

Heavy turbulence continues

There were no surprises with Finnair's Q1 result. The company expects Q2 comparable operating loss to be similar compared to the previous quarters and gradual recovery to start from late summer. Finnair also increased its cost savings target to EUR 170m. We keep "HOLD" with TP of EUR 0.75.

Restrictions continued to hamper Q1 figures

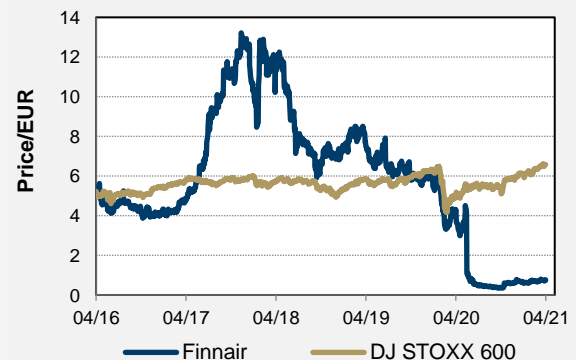
Finnair's Q1 result was relatively similar compared to the previous quarters. Tight travel restrictions remained, and Finnair operated with limited network and frequencies in January-March (approx. 75 daily passenger flights). Revenue decreased by ~80% y/y to EUR 114m vs. EUR 96m/103m Evli/consensus. Once again, revenue was supported by strong cargo demand (cargo revenue represented ~54% of total revenue). ASK was down by ~88% y/y and PLF was 25.5% (-47.1pp). Adj. EBIT amounted EUR -143m and was slightly better than expectations (EUR -155m/-159m Evli/cons.).

Increased cost savings target

Previously, Finnair was targeting permanent costs savings of EUR 140m by 2022 (compared to 2019 levels) but as the savings program is proceeding well the company increased the target to approx. EUR 170m. This is good news as it is extremely important to be well positioned in the post COVID-19 world. Despite the blurry outlook regarding the recovery of air travel, there are positive signs in the market as the vaccination coverage is gradually increasing. Finnair starts to accept vaccination certificates from mid-May onwards and will be adding destinations and frequencies towards the summer. In summer, the company's plan is to operate over 60 destinations. However, we note that it is important that European countries lift travel restrictions at a same pace but also that traveling from non-EU countries becomes easier.

"HOLD" with TP of EUR 0.75

Due to the week visibility, Finnair did not provide a full year guidance but expects Q2'21E comparable operating loss to be similar compared to the previous four quarters. The company expects gradual recovery to start in late summer. As the company has additional funding available if needed (e.g. hybrid loan from the State of Finland) we expect the company is rather well positioned once the market reopens. We expect 21E revenue of EUR ~1287m and adj. EBIT of EUR -372m. Profitability should quickly improve once the recovery starts due to the cost savings. We keep our rating "HOLD" with TP of EUR 0.75.

 Rating 🟡 HOLD

 Share price, EUR (Last trading day's closing price) 0.78

 Target price, EUR 0.75

Latest change in rating	14-Jul-20
Latest report on company	22-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	1,097
Free float, %	42.9
Exchange rate EUR/USD	1.000
Reuters code	FIA1S.HE
Bloomberg code	FIA1S FH
Average daily volume, EURm	na.
Next interim report	15-Jul-21
Web site	investors.finnair.com

