

Figuring out the new normal of air travel

Finnair's Q1 result was weak as expected due to the coronavirus pandemic. Revenue declined by 16% y/y to EUR 561m while adj. EBIT was EUR -91m. We have decreased our 20E-22E estimates and downgrade our rating to "SELL" ("HOLD") with TP of EUR 3.3 (4.0).

Weak Q1 result due to COVID-19

Finnair's Q1 result was heavily impacted by COVID-19. Revenue declined by 16% y/y to EUR 561m vs. EUR 585m/555m Evli/cons. Adj. EBIT was below estimates at EUR -91m vs. EUR -73m/-59m Evli/cons. ASK decreased by 9.4% y/y while RASK decreased by 7.3% y/y. The company expects a significant comparable operating loss in 20E. Earlier Finnair cut its capacity by over 90% due to the coronavirus and the company will operate the current minimum network throughout Q2. Finnair estimates that its comparable operating result will be a daily loss of approx. EUR 2m throughout Q2.

Ugly Q2 ahead – H2 remains blurry

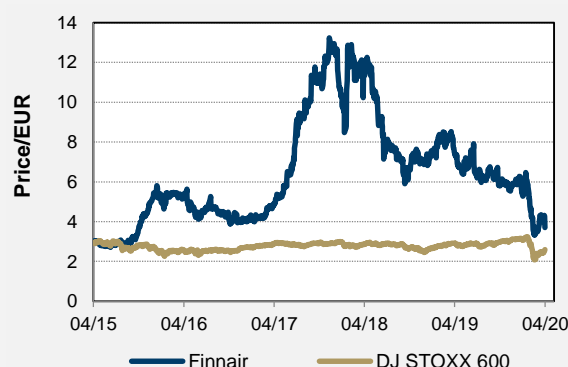
Due to the coronavirus pandemic, Q2E result will be even uglier than in Q1. We expect Finnair's Q2E ASK to decrease by 95% y/y, resulting in a significant decline in revenue. We expect comparable operating loss of EUR ~170m in Q2E. The situation should start slowly to recover after Q2 but we still expect significant capacity cuts during the late summer and autumn. H2'20E remains blurry as it still is unknown how the coronavirus situation will evolve in different markets. Finnair also gave insights of how the mid-term outlook of air travel might look like and indicated that the passenger numbers are not expected to recover to the levels prior the crisis at least not during the next couple of years. It is likely that the air travel will face permanent structural changes and will never return as it was before the crisis.

"SELL" ("HOLD") with TP of EUR 3.3 (4.0)

We have decreased our 20E revenue estimate by ~20% and adj EBIT estimate by ~80%. We have also cut our 21E-22E revenue estimates by ~14% and adj EBIT estimates by ~30-50%. We now expect Finnair's 20E revenue to decline by 43% y/y to EUR 1752m and comparable operating loss of EUR 265m. We note that there are significant uncertainties with our estimates. Prior the crisis, Finnair had a strong cash position and a healthy balance sheet. The company is also implementing a substantial funding plan, including sale and leasebacks of unencumbered aircraft, a revolving credit facility of EUR 175m, which has already been raised and a statutory pension premium loan totaling to EUR 600m. Therefore, we see that Finnair is well placed to continue its operations after the crisis, even if the situation is prolonged. Finnair is also planning for an approx. EUR 500m share issue to strengthen its equity. We downgrade our rating to "SELL" ("HOLD") with TP of EUR 3.3 (4.0).

Rating

SELL



Share price, EUR (Last trading day's closing price) 3.70

Target price, EUR 3.3

Latest change in rating 23-Oct-19

Latest report on company 22-Apr-20

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 474

Free float, % 39.7

Exchange rate EUR/USD 1.170

Reuters code FIA1S.HE

Bloomberg code FIA1S.FH

Average daily volume, EURm na.

