

## CMD notes

Finnair held its CMD yesterday where the company presented its road map for sustainable and profitable growth after a phase of accelerated growth. The company aims to grow in line with market growth, focusing on improving its market position in Asia. The company provided a mix of efficiency improvement actions in order to improve profitability. We don't expect any short-term impacts hence we retain our rating "HOLD" with TP of EUR 6.5.

### Focusing on Asian mega cities

Finnair continues to focus on improving its market position in Asia. The company's geographical position provides Finnair a competitive advantage of transfer traffic between Europe and Asia. The company will concentrate on Asian mega cities which are providing higher yields. Japan and China are the two main markets but Finnair increases its presence also in other Asian countries, South Korea being an example as the company opens a new route to Busan in March 2020.

### Updated financial targets for 2020-2025

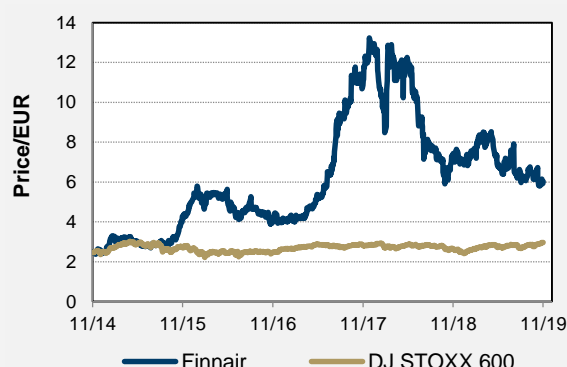
Finnair updated its financial targets for 2020-2025 as the company is moving towards a new phase where the company seeks sustainable and profitable growth. Based on the strategy update, the company aims to moderate its growth and expects it to be in line with the market growth. The company's new target is to reach comparable EBIT margin of over 7.5% (prev. over 6%) over the cycle (at constant fuel and currency), after a 12-18 month build-up period. We see Finnair's profitability target achievable, although we don't expect any short-term impacts as the improvement of OTP is gradual and implementation of new processes takes time.

### HOLD with TP of EUR 6.5

We have made small adjustment mainly to our 21E estimates after the CMD. We expect revenue to grow 3-4% in 20E-21E while we expect comparable EBIT margin of 5.2% and 6.6%. The updated strategy does not impact our short-term estimates but we see the new targets to create positive outlook for Finnair's earnings development in the future. We keep our rating "HOLD" with TP of EUR 6.5.

## Rating

HOLD



Share price, EUR (Last trading day's closing price) 6.03

Target price, EUR 6.5

Latest change in rating 23-Oct-19

Latest report on company 23-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 773

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 07-Feb-20

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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
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	3,074.3	140.2	4.6%	-18.1	0.23	26.7	0.5	10.9	-2.3	0.30
2020E	3,175.8	165.5	5.2%	-108.7	0.30	20.3	0.5	10.2	-14.1	0.35
2021E	3,301.7	216.3	6.6%	-22.1	0.57	10.6	0.5	8.1	-2.9	0.40
Market cap, EURm		773	Gearing 2019E, %			83.4	CAGR EPS 2018-21, %			12.3
Net debt 2019E, EURm		760	Price/book 2019E			0.8	CAGR sales 2018-21, %			5.0
Enterprise value, EURm		1,533	Dividend yield 2019E, %			5.0	ROE 2019E, %			3.2
Total assets 2019E, EURm		4,097	Tax rate 2019E, %			17.4	ROCE 2019E, %			5.1
Goodwill 2019E, EURm		0	Equity ratio 2019E, %			24.3	PEG, P/E 19/CAGR			0.5

**Focusing on Asian mega cities**

Finnair continues to focus on improving its market position in Asia. The company's geographical position provides Finnair a competitive advantage of transfer traffic between Europe and Asia. Transfer traffic between the two continents is essential as transfer traffic represents 62% of Finnair's flown ticket revenue of which transfer traffic from Asia represents 73%. The company will concentrate on Asian mega cities which are providing higher yields. Japan and China are the two main markets but Finnair increases its presence also in other Asian countries, South Korea being an example as the company opens a new route to Busan in March 2020. The market growth is estimated to be some 4% between Europe and Asia. The company aims to be a modern premium airline and has renewed its website and mobile app to better serve its customers globally. The company is also renewing its ticket types and will offer a new option, premium economy class alongside with the normal economy and premium classes.