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🟢 BUY 🟡 HOLD 🔴 SELL

KEY FIGURES

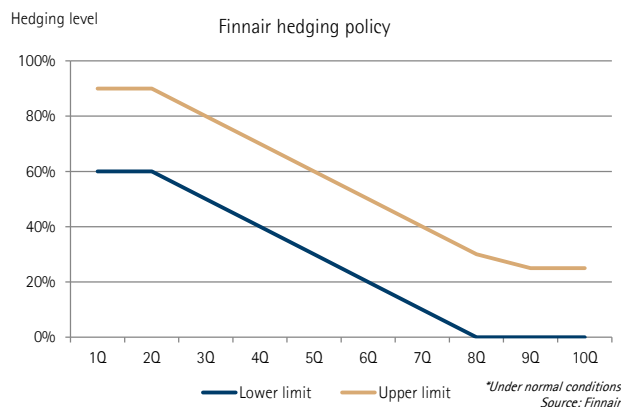
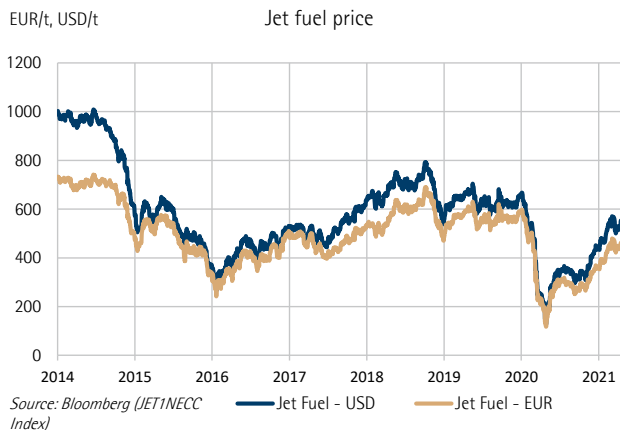
	Sales EURm	EBIT EURm	EBIT %	FCF EURm	EPS EUR	P/E (x)	EV/Sales (x)	EV/EBIT (x)	FCF yield %	DPS EUR
2019	3,097.7	162.8	5.3%	-12.3	0.50	11.7	0.4	8.5	-1.6	0.00
2020	829.2	-595.3	-71.8%	-1,281.1	-0.48	-1.6	2.9	-4.1	-119.8	0.00
2021E	1,286.5	-371.7	-28.9%	112.8	-0.26	-3.0	1.8	-6.1	10.3	0.00
2022E	3,028.5	230.2	7.6%	-88.1	0.07	11.4	0.7	9.8	-8.0	0.00
2023E	3,224.4	271.3	8.4%	-117.5	0.09	8.8	0.7	8.4	-10.7	0.00
Market cap, EURm		1,097	Gearing 2021E, %			227.8	CAGR EPS 2020-23, %			0.0
Net debt 2021E, EURm		1,186	Price/book 2021E			2.1	CAGR sales 2020-23, %			57.2
Enterprise value, EURm		2,282	Dividend yield 2021E, %			0.0	ROE 2021E, %			-52.3
Total assets 2021E, EURm		3,315	Tax rate 2021E, %			20.2	ROCE 2021E, %			-13.3
Goodwill 2021E, EURm		0	Equity ratio 2021E, %			16.7	PEG, P/E 21/CAGR			0.0