Next interim report 17-Jul-20

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BUY HOLD SELL

KEY FIGURES

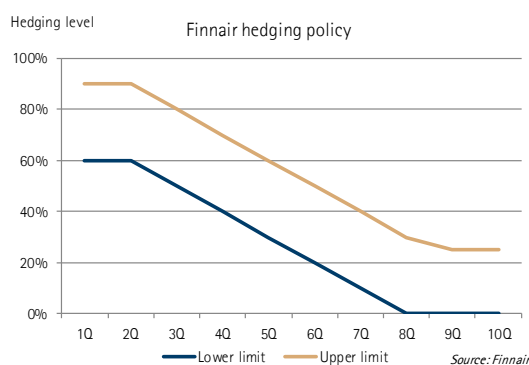
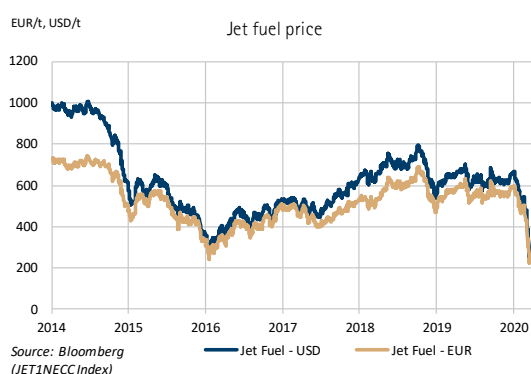
	Sales EURm	EBIT EURm	EBIT %	FCF EURm	EPS EUR	P/E (x)	EV/Sales (x)	EV/EBIT (x)	FCF yield %	DPS EUR
2018	2,836.1	218.4	7.7%	267.6	0.40	10.2	0.6	7.4	29.5	0.27
2019	3,097.7	162.8	5.3%	-12.3	0.50	11.7	0.4	8.5	-1.6	0.00
2020E	1,752.0	-265.1	-15.1%	-466.0	-2.69	-1.4	0.9	-5.9	-98.3	0.00
2021E	2,641.2	74.0	2.8%	96.3	-0.22	-16.6	0.6	19.8	20.3	0.00
2022E	2,750.9	132.8	4.8%	-8.3	0.24	15.5	0.5	11.1	-1.8	0.08
Market cap, EURm		474	Gearing 2020E, %			174.7	CAGR EPS 2019-22, %			-22.1
Net debt 2020E, EURm		1,084	Price/book 2020E			0.8	CAGR sales 2019-22, %			-3.9
Enterprise value, EURm		1,558	Dividend yield 2020E, %			0.0	ROE 2020E, %			-43.5
Total assets 2020E, EURm		3,487	Tax rate 2020E, %			20.2	ROCE 2020E, %			-11.0
Goodwill 2020E, EURm		0	Equity ratio 2020E, %			18.9	PEG, P/E 20/CAGR			0.0

Estimates

FINNAIR EURm	2017 FY	2018 FY	2019 FY	2020 Q1	2020E Q2	2020E Q3	2020E Q4	2020E FY	2021E FY	2022E FY
Passengers (thousands)	11905	13281	14650	2656	209	2314	3001	8180	12737	13114
<i>y/y change</i>	10 %	12 %	10 %	-16 %	-95 %	-43 %	-14 %	-44 %	56 %	3 %
ASK (mkm)	36 922	42 386	47 190	9 671	659	7 145	9 926	27 401	41 726	42 960
<i>y/y change</i>	9 %	15 %	11 %	-9 %	-95 %	-43 %	-14 %	-42 %	52 %	3 %
RPK (mkm)	30 749	34 660	38 538	7 025	479	5 722	7 564	20 791	33 080	34 061
<i>y/y change</i>	14 %	13 %	11 %	-16 %	-95 %	-47 %	-17 %	-46 %	59 %	3 %
Load factor (RPK/ASK), PLF	83.3 %	81.8 %	81.7%	72.6 %	72.8 %	80.1 %	76.2 %	75.9 %	79.3 %	79.3 %
<i>y/y change</i>	3.5%-p	-1.5%-p	-0.1%-p	-5.7%-p	-9.7%-p	-6.1%-p	-2.8%-p	-5.8%-p	3.4%-p	0.0%-p
Total revenue	2569	2835	3098	561	67	475	649	1752	2641	2751
<i>YoY change</i>	11 %	10 %	9 %	-16 %	-91 %	-45 %	-16 %	-43 %	51 %	4 %
Other income	77	74	56	14	0	5	5	24	52	52
Staff costs	-423	-500	-535	-136	-37	-79	-123	-375	-474	-491
<i>y/y change</i>	17 %	18 %	7 %	5 %	-73 %	-40 %	-10 %	-30 %	26 %	3 %
<i>% of revenue</i>	16 %	18 %	17 %	24 %	55 %	17 %	19 %	21 %	18 %	18 %
Fuel	-472	-581	-687	-144	-19	-96	-124	-384	-530	-511
<i>y/y change</i>	-4 %	23 %	18 %	-1 %	-90 %	-49 %	-27 %	-44 %	38 %	-4 %
<i>% of revenue</i>	18 %	20 %	22 %	26 %	28 %	20 %	19 %	22 %	20 %	19 %
Other OPEX	-1314	-1330	-1444	-304	-94	-226	-310	-934	-1263	-1307
<i>y/y change</i>	4 %	1 %	9 %	-13 %	-74 %	-40 %	-14 %	-35 %	35 %	3 %
<i>% of revenue</i>	51 %	47 %	47 %	54 %	140 %	48 %	48 %	53 %	48 %	48 %
Comparable EBITDA	300	501	488	-9	-83	78	97	83	426	494
Depreciation	-129	-294	-325	-83	-86	-88	-92	-349	-352	-361
Comparable EBIT	171	218	163	-91	-169	-10	5	-265	74	133
<i>Comp. EBIT-%</i>	6.6 %	7.7 %	5.3 %	-16.2 %	-251 %	-2.1 %	0.7 %	-15.1 %	2.8 %	4.8 %
IAC & fair value changes	54	49	-3	-4	0	0	0	-4	0	0
EBIT	225	256	160	-96	-169	-10	5	-270	74	133