**Heavy investments on fleet renewal**

During the past few years, Finnair has focused on accelerated growth. The company has increased its capacity in 2015-2019 by 14 new A350 aircrafts and five more has been ordered (for 2020-2022). During the strategy period, the company aims to increase its wide-body fleet from 22 to ~30 and the total fleet from 83 to ~100. The company has estimated that the fleet investments during 2020-2025 will be some EUR 3.5b-4.0b (including the five new A350s) depending on the final fleet renewal plan. According to the company, one-third of the investments will be invested into growth and the remaining two-thirds into fleet renewal/replacement. The company aims to increase the share of its owned aircrafts. The investments will predominantly be funded by the company's cashflow.

**Updated financial targets for 2020-2025**

Finnair updated its financial targets for 2020-2025 as the company is moving towards a new phase where the company seeks sustainable and profitable growth. The company's opex (ex fuel) has increased by 6.1% (CAGR) since 2014, which exceeds the revenue growth of 5.5% (CAGR). Based on the strategy update, the company aims to moderate its growth and expects it to be in line with the market growth. Finnair guides ASK growth (CAGR) of 3-5% which is in line with our expectations (3-4% in 20E-21E). The company's new target is to reach comparable EBIT margin of over 7.5% (prev. over 6%) over the cycle (at constant fuel and currency), after a 12-18 month build-up period. Profitability improvement will be driven by operational efficiency. Key drivers for lower unit costs are fuel efficiency, digitalization and automatization as well as improved on-time performance. Finnair targets to improve its OTP rate to 85% (2018: 78%). Also, fleet renewal should boost efficiency and updated ticket types to support margins. We see Finnair's profitability target achievable, although we don't expect any short-term impacts as the improvement of OTP is gradual and implementation of new processes takes time. Finnair also updated its ROCE target and expects ROCE of over 10% (prev. over 7%) over the cycle (at constant fuel and currency), after a 12-18 month build-up period. The company will provide more information of its sustainability targets in Q1'20.

**HOLD with TP of EUR 6.5**

We have made small adjustment mainly to our 21E estimates after the CMD. We expect revenue to grow 3-4% in 20E-21E while we expect comparable EBIT margin of 5.2% and 6.6%. The updated strategy does not impact our short-term estimates but we see the new targets to create positive outlook for Finnair's earnings development in the future. We keep our rating "HOLD" with TP of EUR 6.5.