Estimates

FINNAIR	2017	2018	2019	2020	2020	2020	2020	2020	2021	2021E	2021E	2021E	2021E	2022E	2023E
EURm	FY	FY	FY	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY	FY	FY
Passengers (thousands)	11905	13281	14650	2656	98	454	278	3486	259	421	1423	2366	4469	11621	12327
y/y change	10 %	12 %	10 %	-16 %	-97 %	-89 %	-92 %	-76 %	-90 %	330 %	214 %	750 %	28 %	160 %	6 %
ASK (mkm)	36 922	42 386	47 189	9 671	345	1 667	1 256	12 938	1 201	1 482	5 225	9 064	16 973	44 730	47 437
y/y change	9 %	15 %	11 %	-9 %	-97 %	-87 %	-89 %	-73 %	-88 %	330 %	214 %	622 %	31 %	164 %	6.1%-p
RPK (mkm)	30 749	34 660	38 534	7 025	114	645	366	8 150	306	576	3 496	7 194	11 572	35 865	38 653
y/y change	14 %	13 %	11 %	-16 %	-99 %	-94 %	-96 %	-79 %	-96 %	405 %	442 %	1865 %	42 %	210 %	8 %
Load factor (RPK/ASK), PLF	83.3 %	81.8 %	81.7%	72.6 %	33.1 %	38.7 %	29.2 %	63.0 %	25.5 %	38.8 %	66.9 %	79.4 %	68.2 %	80.2 %	81.5 %
y/y change	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	5.7%-p	28.2%-p	50.2%-p	5.2%-p	12.0%-p	1.3%-p
Ancillary and retail	145	161	176	43	6	9	5	62	9	10	17	35	71	206	197
Cargo	197	207	212	37	50	32	60	178	61	59	51	61	232	230	243
Travel services	206	223	230	58	0	2	1	61	1	4	25	41	71	156	162
Total revenue	2569	2835	3098	561	69	97	102	829	114	141	384	648	1286	3028	3224
YoY change	11 %	10 %	9 %	-16 %	-91 %	-89 %	-87 %	-73 %	-80 %	106 %	294 %	535 %	55 %	135 %	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	-89	-109	-306	-496	-521
y/y change	17 %	18 %	7 %	5 %	-65 %	-57 %	-69 %	-47 %	-61 %	15 %	55 %	160 %	8 %	62 %	5 %
% of revenue	16 %	18 %	17 %	24 %	70 %	59 %	41 %	34 %	46 %	39 %	23 %	17 %	24 %	16 %	16 %
Fuel	-472	-581	-687	-144	-33	-29	-27	-233	-30	-38	-99	-159	-326	-677	-721
y/y change	-4 %	23 %	18 %	-1 %	-82 %	-85 %	-85 %	-66 %	-79 %	15 %	240 %	501 %	40 %	107 %	70 %
% of revenue	18 %	20 %	22 %	26 %	48 %	30 %	26 %	28 %	27 %	27 %	26 %	25 %	25 %	22 %	22 %
Other OPEX	-1314	-1316	-1444	-304	-87	-104	-117	-613	-100	-120	-217	-291	-729	-1325	-1407
y/y change	4 %	0 %	10 %	-13 %	-76 %	-72 %	-68 %	-58 %	-67 %	38 %	108 %	148 %	19 %	82 %	6 %
% of revenue	51 %	46 %	47 %	54 %	127 %	107 %	115 %	74 %	88 %	85 %	57 %	45 %	57 %	44 %	44 %
Comparable EBITDA	300	512	488	-9	-89	-82	-72	-251	-61	-60	-8	101	-27	582	627
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	-145	-94	10	-372	230	271
Comp. EBIT-%	6.6 %	7.7 %	5.3 %	-16.2 %	-254.1 %	-171.3 %	-159.7 %	-71.8 %	-126.1 %	-102.2 %	-24.5 %	1.5 %	-28.9 %	7.6 %	8.4 %
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	-145	-94	10	-377	230	271

Sources: Finnair, Evli estimates

Jet fuel



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	14859	37.4x	6.0x	5.0x		24.8x	13.1x		90.3x	8.9x	4.0x	3.6x	3.7x
International Consolidated Airlines Group	10102	41.7x	6.2x	4.4x		13.9x	8.0x		13.7x	5.9x		30.3x	6.4x
Air France-KLM SA	2012	140.9x	5.5x	4.0x		193.5x	15.3x			14.9x			
Deutsche Lufthansa AG	6471	61.2x	5.4x	4.3x		23.1x	10.9x		28.8x	8.1x	16.9x	8.5x	4.8x
Norwegian Air Shuttle ASA	2384	34.8x	7.9x	5.0x									
Other European peers													
Aegean Airlines SA	384		1.9x	1.5x		5.4x	3.1x		9.9x	4.6x	1.9x	1.4x	1.1x
easyJet plc	4662		7.3x	5.1x		17.3x	9.0x		19.8x	10.7x	3.5x	3.2x	2.6x
Ryanair Holdings Plc	18692	24.8x	7.9x	5.8x	83.8x	11.6x	8.0x	132.1x	12.6x	10.0x	4.2x	3.1x	2.5x
Wizz Air Holdings Plc	4098	14.6x	6.5x	4.6x	81.2x	11.9x	7.8x	983.9x	14.3x	8.5x	7.8x	4.7x	3.2x
North American peers													
American Airlines Group, Inc.	13956		14.5x	7.8x		34.1x	12.6x			8.6x			
Delta Air Lines, Inc.	29642	28.8x	6.7x	4.7x		10.5x	6.6x		11.6x	7.2x	36.4x	10.8x	4.8x
JetBlue Airways Corporation	6359		7.4x	4.8x		13.2x	7.3x		18.4x	9.0x	1.9x	1.7x	1.4x
Southwest Airlines Co.	36897	60.2x	7.4x	5.2x		10.8x	7.2x		19.1x	13.1x	4.2x	3.5x	2.9x
Spirit Airlines, Inc.	3634	123.4x	7.5x	5.5x		13.4x	8.8x		18.3x	10.2x	1.8x	1.5x	1.4x
Primary European peers median		41.7x	6.0x	4.4x	-	23.9x	12.0x	-	28.8x	8.5x	10.5x	8.5x	4.8x
Finnair (Evli est)*		-83.3x	3.9x	3.6x	-6.1x	9.8x	8.4x	-3.0x	11.4x	8.8x	2.1x	1.5x	1.2x
<i>Finnair discount/premium to primary peer group median*</i>		-300 %	-35 %	-18 %	-	-	-30 %	-	-	3 %	-80 %	-82 %	-76 %