Sources: Finnair, Evli estimates

Fuel price



Valuation

FINNAIR PEER GROUP	MCAP local FX	EV/EBITDA			EV/EBIT			P/E			P/B			
		20	21	22	20	21	22	20	21	22	20	21	22	
Primary European peers														
SAS AB	3302	4.4x	3.3x	3.9x	26.1x	10.4x	11.3x		3.1x	2.5x		0.8x	0.6x	0.5x
International Consolidated Airlines Group	4573	4.8x	2.7x	2.6x	32.2x	4.9x	4.4x		3.2x	2.6x		0.9x	0.7x	0.7x
Air France-KLM SA	1962	7.9x	2.5x	2.3x		11.3x	7.3x		8.3x	3.3x		2.0x	1.7x	1.3x
Deutsche Lufthansa AG	4055	68.1x	3.0x	2.8x		9.1x	6.1x		5.8x	3.3x		0.5x	0.4x	0.4x
Norwegian Air Shuttle ASA	828	8.9x	6.0x	5.5x	377.3x	17.7x	14.8x		1.4x	0.7x		0.3x	0.3x	0.2x
Other European peers														
Aegean Airlines SA	421			3.0x			7.7x	9.7x	5.2x	5.6x		1.4x	1.2x	1.1x
easyJet plc	2546	34.6x	4.9x	3.6x		12.6x	6.7x		14.0x	6.4x		1.0x	1.0x	0.9x
Ryanair Holdings Plc	11485	16.5x	6.1x	4.8x	73.8x	9.7x	7.7x	156.6x	10.0x	7.3x		2.1x	1.8x	
Wizz Air Holdings Plc	2514	8.4x	4.3x	2.5x	170.9x	8.4x	4.4x		12.0x	14.7x		2.4x	2.0x	2.4x
North American peers														
American Airlines Group, Inc.	5341		8.3x	6.2x		16.6x	10.9x		7.9x	4.0x			8.0x	2.1x
Delta Air Lines, Inc.	17426		5.0x	4.1x		8.7x	6.6x		8.0x	5.8x		1.5x	1.3x	1.3x
JetBlue Airways Corporation	2732	53.3x	4.6x	3.0x		8.3x	4.9x		8.2x	5.0x		0.5x	0.5x	0.4x
Southwest Airlines Co.	15760		4.8x	3.5x		7.4x	5.2x		11.3x	7.9x		1.4x	1.3x	1.1x
Spirit Airlines, Inc.	1053	49.4x	6.1x	3.7x		9.4x	6.1x		6.2x	3.8x		0.5x	0.4x	0.3x
Primary European peers median		7.9x	3.0x	2.8x	32.2x	10.4x	7.3x	-	3.2x	2.6x		0.8x	0.6x	0.5x
Finnair (Evli est)*		18.7x	3.4x	3.0x	-5.9x	19.8x	11.1x	-1.4x	-16.6x	15.5x		0.8x	0.8x	0.8x
<i>Finnair discount/premium to primary peer group median*</i>		136 %	13 %	8 %	-118 %	91 %	52 %	-	-623 %	499 %		-1 %	30 %	46 %