## Estimates

FINNAIR EURm	2015 FY	2016 FY	2017 FY	2018 FY	2019 Q1	2019 Q2	2019 Q3	2019E Q4	2019E FY	2020E FY	2021E FY
Passengers (thousands)	10294	10866	11905	13281	3148	3910	4088	3451	14597	15138	15663
<i>y/y change</i>	7%	6%	10%	12%	4%	13%	12%	9%	10%	4%	3%
ASK (mkm)	31 836	33 914	36 922	42 386	10 670	12 308	12 624	11 457	47 059	48 804	50 494
<i>y/y change</i>	3%	7%	9%	15%	10%	15%	10%	9%	11%	4%	3%
RPK (mkm)	25 592	27 065	30 749	34 660	8 356	10 152	10 879	8 812	38 200	39 624	41 003
<i>y/y change</i>	3%	6%	14%	13%	4%	15%	12%	9%	10%	4%	3%
Load factor (RPK/ASK), PLF	80.4%	79.8%	83.3%	81.8%	78.3%	82.5%	86.2%	76.9%	81.2%	81.2%	81.2%
<i>y/y change</i>	0.2%-p	-0.6%-p	3.5%-p	-1.5%-p	-4.6%-p	-0.1%-p	1.7%-p	0.0%-p	-0.6%-p	0.0%-p	0.0%-p
<b>Total revenue</b>	<b>2255</b>	<b>2317</b>	<b>2569</b>	<b>2850</b>	<b>673</b>	<b>793</b>	<b>870</b>	<b>738</b>	<b>3074</b>	<b>3176</b>	<b>3302</b>
<i>YoY change</i>	<b>-1%</b>	<b>3%</b>	<b>11%</b>	<b>11%</b>	<b>5%</b>	<b>10%</b>	<b>8%</b>	<b>8%</b>	<b>8%</b>	<b>3%</b>	<b>4%</b>
Other income	85	76	77	74	15	13	13	18	59	72	72
<b>Staff costs</b>	<b>-353</b>	<b>-363</b>	<b>-423</b>	<b>-500</b>	<b>-130</b>	<b>-137</b>	<b>-132</b>	<b>-133</b>	<b>-531</b>	<b>-547</b>	<b>-563</b>
<i>y/y change</i>	2%	3%	17%	18%	5%	3%	6%	11%	6%	3%	3%
<i>% of revenue</i>	16%	16%	16%	18%	19%	17%	15%	18%	17%	17%	17%
<b>Fuel</b>	<b>-596</b>	<b>-492</b>	<b>-472</b>	<b>-581</b>	<b>-145</b>	<b>-181</b>	<b>-190</b>	<b>-168</b>	<b>-684</b>	<b>-699</b>	<b>-696</b>
<i>y/y change</i>	-10%	-17%	-4%	23%	14%	24%	17%	16%	18%	2%	0%
<i>% of revenue</i>	26%	21%	18%	20%	22%	23%	22%	23%	22%	22%	21%
<b>Other OPEX</b>	<b>-1160</b>	<b>-1268</b>	<b>-1314</b>	<b>-1330</b>	<b>-353</b>	<b>-363</b>	<b>-380</b>	<b>-365</b>	<b>-1460</b>	<b>-1509</b>	<b>-1562</b>
<i>y/y change</i>	3%	9%	4%	1%	9%	11%	10%	9%	10%	3%	3%
<i>% of revenue</i>	51%	55%	51%	47%	52%	46%	44%	49%	47%	48%	47%
<b>Comparable EBITDA</b>	<b>132</b>	<b>161</b>	<b>300</b>	<b>513</b>	<b>60</b>	<b>126</b>	<b>182</b>	<b>90</b>	<b>458</b>	<b>493</b>	<b>552</b>
Depreciation	-108	-106	-129	-294	-76	-79	-81	-82	-317.4	-327.5	-336.0
<b>Comparable EBIT</b>	<b>24</b>	<b>55</b>	<b>171</b>	<b>218</b>	<b>-16</b>	<b>47</b>	<b>101</b>	<b>8</b>	<b>140</b>	<b>165</b>	<b>216</b>
<i>Comp. EBIT-%</i>	<b>1.0%</b>	<b>2.4%</b>	<b>6.6%</b>	<b>7.7%</b>	<b>-2.4%</b>	<b>5.9%</b>	<b>11.6%</b>	<b>1.1%</b>	<b>4.6%</b>	<b>5.2%</b>	<b>6.6%</b>
IAC & fair value changes	98	61	54	38	-2	1	-6	0	-7	0	0
EBIT	122	116	225	256	-18	48	95	8	134	165	216