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%	-22.5%	5.2%	9.2%	-10.2%	4.6%	12.0%	-108.8%	4.0%	41.4%
International Consolidated Airlines Group	IAG-GB	0.0%	0.6%	2.0%	-12.9%	8.6%	12.3%	-8.3%	8.4%	13.0%		221.9%	108.3%
Air France-KLM SA	AF-FR	0.0%	0.0%	0.6%	-18.2%	0.4%	4.3%	-17.1%	0.7%	9.2%			
Deutsche Lufthansa AG	LHA-DE	0.0%	0.1%	0.4%	-11.8%	2.9%	5.6%	-9.8%	3.3%	7.1%	-604.3%	29.4%	59.4%
Norwegian Air Shuttle ASA	NAS-NO	0.0%	0.0%	0.0%	-27.9%	-1.0%	-1.8%						
Other European peers													
Aegean Airlines SA	AEGN-GR	0.0%	1.5%	13.0%	-3.9%	8.4%	12.2%	-3.2%	9.0%	14.4%	-7.2%	14.3%	23.4%
easyJet plc	EZJ-GB	0.0%	0.9%	3.8%	-44.6%	6.8%	10.7%	-16.5%	7.3%	12.5%	-60.7%	16.0%	24.0%
Ryanair Holdings Plc	RY4C-IE	0.0%	0.2%	0.7%	4.8%	20.1%	22.7%	2.8%	16.7%	22.2%	3.2%	24.3%	24.7%
Wizz Air Holdings Plc	WIZZ-GB	0.0%	0.0%	0.0%	4.6%	17.5%	20.6%	2.8%	14.6%	18.3%	0.8%	33.1%	37.5%
North American peers													
American Airlines Group, Inc.	AAL-US	0.0%	0.0%	0.0%	-19.5%	3.5%	8.1%	-10.6%	2.7%	8.1%			
Delta Air Lines, Inc.	DAL-US	0.0%	0.0%	1.0%	-6.7%	11.7%	14.7%	-3.4%	8.4%	12.7%	-293.0%	92.8%	67.5%
JetBlue Airways Corporation	JBLU-US	0.0%	0.0%	0.0%	-15.0%	9.3%	14.3%	-7.5%	6.5%	12.4%	-24.3%	9.1%	15.6%
Southwest Airlines Co.	LUV-US	0.1%	0.2%	0.3%	-4.0%	14.2%	17.7%	-2.2%	10.8%	15.3%	-11.2%	18.1%	21.9%
Spirit Airlines, Inc.	SAVE-US	0.0%	0.0%	0.0%	-8.8%	9.6%	12.7%	-4.1%	6.3%	9.9%	-16.4%	8.4%	13.7%
Primary European peers median		0.0%	0.0%	0.4%	-18.2%	2.9%	5.6%	-10.0%	4.0%	10.6%	-356.6%	29.4%	59.4%
Finnair (Evli est)*	FIA1S-FI	0.0%	0.0%	0.0%	-28.9%	7.6%	8.4%	-13.3%	8.2%	8.3%	-52.3%	15.6%	14.9%