FINNAIR PEER GROUP	Ticker	Div yield			EBIT-%			ROCE-%			ROE-%		
		20	21	22	20	21	22	20	21	22	20	21	22
Primary European peers													
SAS AB	SAS-SE	0.0%	0.0%	0.0%	2.3%	5.4%	6.1%	3.0%	7.2%	8.0%	-4.3%	19.7%	20.8%
International Consolidated Airlines Group	IAG-GB	3.5%	7.8%	10.7%	2.5%	12.3%	13.7%	2.0%	11.8%	13.1%	-5.2%	22.3%	25.9%
Air France-KLM SA	AF-FR	0.1%	0.1%	2.0%	-8.0%	3.5%	5.5%	-8.9%	4.9%	7.7%	-152.3%	21.1%	38.7%
Deutsche Lufthansa AG	LHA-DE	1.1%	3.8%	5.5%	-11.0%	4.2%	6.7%	-9.8%	5.1%	8.4%	-28.0%	7.5%	12.9%
Norwegian Air Shuttle ASA	NAS-NO	0.0%	0.0%	3.3%	0.4%	8.1%	9.2%	0.2%	4.5%	5.1%	-61.5%	18.3%	26.3%
Other European peers													
Aegean Airlines SA	AEGN-GR	4.7%	10.0%	8.9%	5.8%	9.1%	8.5%	8.6%	15.4%	15.5%	14.3%	22.0%	19.0%
easyJet plc	EZJ-GB	1.9%	3.9%	8.6%	-10.1%	5.3%	9.0%	-6.8%	5.0%	8.9%	-15.0%	6.9%	13.7%
Ryanair Holdings Plc	RY4C-IE	0.3%	0.3%		3.1%	16.1%	16.8%	1.8%	11.8%	15.2%	1.4%	18.2%	
Wizz Air Holdings Plc	WIZZ-GB	0.0%	0.0%		1.1%	15.0%	13.7%	0.6%	10.9%	8.2%	-4.3%	16.4%	16.4%
North American peers													
American Airlines Group, Inc.	AAL-US	1.8%	1.5%	2.0%	-13.3%	5.2%	6.9%	-9.0%	4.9%	7.4%		101.7%	53.6%
Delta Air Lines, Inc.	DAL-US	1.2%	0.0%	1.7%	-18.1%	10.3%	11.6%	-8.0%	7.3%	8.7%	-35.5%	16.8%	23.1%
JetBlue Airways Corporation	JBLU-US	0.0%	0.0%	0.0%	-3.9%	8.7%	11.5%	-2.0%	5.8%		-9.4%	5.9%	8.0%
Southwest Airlines Co.	LUV-US	1.0%	0.9%	1.8%	-14.4%	11.3%	13.0%	-9.0%	11.0%	15.1%	-16.1%	11.3%	13.5%
Spirit Airlines, Inc.	SAVE-US	0.0%	0.0%	0.0%	-1.0%	10.6%	11.6%	-0.4%	5.4%		-13.3%	6.9%	8.4%
Primary European peers median		0.1%	0.1%	3.3%	0.4%	5.4%	6.7%	0.2%	5.1%	8.0%	-28.0%	19.7%	25.9%
Finnair (Evli est)*	FIA1S-FI	0.0%	0.0%	2.1%	-15.1%	2.8%	4.8%	-	3.2%	5.6%	-43.5%	-4.7%	5.0%

