163	-595	-469	-220	47	155
Pre-tax	89	96	-785	-596	-320	-53	55
Earnings	51	65	-669	-479	-273	-55	32
Equity book value (excl. minorities)	918	966	897	476	308	358	390
<b>Valuation multiples</b>							
EV/sales	0.6	0.4	2.9	2.8	0.9	0.8	0.9
EV/EBITDA	3.2	2.8	-9.7	-16.0	13.9	4.0	4.7
EV/EBITA	7.4	8.5	-4.1	-5.1	-8.3	41.9	14.6
EV/EBIT	7.4	8.5	-4.1	-5.1	-8.3	41.9	14.6
EV/OCF	4.2	3.5	-2.5	-15.4	18.0	4.6	6.2
EV/FCFF	6.1	8.4	-2.4	-5.3	-8.4	35.0	50.7
P/FCFE	18.4	-333.2	-0.8	-0.8	2.4	-2.8	-2.4
P/E	10.2	11.7	-1.6	-1.7	-2.5	-12.3	21.2
P/B	1.0	0.8	1.2	1.8	2.2	1.9	1.7
Target EV/EBITDA	0.0	0.0	0.0	0.0	13.4	3.9	4.6
Target EV/EBIT	0.0	0.0	0.0	0.0	-8.0	40.4	14.1
Target EV/FCF	0.0	0.0	0.0	0.0	6.4	-7.8	-7.6
Target P/B	0.0	0.0	0.0	0.0	2.0	1.7	1.5
Target P/E	0.0	0.0	0.0	0.0	-2.2	-11.0	19.0
<b>Per share measures</b>							
Number of shares	695,894	695,894	1,407,231	1,405,964	1,405,964	1,405,964	1,405,964
Number of shares (diluted)	695,894	695,894	1,407,231	1,405,964	1,405,964	1,405,964	1,405,964
EPS	0.07	0.09	-0.48	-0.34	-0.19	-0.04	0.02
Operating cash flow per share	0.55	0.57	-0.69	-0.11	0.07	0.30	0.26
Free cash flow per share	0.38	-0.02	-0.91	-0.71	0.20	-0.17	-0.20
Book value per share	1.32	1.39	0.64	0.34	0.22	0.25	0.28
Dividend per share	0.05	0.00	0.00	0.00	0.00	0.00	0.01
Dividend payout ratio, %	68.6	0.0	0.0	0.0	0.0	0.0	33.0
Dividend yield, %	3.9	0.0	0.0	0.0	0.0	0.0	1.6
FCF yield, %	29.5	-1.6	-119.8	-119.2	41.0	-36.1	-42.5
<b>Efficiency measures</b>							
ROE	5.3	6.9	-71.8	-69.8	-69.5	-16.5	8.5
ROCE	9.9	6.2	-21.1	-17.9	-11.6	-2.2	2.0
<b>Financial ratios</b>							
Inventories as % of sales	4.3	2.6	8.2	6.7	2.5	2.5	2.5
Receivables as % of sales	7.4	7.0	8.4	16.3	4.3	4.1	4.0
Non-interest bearing liabilities as % of sales	10.1	7.8	21.2	34.7	13.0	13.0	13.0
NWC/sales, %	-26.4	-23.9	-30.3	-43.9	-20.0	-17.4	-16.9
Operative CAPEX/sales, %	11.6	13.2	38.0	100.5	-8.9	27.2	25.2
CAPEX/sales (incl. acquisitions), %	11.6	13.2	38.0	100.5	-8.9	27.2	25.2
FCFF/EBITDA	0.5	0.3	4.0	3.0	-1.7	0.1	0.1
Net debt/EBITDA, book-weighted	1.4	1.3	-5.5	-10.4	8.8	2.7	3.3
Debt/equity, market-weighted	0.7	0.7	1.1	1.7	2.0	2.3	2.6
Equity ratio, book-weighted	25.4	27.4	25.5	12.2	11.6	11.8	11.5
Gearing, %	77.0	64.5	153.3	324.4	377.0	363.0	407.0

**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	377.601	56.0%
Varma Mutual Pension Insurance Company	50,081,263	24.039	3.6%
Ilmarinen Mutual Pension Insurance Company	30,000,000	14.400	2.1%
Elo Mutual Pension Insurance Company	14,008,115	6.724	1.0%
The State Pension Fund	11,000,000	5.280	0.8%
Finnairin Henkilöstöraho Ho.	3,772,902	1.811	0.3%
OP Life Assurance Company Ltd	1,954,798	0.938	0.1%
Finnairin Eläkesäätiö	1,505,262	0.723	0.1%
Finnair Oyj	1,421,133	0.682	0.1%
Mäkitalo Allan Risto Pekka	1,195,547	0.574	0.1%
Ten largest	901,608,705	432.772	64%
Residual	504,355,367	242.091	36%
Total	1,405,964,072	674.863	100%

**EARNINGS CALENDAR**

April 27, 2022	Q1 report
July 19, 2022	Q2 report
October 28, 2022	Q3 report

**OTHER EVENTS****COMPANY MISCELLANEOUS**

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

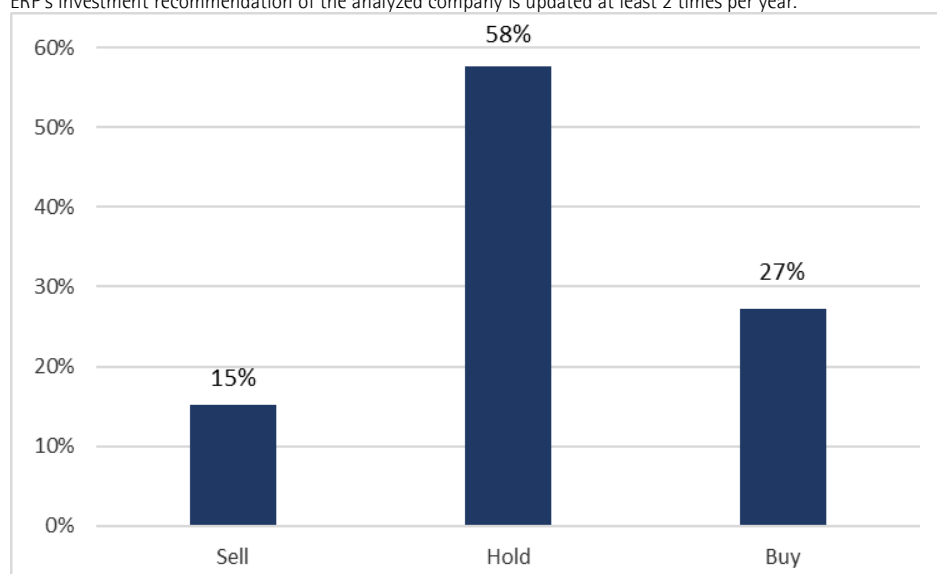
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Investment recommendations are defined as follows:

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

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The graph above shows the distribution of ERP's recommendations of companies under coverage in 11th of May 2020. If recommendation is not given, it is not mentioned here.

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

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