Sources: Finnair, Evli estimates

## Valuation

FINNAIR PEER GROUP	MCAP local FX	EV/EBITDA			EV/EBIT			P/E			P/B		
		19	20	21	19	20	21	19	20	21	19	20	21
<b>Primary European peers</b>													
SAS AB	7422	6.3x	5.1x	4.3x	20.8x	12.7x	9.5x	19.0x	7.6x	5.0x	1.2x	1.0x	0.8x
International Consolidated Airlines Group	10775	3.6x	3.3x	3.1x	6.0x	5.4x	4.9x	5.8x	5.3x	4.8x	1.7x	1.4x	1.2x
Air France-KLM SA	4403	2.8x	2.5x	2.3x	10.1x	8.5x	6.9x	10.9x	6.7x	5.2x	2.0x	1.6x	1.2x
Deutsche Lufthansa AG	8471	3.0x	2.7x	2.5x	6.7x	5.8x	5.1x	6.7x	5.2x	4.6x	0.8x	0.8x	0.7x
Norwegian Air Shuttle ASA	5520	9.6x	8.3x	7.1x	126.1x	30.7x	19.1x			9.0x	1.6x	1.9x	1.5x
<b>Other European peers</b>													
Aegean Airlines SA	574	0.8x	1.4x		1.8x	3.0x		9.4x	8.6x	8.3x	2.0x	1.8x	1.6x
easyJet plc	5169	5.8x	5.8x	5.3x	11.6x	11.4x	9.9x	15.0x	13.9x	12.1x	1.5x	1.5x	1.4x
Ryanair Holdings Plc	15089	9.4x	8.0x	7.1x	16.5x	12.9x	11.5x	18.0x	13.5x	12.1x	2.8x	2.4x	2.0x
Wizz Air Holdings Plc	2818	4.4x	3.8x	3.2x	8.6x	7.0x	6.0x	16.1x	13.4x	11.3x	2.6x	2.1x	1.6x
<b>North American peers</b>													
American Airlines Group, Inc.	12931	6.5x	6.0x	5.3x	10.1x	9.8x	8.4x	5.9x	5.7x	4.9x	11.5x	4.4x	2.7x
Delta Air Lines, Inc.	37007	5.1x	5.0x	4.8x	7.3x	7.3x	6.8x	8.2x	8.1x	7.4x	2.4x	2.0x	1.7x
JetBlue Airways Corporation	5572	5.1x	4.4x	4.2x	8.3x	7.0x	6.5x	10.0x	8.0x	6.9x	1.1x	1.0x	0.8x
Southwest Airlines Co.	31095	7.1x	6.5x	5.9x	9.9x	9.1x	8.3x	13.1x	11.7x	10.3x	2.6x	2.3x	1.9x
Spirit Airlines, Inc.	2591	5.8x	5.8x	5.1x	8.3x	8.8x	7.6x	7.8x	7.9x	6.8x	1.2x	1.0x	0.9x
WestJet	3552							14.7x	13.8x	10.2x			
<b>Primary European peers median</b>		<b>3.6x</b>	<b>3.3x</b>	<b>3.1x</b>	<b>10.1x</b>	<b>8.5x</b>	<b>6.9x</b>	<b>8.8x</b>	<b>6.0x</b>	<b>5.0x</b>	<b>1.6x</b>	<b>1.4x</b>	<b>1.2x</b>
<b>Finnair (Evli est)*</b>		<b>3.3x</b>	<b>3.4x</b>	<b>3.2x</b>	<b>10.9x</b>	<b>10.1x</b>	<b>8.1x</b>	<b>26.7x</b>	<b>20.3x</b>	<b>10.6x</b>	<b>0.8x</b>	<b>0.8x</b>	<b>0.8x</b>
<i>Finnair discount/premium to primary peer group median*</i>		<i>-8 %</i>	<i>2 %</i>	<i>3 %</i>	<i>8 %</i>	<i>20 %</i>	<i>17 %</i>	<i>204 %</i>	<i>239 %</i>	<i>111 %</i>	<i>-47 %</i>	<i>-39 %</i>	<i>-32 %</i>
FINNAIR PEER GROUP	Ticker	Div yield 19	Div yield 20	Div yield 21	EBIT-% 19	EBIT-% 20	EBIT-% 21	ROCE-% 19	ROCE-% 20	ROCE-% 21	ROE-% 19	ROE-% 20	ROE-% 21
<b>Primary European peers</b>													
SAS AB	SAS-SE	0.0%	0.0%	0.0%	2.2%	4.5%	5.6%	5.0%	10.0%	11.7%	6.5%	13.8%	16.3%
International Consolidated Airlines Group	IAG-GB	4.7%	5.0%	5.4%	12.7%	13.3%	13.7%	15.8%	16.4%	16.7%	29.2%	26.1%	24.8%
Air France-KLM SA	AF-FR	0.1%	0.4%	0.5%	4.1%	4.6%	5.3%	6.7%	7.4%	8.2%	18.6%	24.1%	23.7%
Deutsche Lufthansa AG	LHA-DE	4.2%	4.6%	5.3%	5.6%	6.3%	6.9%	8.7%	9.5%	10.1%	12.7%	14.4%	14.6%
Norwegian Air Shuttle ASA	NAS-NO	0.0%	0.3%	0.6%	1.2%	5.3%	8.1%	0.8%	3.4%	5.2%	-60.9%	-13.7%	16.8%
<b>Other European peers</b>													
Aegean Airlines SA	AEGN-GR	6.6%	6.2%	6.8%	8.4%	8.9%	9.4%	10.9%	12.0%	13.1%	20.7%	20.7%	19.8%
easyJet plc	EZJ-GB	3.5%	3.7%	4.2%	7.3%	7.5%	8.2%	8.5%	8.4%	9.1%	10.3%	10.5%	11.3%
Ryanair Holdings Plc	RY4C-IE	0.5%	0.7%	0.7%	11.6%	14.4%	14.3%	10.4%	12.7%	13.0%	15.4%	17.4%	16.8%
Wizz Air Holdings Plc	WIZZ-GB	0.0%	0.0%	0.0%	14.5%	15.7%	16.1%				16.2%	15.6%	14.3%
<b>North American peers</b>													
American Airlines Group, Inc.	AAL-US	1.4%	1.4%	1.4%	8.1%	7.7%	7.9%	8.6%	8.3%	9.1%	195.8%	77.5%	54.7%
Delta Air Lines, Inc.	DAL-US	2.7%	2.9%	3.1%	13.9%	12.7%	12.8%	14.4%	13.1%	12.8%	29.7%	24.7%	22.4%
JetBlue Airways Corporation	JBLU-US	0.0%	0.0%	0.0%	10.2%	11.5%	12.0%	9.6%	10.6%	10.4%	10.9%	12.0%	11.9%
Southwest Airlines Co.	LUV-US	1.3%	1.3%	1.4%	13.7%	13.9%	13.9%	17.3%	17.7%	18.1%	20.3%	19.7%	18.5%
Spirit Airlines, Inc.	SAVE-US	0.0%	0.0%	0.0%	13.0%	11.2%	11.4%	9.4%	8.4%	8.9%	15.3%	13.1%	13.1%
WestJet	WJA-CA	1.8%	1.8%	1.8%	6.6%	7.0%	8.1%						
<b>Primary European peers median</b>		<b>0.1%</b>	<b>0.4%</b>	<b>0.6%</b>	<b>4.1%</b>	<b>5.3%</b>	<b>6.9%</b>	<b>6.7%</b>	<b>9.5%</b>	<b>10.1%</b>	<b>12.7%</b>	<b>14.4%</b>	<b>16.8%</b>
<b>Finnair (Evli est)*</b>	FIA1S-FI	<b>5.0%</b>	<b>5.8%</b>	<b>6.6%</b>	<b>4.6%</b>	<b>5.2%</b>	<b>6.6%</b>	<b>5.1%</b>	<b>5.7%</b>	<b>7.0%</b>	<b>3.2%</b>	<b>4.2%</b>	<b>7.8%</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.