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	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	141.5	383.6	647.8	1,286.5	3,028.5	3,224.4
EBITDA	-8.6	-89.2	-82.0	-71.7	-251.5	-60.9	-59.5	-7.9	100.9	-27.4	582.0	627.5
<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>-42.1</i>	<i>-2.1</i>	<i>15.6</i>	<i>-2.1</i>	<i>19.2</i>	<i>19.5</i>
EBIT	-91.1	-174.3	-167.0	-162.9	-595.3	-143.2	-144.5	-93.9	9.9	-371.7	230.2	271.3
<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>-102.2</i>	<i>-24.5</i>	<i>1.5</i>	<i>-28.9</i>	<i>7.6</i>	<i>8.4</i>
Net financial items	-82.7	-44.0	-66.3	2.9	-190.1	-32.7	-20.0	-20.0	-20.0	-92.7	-88.9	-99.4
Pre-tax profit	-173.8	-218.3	-233.3	-160.0	-785.4	-175.9	-164.5	-113.9	-10.1	-464.4	141.2	171.8
Tax	35.6	43.1	49.9	2.6	131.2	36.3	32.9	22.8	2.0	94.0	-28.2	-34.4
<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	-131.6	-91.1	-8.0	-370.4	96.6	124.9
EPS	-0.10	-0.13	-0.13	-0.11	-0.48	-0.10	-0.09	-0.06	-0.01	-0.26	0.07	0.09
EPS adjusted (diluted no. of shares)	-0.10	-0.13	-0.13	-0.11	-0.48	-0.10	-0.09	-0.06	-0.01	-0.26	0.07	0.09
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	141.5	383.6	647.8	1,286.5	3,028.5	3,224.4
Total	561.2	68.6	97.4	102.0	829.2	113.6	141.5	383.6	647.8	1,286.5	3,028.5	3,224.4
SALES GROWTH, Y/Y %												
Group total	-16.0	-91.3	-88.7	-86.8	-73.2	-79.8	106.2	293.7	535.1	55.1	135.4	6.5
Total	-16.0	-91.3	-88.7	-86.8	-73.2	-79.8	106.2	293.7	535.1	55.1	135.4	6.5
EBIT, EURm												
Group total	-91.1	-174.3	-167.0	-162.9	-595.3	-143.2	-144.5	-93.9	9.9	-371.7	230.2	271.3
Total	-91.1	-174.3	-167.0	-162.9	-595.3	-143.2	-144.5	-93.9	9.9	-371.7	230.2	271.3
EBIT margin, %												
Group total	-16.2	-254.1	-171.3	-159.7	-71.8	-126.1	-102.2	-24.5	1.5	-28.9	7.6	8.4
Total	-16.2	-254.1	-171.3	-159.7	-71.8	-126.1	-102.2	-24.5	1.5	-28.9	7.6	8.4