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	2019Q1	2019Q2	2019Q3	2019Q4	2019	2020Q1	2020Q2E	2020Q3E	2020Q4E	2020E	2021E	2022E
Net sales	668.3	789.1	865.4	774.9	3,097.7	561.2	67.3	474.9	648.6	1,752.0	2,641.2	2,750.9
EBITDA	60.2	125.6	181.8	120.7	488.2	-8.6	-82.8	78.1	96.6	83.4	426.5	493.5
<i>EBITDA margin (%)</i>	<i>9.0</i>	<i>15.9</i>	<i>21.0</i>	<i>15.6</i>	<i>15.8</i>	<i>-1.5</i>	<i>-123.0</i>	<i>16.4</i>	<i>14.9</i>	<i>4.8</i>	<i>16.1</i>	<i>17.9</i>
EBIT	-15.8	46.9	100.6	31.2	162.8	-91.1	-168.8	-9.9	4.6	-265.1	74.0	132.8
<i>EBIT margin (%)</i>	<i>-2.4</i>	<i>5.9</i>	<i>11.6</i>	<i>4.0</i>	<i>5.3</i>	<i>-16.2</i>	<i>-250.9</i>	<i>-2.1</i>	<i>0.7</i>	<i>-15.1</i>	<i>2.8</i>	<i>4.8</i>
Net financial items	-31.0	-8.8	-22.9	-4.3	-67.0	-82.7	-23.0	-23.0	-23.0	-151.7	-94.0	-78.8
Pre-tax profit	-46.8	38.1	77.7	26.9	95.8	-173.8	-191.8	-32.9	-18.4	-416.8	-20.0	54.0
Tax	9.7	-7.8	-14.4	-5.9	-18.4	35.6	38.4	6.6	3.7	84.2	4.0	-10.8
<i>Tax rate (%)</i>	<i>20.7</i>	<i>20.5</i>	<i>18.5</i>	<i>21.9</i>	<i>19.2</i>	<i>20.5</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	-40.3	27.1	60.1	17.8	64.6	-141.4	-156.6	-29.5	-17.9	-345.3	-28.6	30.6
EPS	-0.31	0.21	0.47	0.14	0.50	-1.10	-1.22	-0.23	-0.14	-2.69	-0.22	0.24
EPS adjusted (diluted no. of shares)	-0.31	0.21	0.47	0.14	0.50	-1.10	-1.22	-0.23	-0.14	-2.69	-0.22	0.24
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	0.08
SALES, EURm												
Group total	668.3	789.1	865.4	774.9	3,097.7	561.2	67.3	474.9	648.6	1,752.0	2,641.2	2,750.9
Total	668.3	789.1	865.4	774.9	3,097.7	561.2	67.3	474.9	648.6	1,752.0	2,641.2	2,750.9
SALES GROWTH, Y/Y %												
Group total	4.2	9.9	7.2	15.7	9.2	-16.0	-91.5	-45.1	-16.3	-43.4	50.8	4.2
Total	4.2	9.9	7.2	15.7	9.2	-16.0	-91.5	-45.1	-16.3	-43.4	50.8	4.2
EBIT, EURm												
Group total	-15.8	46.9	100.6	31.2	162.8	-91.1	-168.8	-9.9	4.6	-265.1	74.0	132.8
Total	-15.8	46.9	100.6	31.2	162.8	-91.1	-168.8	-9.9	4.6	-265.1	74.0	132.8
EBIT margin, %												
Group total	-2.4	5.9	11.6	4.0	5.3	-16.2	-250.9	-2.1	0.7	-15.1	2.8	4.8
Total	-2.4	5.9	11.6	4.0	5.3	-16.2	-250.9	-2.1	0.7	-15.1	2.8	4.8