## INTERIM FIGURES

EVLI ESTIMATES, EURm	2018Q1	2018Q2	2018Q3	2018Q4	2018	2019Q1	2019Q2	2019Q3	2019Q4E	2019E	2020E	2021E
Net sales	641.1	718.2	806.9	683.5	2,849.7	673.0	793.4	870.3	737.6	3,074.3	3,175.8	3,301.7
EBITDA	86.6	130.5	191.4	104.1	512.6	59.9	125.9	181.9	89.9	457.6	493.0	552.5
<i>EBITDA margin (%)</i>	<i>13.5</i>	<i>18.2</i>	<i>23.7</i>	<i>15.2</i>	<i>18.0</i>	<i>8.9</i>	<i>15.9</i>	<i>20.9</i>	<i>12.2</i>	<i>14.9</i>	<i>15.5</i>	<i>16.7</i>
EBIT	14.6	59.1	118.2	26.5	218.4	-16.1	47.2	100.7	8.4	140.2	165.5	216.3
<i>EBIT margin (%)</i>	<i>2.3</i>	<i>8.2</i>	<i>14.6</i>	<i>3.9</i>	<i>7.7</i>	<i>-2.4</i>	<i>5.9</i>	<i>11.6</i>	<i>1.1</i>	<i>4.6</i>	<i>5.2</i>	<i>6.6</i>
Net financial items	-0.1	-70.1	-27.8	-31.0	-129.0	-31.0	-8.8	-22.9	-27.0	-89.7	-102.2	-109.8
Pre-tax profit	14.5	-11.0	90.4	-4.5	89.4	-47.1	38.4	77.8	-18.6	50.5	63.3	106.5
Tax	-3.3	3.9	-17.6	-8.6	-25.6	9.7	-7.8	-14.4	3.7	-8.8	-12.7	-21.3
<i>Tax rate (%)</i>	<i>22.8</i>	<i>35.5</i>	<i>19.5</i>	<i>-191.7</i>	<i>28.6</i>	<i>20.6</i>	<i>20.3</i>	<i>18.5</i>	<i>20.0</i>	<i>17.4</i>	<i>20.0</i>	<i>20.0</i>
Net profit	8.1	-10.2	69.7	-16.2	51.2	-40.6	27.4	60.2	-18.1	29.0	38.0	72.6
EPS	0.06	-0.08	0.54	-0.13	0.40	-0.32	0.21	0.47	-0.14	0.23	0.30	0.57
EPS adjusted (diluted no. of shares)	0.06	-0.08	0.54	-0.13	0.40	-0.32	0.21	0.47	-0.14	0.23	0.30	0.57
Dividend per share	0.00	0.00	0.00	0.00	0.27	0.00	0.00	0.00	0.00	0.30	0.35	0.40
<b>SALES, EURm</b>												
Group total	641.1	718.2	806.9	683.5	2,849.7	673.0	793.4	870.3	737.6	3,074.3	3,175.8	3,301.7
Total	641.1	718.2	806.9	683.5	2,849.7	673.0	793.4	870.3	737.6	3,074.3	3,175.8	3,301.7
<b>SALES GROWTH, Y/Y %</b>												
Group total	15.6	13.4	9.7	5.9	11.0	5.0	10.5	7.9	7.9	7.9	3.3	4.0
Total	15.6	13.4	9.7	5.9	11.0	5.0	10.5	7.9	7.9	7.9	3.3	4.0
<b>EBIT, EURm</b>												
Group total	14.6	59.1	118.2	26.5	218.4	-16.1	47.2	100.7	8.4	140.2	165.5	216.3
Total	14.6	59.1	118.2	26.5	218.4	-16.1	47.2	100.7	8.4	140.2	165.5	216.3
<b>EBIT margin, %</b>												
Group total	2.3	8.2	14.6	3.9	7.7	-2.4	5.9	11.6	1.1	4.6	5.2	6.6
Total	2.3	8.2	14.6	3.9	7.7	-2.4	5.9	11.6	1.1	4.6	5.2	6.6