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	1,286.5	3,028.5	3,224.4
<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>55.1</i>	<i>135.4</i>	<i>6.5</i>
EBITDA	161.0	299.6	512.6	488.2	-251.5	-27.4	582.0	627.5
<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>-2.1</i>	<i>19.2</i>	<i>19.5</i>
Depreciation	-105.8	-129.2	-294.2	-325.4	-343.8	-344.3	-351.9	-356.2
EBITA	55.2	170.4	218.4	162.8	-595.3	-371.7	230.2	271.3
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	-371.7	230.2	271.3
<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>-28.9</i>	<i>7.6</i>	<i>8.4</i>
Reported EBIT	53.8	169.5	218.3	160.0	-597.7	-377.5	230.2	271.3
<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>-29.3</i>	<i>7.6</i>	<i>8.4</i>
Net financials	-10.5	-13.7	-129.0	-67.0	-190.1	-92.7	-88.9	-99.4
Pre-tax profit	44.7	156.7	89.4	95.8	-785.4	-464.4	141.2	171.8
Taxes	-8.9	-31.3	-25.6	-18.4	131.2	94.0	-28.2	-34.4
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	-376.2	96.6	124.9
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	772	939	967
Inventory	15	17	121	80	68	51	76	81
Receivables	512	460	210	217	70	77	103	109
Liquid funds	814	965	1,067	952	824	772	1,211	1,290
Total assets	2,529	2,887	3,944	3,878	3,646	3,315	3,947	4,294
Liabilities								
Shareholder's equity	857	1,016	918	966	897	520	722	952
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	772	939	967
Deferred taxes	33	74	48	64	0	0	0	0
Interest bearing debt	718	719	615	521	1,182	1,186	1,441	1,504
Non-interest bearing current liabilities	519	566	285	243	176	386	394	419
Other interest-free debt	339	428	811	873	215	291	291	291
Total liabilities	2,529	2,887	3,944	3,878	3,647	3,315	3,947	4,294
CASH FLOW, EURm								
+ EBITDA	161	300	513	488	-251	-27	582	627
- Net financial items	-10	-14	-129	-67	-190	-93	-89	-99
- Taxes	33	-1	-52	-2	-18	94	-28	-34
- Increase in Net Working Capital	56	57	50	-7	-489	220	-43	15
+/- Other	-19	40	1	-16	-17	-6	-16	-13
= Cash flow from operations	220	382	383	397	-966	188	405	496
- Capex	-486	-405	-330	-409	-315	-75	-494	-613
- 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	113	-88	-117
+/- 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	-165	423	91
Change in cash	105	151	103	-116	-128	-52	440	78

KEY FIGURES	2017	2018	2019	2020	2021E	2022E	2023E
M-cap	1,643	908	753	1,069	1,097	1,097	1,097
Net debt (excl. convertibles)	-246	707	623	1,374	1,186	1,169	1,181
Enterprise value	1,397	1,615	1,377	2,443	2,282	2,265	2,278
Sales	2,568	2,836	3,098	829	1,286	3,028	3,224
EBITDA	300	513	488	-251	-27	582	627
EBIT	170	218	163	-595	-372	230	271
Pre-tax	157	89	96	-785	-464	141	172
Earnings	113	51	65	-669	-370	97	125
Equity book value (excl. minorities)	1,016	918	966	897	520	722	952
Valuation multiples							
EV/sales	0.5	0.6	0.4	2.9	1.8	0.7	0.7
EV/EBITDA	4.7	3.2	2.8	-9.7	-83.3	3.9	3.6
EV/EBITA	8.2	7.4	8.5	-4.1	-6.1	9.8	8.4
EV/EBIT	8.2	7.4	8.5	-4.1	-6.1	9.8	8.4
EV/OCF	3.7	4.2	3.5	-2.5	12.2	5.6	4.6
EV/FCFF	6.3	6.1	8.4	-2.4	9.6	8.2	18.2
P/FCFE	12.2	3.4	-61.4	-0.8	9.7	-12.4	-9.3
P/E	14.6	10.2	11.7	-1.6	-3.0	11.4	8.8
P/B	1.6	1.0	0.8	1.2	2.1	1.5	1.2
Target EV/EBITDA	0.0	0.0	0.0	0.0	-81.8	3.8	3.6
Target EV/EBIT	0.0	0.0	0.0	0.0	-6.0	9.7	8.2
Target EV/FCF	0.0	0.0	0.0	0.0	19.9	-25.2	-19.0
Target P/B	0.0	0.0	0.0	0.0	2.0	1.5	1.1
Target P/E	0.0	0.0	0.0	0.0	-2.8	10.9	8.4
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	-0.26	0.07	0.09
Operating cash flow per share	2.98	2.99	3.09	-0.69	0.13	0.29	0.35
Free cash flow per share	1.05	2.09	-0.10	-0.91	0.08	-0.06	-0.08
Book value per share	7.93	7.17	7.54	0.64	0.37	0.51	0.68
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	10.3	-8.0	-10.7
Efficiency measures							
ROE	12.0	5.3	6.9	-71.8	-52.3	15.6	14.9
ROCE	10.3	9.9	6.2	-21.1	-13.3	8.2	8.3
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	-36.6	-14.1	-13.7
Operative CAPEX/sales, %	15.8	11.6	13.2	38.0	5.8	16.3	19.0
CAPEX/sales (incl. acquisitions), %	15.8	11.6	13.2	38.0	5.8	16.3	19.0
FCFF/EBITDA	0.7	0.5	0.3	4.0	-8.7	0.5	0.2
Net debt/EBITDA, book-weighted	-0.8	1.4	1.3	-5.5	-43.3	2.0	1.9
Debt/equity, market-weighted	0.4	0.7	0.7	1.1	1.1	1.3	1.4
Equity ratio, book-weighted	39.1	25.4	27.4	25.5	16.7	20.9	25.2
Gearing, %	-24.2	77.0	64.5	153.3	227.8	161.9	124.1