INCOME STATEMENT, EURm	2015	2016	2017	2018	2019	2020E	2021E	2022E
Sales	2,254.5	2,316.8	2,568.4	2,836.1	3,097.7	1,752.0	2,641.2	2,750.9
<i>Sales growth (%)</i>	-1.3	2.8	10.9	10.4	9.2	-43.4	50.8	4.2
EBITDA	131.8	161.0	299.6	512.6	488.2	83.4	426.5	493.5
<i>EBITDA margin (%)</i>	5.8	6.9	11.7	18.1	15.8	4.8	16.1	17.9
Depreciation	-108.1	-105.8	-129.2	-294.2	-325.4	-348.5	-352.5	-360.7
EBITA	23.7	55.2	170.4	218.4	162.8	-265.1	74.0	132.8
Goodwill amortization / writedown	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	23.7	55.2	170.4	218.4	162.8	-265.1	74.0	132.8
<i>EBIT margin (%)</i>	1.1	2.4	6.6	7.7	5.3	-15.1	2.8	4.8
Reported EBIT	12.4	53.8	169.5	218.3	160.0	-265.6	74.0	132.8
<i>EBIT margin (reported) (%)</i>	0.6	2.3	6.6	7.7	5.2	-15.2	2.8	4.8
Net financials	-8.3	-10.5	-13.7	-129.0	-67.0	-151.7	-94.0	-78.8
Pre-tax profit	15.4	44.7	156.7	89.4	95.8	-416.8	-20.0	54.0
Taxes	-3.1	-8.9	-31.3	-25.6	-18.4	84.2	4.0	-10.8
Minority shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit	-17.8	19.4	111.9	51.1	61.8	-345.8	-28.6	30.6
Cash NRIs	-11.3	-1.4	-0.9	-0.1	-2.8	-0.5	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	957	1,189	1,446	1,547	1,751	1,822	1,814	1,819
Goodwill	0	0	0	0	0	0	0	0
Right of use assets	0	0	0	999	878	911	924	963
Inventory	12	15	17	121	80	45	53	55
Receivables	364	512	460	210	217	148	205	211
Liquid funds	708	814	965	1,067	952	561	740	770
Total assets	2,050	2,529	2,887	3,944	3,878	3,487	3,735	3,818
Liabilities								
Shareholder's equity	727	857	1,016	918	966	621	592	622
Minority interest	0	0	0	0	0	0	0	0
Convertibles	0	0	0	0	0	0	0	0
Lease liabilities	0	0	0	1,159	1,054	911	924	963
Deferred taxes	0	33	74	48	64	64	64	64
Interest bearing debt	346	718	719	615	521	734	808	809
Non-interest bearing current liabilities	682	519	566	285	243	123	317	330
Other interest-free debt	201	339	428	811	873	878	873	873
Total liabilities	2,050	2,529	2,887	3,944	3,878	3,487	3,735	3,818
CASH FLOW, EURm								
+ EBITDA	132	161	300	513	488	83	426	494
- Net financial items	-8	-10	-14	-129	-67	-152	-94	-79
- Taxes	0	33	-1	-52	-2	84	4	-11
- Increase in Net Working Capital	43	56	57	50	-7	-16	130	5
+/- Other	-2	-19	40	1	-16	-13	-13	-13
= Cash flow from operations	164	220	382	383	397	-13	454	396
- Capex	-81	-486	-405	-330	-409	-453	-357	-404
- Acquisitions	0	0	0	0	0	0	0	0
+ Divestments	448	153	157	214	0	0	0	0
= Free cash flow	531	-113	134	268	-12	-466	96	-8
+/- New issues/buybacks	231	110	60	-110	21	0	0	0
- Paid dividend	0	0	-13	-38	-35	0	0	0
+/- Other	-480	108	-30	-17	-89	75	83	39
Change in cash	282	105	151	103	-116	-391	179	31