INCOME STATEMENT, EURm	2014	2015	2016	2017	2018	2019E	2020E	2021E
Sales	2,284.5	2,254.5	2,316.8	2,568.4	2,849.7	3,074.3	3,175.8	3,301.7
<i>Sales growth (%)</i>	-4.8	-1.3	2.8	10.9	11.0	7.9	3.3	4.0
EBITDA	97.8	131.8	161.0	299.6	512.6	457.6	493.0	552.5
<i>EBITDA margin (%)</i>	4.3	5.8	6.9	11.7	18.0	14.9	15.5	16.7
Depreciation	-134.3	-108.1	-105.8	-129.2	-294.2	-187.9	-196.5	-226.0
EBITA	-36.5	23.7	55.2	170.4	218.4	140.2	165.5	216.3
Goodwill amortization / writedown	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	-36.5	23.7	55.2	170.4	218.4	140.2	165.5	216.3
<i>EBIT margin (%)</i>	-1.6	1.1	2.4	6.6	7.7	4.6	5.2	6.6
Reported EBIT	-36.5	12.4	53.8	169.5	218.3	139.6	165.5	216.3
<i>EBIT margin (reported) (%)</i>	-1.6	0.6	2.3	6.6	7.7	4.5	5.2	6.6
Net financials	-26.6	-8.3	-10.5	-13.7	-129.0	-89.7	-102.2	-109.8
Pre-tax profit	-63.1	15.4	44.7	156.7	89.4	50.5	63.3	106.5
Taxes	12.6	-3.1	-8.9	-31.3	-25.6	-8.8	-12.7	-21.3
Minority shares	-0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit	-50.7	-17.8	19.4	111.9	51.1	28.4	38.0	72.6
Cash NRIs	0.0	-11.3	-1.4	-0.9	-0.1	-0.6	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	1,053	957	1,189	1,446	1,547	1,809	1,952	2,016
Goodwill	0	0	0	0	0	0	0	0
Right of use assets	0	0	0	0	999	784	788	819
Inventory	15	12	15	17	121	130	135	140
Receivables	358	364	512	460	210	222	228	235
Liquid funds	426	708	814	965	1,067	1,151	1,189	1,237
Total assets	1,885	2,050	2,529	2,887	3,944	4,097	4,292	4,446
<b>Liabilities</b>								
Shareholder's equity	514	727	857	1,016	918	912	911	939
Minority interest	1	0	0	0	0	0	0	0
Convertibles	0	0	0	0	0	0	0	0
Lease liabilities	0	0	0	0	1,159	784	788	819
Deferred taxes	0	0	33	74	48	48	48	48
Interest bearing debt	428	346	718	719	615	1,128	1,309	1,392
Non-interest bearing current liabilities	601	682	519	566	285	308	318	331
Other interest-free debt	246	201	339	428	811	811	811	811
Total liabilities	1,885	2,050	2,529	2,887	3,944	4,097	4,292	4,446
<b>CASH FLOW, EURm</b>								
+ EBITDA	98	132	161	300	513	458	493	553
- Net financial items	-27	-8	-10	-14	-129	-90	-102	-110
- Taxes	0	0	33	-1	-52	-9	-13	-21
- Increase in Net Working Capital	-33	43	56	57	50	1	0	1
+/- Other	-33	-2	-28	29	-91	-13	-13	-13
= Cash flow from operations	5	164	211	371	291	347	366	409
- Capex	-146	-81	-486	-394	-320	-365	-475	-431
- Acquisitions	0	0	0	0	0	0	0	0
+ Divestments	268	448	153	157	214	0	0	0
= Free cash flow	126	531	-122	135	185	-18	-109	-22
+/- New issues/buybacks	143	231	110	60	-110	0	0	0
- Paid dividend	0	0	0	-13	-38	-35	-38	-45
+/- Other	-46	-480	117	-30	66	137	185	114
Change in cash	223	282	105	151	103	84	38	47