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	613.602	56.0%
Varma Mutual Pension Insurance Company	50,081,263	39.063	3.6%
Ilmarinen Mutual Pension Insurance Company	37,000,000	28.860	2.6%
The State Pension Fund	14,978,215	11.683	1.1%
Elo Mutual Pension Insurance Company	14,671,668	11.444	1.0%
OP-Finland Fund	8,000,000	6.240	0.6%
OP-Finland Small Firms Fund	4,917,610	3.836	0.3%
Finnairin Henkilöstörahasto Hr	4,000,000	3.120	0.3%
Veritas Pension Insurance Company Ltd.	2,707,011	2.111	0.2%
Länsiauto Oy	1,854,505	1.447	0.1%
Ten largest	924,879,956	721.406	66%
Residual	481,084,116	375.246	34%
Total	1,405,964,072	1,096.652	100%

EARNINGS CALENDAR	
July 15, 2021	Q2 report
October 26, 2021	Q3 report

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

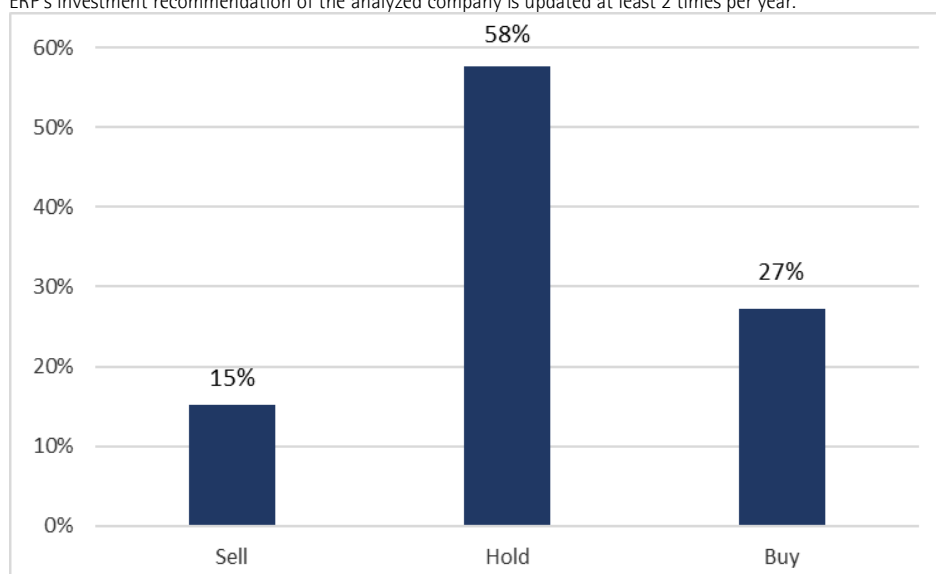
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Target price compared to share price	Recommendation
< -10 %	SELL
-10 – (+10) %	HOLD
> 10 %	BUY

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

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