KEY FIGURES	2016	2017	2018	2019	2020E	2021E	2022E
M-cap	516	1,643	908	753	474	474	474
Net debt (excl. convertibles)	-96	-246	707	623	1,084	993	1,001
Enterprise value	420	1,397	1,615	1,377	1,558	1,467	1,475
Sales	2,317	2,568	2,836	3,098	1,752	2,641	2,751
EBITDA	161	300	513	488	83	426	494
EBIT	55	170	218	163	-265	74	133
Pre-tax	45	157	89	96	-417	-20	54
Earnings	21	113	51	65	-345	-29	31
Equity book value (excl. minorities)	857	1,016	918	966	621	592	622
Valuation multiples							
EV/sales	0.2	0.5	0.6	0.4	0.9	0.6	0.5
EV/EBITDA	2.6	4.7	3.2	2.8	18.7	3.4	3.0
EV/EBITA	7.6	8.2	7.4	8.5	-5.9	19.8	11.1
EV/EBIT	7.6	8.2	7.4	8.5	-5.9	19.8	11.1
EV/OCF	1.9	3.7	4.2	3.5	-119.5	3.2	3.7
EV/FCFF	-1.5	6.3	6.1	8.4	-9.3	4.5	6.2
P/FCFE	-4.6	12.2	3.4	-61.4	-1.0	4.9	-57.1
P/E	24.9	14.6	10.2	11.7	-1.4	-16.6	15.5
P/B	0.6	1.6	1.0	0.8	0.8	0.8	0.8
Target EV/EBITDA	0.0	0.0	0.0	0.0	18.1	3.3	2.9
Target EV/EBIT	0.0	0.0	0.0	0.0	-5.7	19.1	10.7
Target EV/FCF	0.0	0.0	0.0	0.0	-3.2	14.7	-171.4
Target P/B	0.0	0.0	0.0	0.0	0.7	0.7	0.7
Target P/E	0.0	0.0	0.0	0.0	-1.2	-14.8	13.8
Per share measures							
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	0.16	0.88	0.40	0.50	-2.69	-0.22	0.24
Operating cash flow per share	1.71	2.98	2.99	3.09	-0.10	3.54	3.09
Free cash flow per share	-0.88	1.05	2.09	-0.10	-3.64	0.75	-0.06
Book value per share	6.69	7.93	7.17	7.54	4.84	4.62	4.86
Dividend per share	0.10	0.30	0.27	0.00	0.00	0.00	0.08
Dividend payout ratio, %	61.7	34.1	68.6	0.0	0.0	0.0	33.0
Dividend yield, %	2.5	2.3	3.9	0.0	0.0	0.0	2.1
FCF yield, %	-21.9	8.2	29.5	-1.6	-98.3	20.3	-1.8
Efficiency measures							
ROE	2.6	12.0	5.3	6.9	-43.5	-4.7	5.0
ROCE	4.2	10.3	9.9	6.2	-11.0	3.2	5.6
Financial ratios							
Inventories as % of sales	0.6	0.7	4.3	2.6	2.6	2.0	2.0
Receivables as % of sales	22.1	17.9	7.4	7.0	8.4	7.8	7.7
Non-interest bearing liabilities as % of sales	22.4	22.0	10.1	7.8	7.0	12.0	12.0
NWC/sales, %	-12.7	-18.7	-26.4	-23.9	-41.4	-32.4	-31.3
Operative CAPEX/sales, %	21.0	15.8	11.6	13.2	25.9	13.5	14.7
CAPEX/sales (incl. acquisitions), %	21.0	15.8	11.6	13.2	25.9	13.5	14.7
FCFF/EBITDA	-1.8	0.7	0.5	0.3	-2.0	0.8	0.5
Net debt/EBITDA, book-weighted	-0.6	-0.8	1.4	1.3	13.0	2.3	2.0
Debt/equity, market-weighted	1.4	0.4	0.7	0.7	1.5	1.7	1.7
Equity ratio, book-weighted	37.8	39.1	25.4	27.4	18.9	17.2	17.8
Gearing, %	-11.2	-24.2	77.0	64.5	174.7	167.7	160.8

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	71,515,426	264.607	55.8%
The local Government Pensions Institution	5,750,875	21.278	4.5%
Varma Mutual Pension Insurance Company	3,261,933	12.069	2.5%
Ilmarinen Mutual Pension Insurance Company	3,005,642	11.121	2.3%
Tiiviste-Group Oy	2,150,000	7.955	1.7%
The State Pension Fund	2,000,000	7.400	1.6%
Elo Mutual Pension Insurance Company	1,333,788	4.935	1.0%
Oy Etra Invest Ab	1,000,000	3.700	0.8%
Veritas Pension Insurance Company	840,925	3.111	0.7%
U.S. Global Jets Etf	794,138	2.938	0.6%
Ten largest	91,652,727	339.115	72%
Residual	36,483,388	134.989	28%
Total	128,136,115	474.104	100%

EARNINGS CALENDAR	
July 17, 2020	Q2 report
October 28, 2020	Q3 report
OTHER EVENTS	
March 20, 2018	AGM

COMPANY MISCELLANEOUS	
CEO: Topi Manner	Tietotie 9, 01053 FINNAIR (VANTAA AIRPORT)
CFO: Mika Stirkkinen	Tel: +358 9 818 2780
IR: Erkka 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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Recommendation	Percentage
Sell	8%
Hold	53%
Buy	39%

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

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