KEY FIGURES	2015	2016	2017	2018	2019E	2020E	2021E
M-cap	694	516	1,643	908	773	773	773
Net debt (excl. convertibles)	-362	-96	-246	707	760	907	974
Enterprise value	332	420	1,397	1,615	1,533	1,680	1,747
Sales	2,255	2,317	2,568	2,850	3,074	3,176	3,302
EBITDA	132	161	300	513	458	480	553
EBIT	24	55	170	218	140	165	216
Pre-tax	15	45	157	89	51	63	106
Earnings	-6	21	113	51	29	38	73
Equity book value (excl. minorities)	727	857	1,016	918	912	911	939
<b>Valuation multiples</b>							
EV/sales	0.1	0.2	0.5	0.6	0.5	0.5	0.5
EV/EBITDA	2.5	2.6	4.7	3.2	3.3	3.5	3.2
EV/EBITA	14.0	7.6	8.2	7.4	10.9	10.2	8.1
EV/EBIT	14.0	7.6	8.2	7.4	10.9	10.2	8.1
EV/OCF	2.0	2.0	3.8	5.6	4.4	4.8	4.3
EV/FCFF	1.5	-1.4	6.6	9.3	-52.5	17.8	8.4
P/FCFE	1.3	-4.2	12.2	4.9	-42.6	-7.1	-34.9
P/E	-107.2	24.9	14.6	17.7	26.7	20.3	10.6
P/B	1.0	0.6	1.6	1.0	0.8	0.8	0.8
Target EV/EBITDA	0.0	0.0	0.0	0.0	3.5	3.6	3.3
Target EV/EBIT	0.0	0.0	0.0	0.0	11.4	10.5	8.4
Target EV/FCF	0.0	0.0	0.0	0.0	-87.9	-16.0	-81.7
Target P/B	0.0	0.0	0.0	0.0	0.9	0.9	0.9
Target P/E	0.0	0.0	0.0	0.0	28.8	21.9	11.5
<b>Per share measures</b>							
Number of shares	128,136	128,136	128,136	128,136	128,136	128,136	128,136
Number of shares (diluted)	128,136	128,136	128,136	128,136	128,136	128,136	128,136
EPS	-0.05	0.16	0.88	0.40	0.23	0.30	0.57
Operating cash flow per share	1.28	1.65	2.90	2.27	2.71	2.75	3.19
Free cash flow per share	4.15	-0.95	1.05	1.45	-0.14	-0.85	-0.17
Book value per share	5.68	6.69	7.93	7.17	7.11	7.11	7.33
Dividend per share	0.00	0.10	0.30	0.27	0.30	0.35	0.40
Dividend payout ratio, %	0.0	61.7	34.1	68.6	132.8	118.0	70.6
Dividend yield, %	0.0	2.5	2.3	3.9	5.0	5.8	6.6
FCF yield, %	76.5	-23.5	8.2	20.4	-2.3	-14.1	-2.9
<b>Efficiency measures</b>							
ROE	-1.0	2.6	12.0	5.3	3.2	4.2	7.8
ROCE	2.4	4.2	10.3	9.9	5.1	5.7	7.0
<b>Financial ratios</b>							
Inventories as % of sales	0.5	0.6	0.7	4.2	4.2	4.2	4.2
Receivables as % of sales	16.2	22.1	17.9	7.4	7.2	7.2	7.1
Non-interest bearing liabilities as % of sales	30.3	22.4	22.0	10.0	10.0	10.0	10.0
NWC/sales, %	-21.6	-12.7	-18.7	-26.3	-24.4	-23.6	-22.7
Operative CAPEX/sales, %	3.6	21.0	15.3	11.2	11.9	14.5	13.1
CAPEX/sales (incl. acquisitions), %	3.6	21.0	15.3	11.2	11.9	14.5	13.1
FCFF/EBITDA	1.6	-1.8	0.7	0.3	-0.1	0.2	0.4
Net debt/EBITDA, book-weighted	-2.7	-0.6	-0.8	1.4	1.7	1.9	1.8
Debt/equity, market-weighted	0.5	1.4	0.4	0.7	1.5	1.7	1.8
Equity ratio, book-weighted	40.6	37.8	39.1	25.4	24.3	23.2	23.1
Gearing, %	-49.8	-11.2	-24.2	77.0	83.4	99.6	103.8

OWNERSHIP STRUCTURE	SHARES	EURm	%
Prime Minister's Office	71,515,426	431.238	55.8%
The local Government Pensions Institution	6,250,875	37.693	4.9%
Varma Mutual Pension Insurance Company	3,261,933	19.669	2.6%
Ilmarinen Mutual Pension Insurance Company	2,870,642	17.296	2.2%
Tiiviste-Group Oy	2,150,000	12.964	1.7%
The State Pension Fund	1,700,000	10.251	1.3%
Oy Etra Invest Ab	1,000,000	6.030	0.8%
Veritas Pension Insurance Company	790,450	4.766	0.6%
Laakkonen Mikko Kalervo	740,000	4.462	0.6%
Evli Finland Select Fund	700,000	4.221	0.6%
Ten largest	90,979,326	548.150	71%
Residual	37,156,789	224.511	29%
Total	128,136,115	772.661	100%

EARNINGS CALENDAR	
February 07, 2020	FY 2019 Results
April 29, 2020	Q1 report
July 17, 2020	Q2 report
October 28, 2020	Q3 report
OTHER EVENTS	
March 20, 2018	AGM

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IR: Mari Reponen	



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

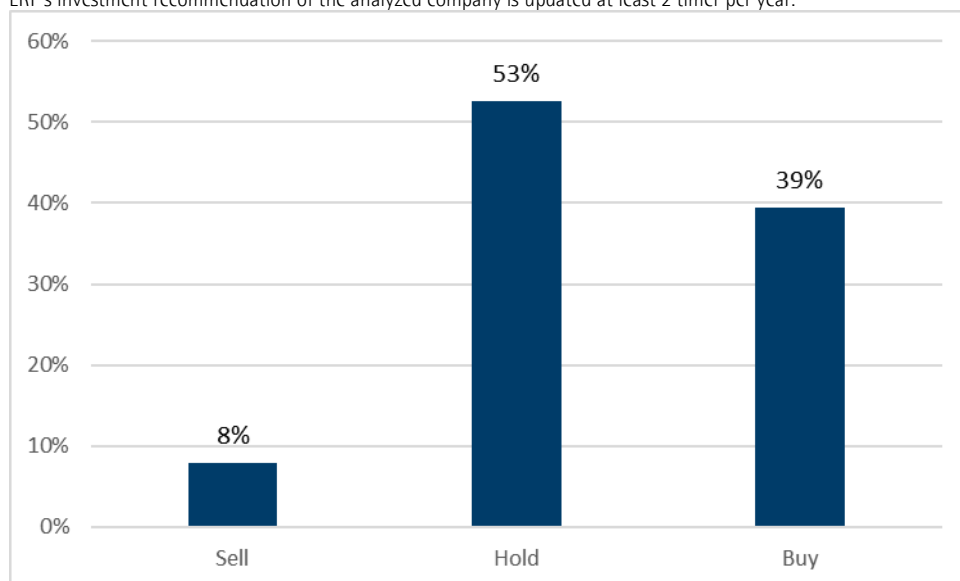
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Name(s) of the analyst(s): Rissanen

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