

Ugly Q2, as expected

Finnair's Q2'20 adj. EBIT was EUR -174m vs. our expectation of EUR -177m and consensus of EUR -179m. Revenue decreased by 91% and was EUR 69m vs. our expectation of EUR 54m and consensus of EUR 49m.

- Q2 revenue was EUR 69m vs. EUR 54m/49m Evli/cons.
- ASK decreased by 97.2% y/y in Q2. PLF was 33.1% (-49.4 points).
- Q2 adj. EBIT was EUR -174m vs. EUR -177m/-179m Evli/cons. Q2 comparable EBITDA was EUR -89m vs. EUR -91m our view.
- Absolute costs in Q2: Fuel costs were EUR 33m vs. EUR 14m our view. Staff costs were EUR 48m vs. EUR 37m our view. All other OPEX+D&A combined were EUR 173m vs. EUR 180m our view.
- Unit costs: CASK was 70.5 eurocents vs. 67.1 eurocents our view.
- Q2 EPS was EUR -0.25 vs. EUR -0.12/-0.12 Evli/cons.
- In Q3, Finnair gradually increases its capacity and will operate ~25% of flights in July compared to the same period in 2019. Based on the current assumption, the share of flights operated increases to ~50% in September. There are uncertainties relating to COVID-19 development and lifting of travel restrictions. As a result, the outlook remains unclear and the company does not provide revenue guidance for Q3.
- Finnair reiterates its previous guidance and states that the revenue will decrease significantly in 2020 compared to 2019 and that the comparable operating loss will be significant in the financial year 2020. In addition, Finnair's capacity will decrease significantly this year compared to 2019.

Rating		🟡 HOLD			
Q2 2020	Actual	Evli	Cons	Year ago	
Net Sales	69	54	49	789	
Comp. EBIT	-174	-177	-179	47	
Comp EBIT margin	-254.1 %	-327.8 %	-365.3 %	6.0 %	
PTP	-215	-200.0	-212.0	39	
EPS	-0.25	-0.12	-0.12	0.04	
Deviation		Evli	Cons	Year ago	
Net sales		27 %	40 %	-91 %	
Comparable EBIT		-2 %	-3 %	-469 %	
PTP		8 %	1 %	-651 %	
<i>Consensus by Infront (5 est. mean)</i>					
Share price, EUR (Last trading day's closing price)					0.52
Target price, EUR					0.6
Latest change in rating					16-Jul-20
Latest report on company					16-Jul-20
Research paid by issuer:					YES
No. of shares outstanding, '000's					1,407,192
No. of shares fully diluted, '000's					1,407,192
Market cap, EURm					732
Free float, %					39.7
Exchange rate EUR/USD					1.170
Reuters code					FA1S.HE
Bloomberg code					FA1S FH
Average daily volume, EURm					na.
Next interim report					24-Jul-20
Web site					investors.finnair.com
Analyst					Anna-Liisa Rissanen
E-mail					annaliisa.rissanen@evli.com
Telephone					+358401579919

🟢 BUY 🟡 HOLD 🔴 SELL

PRE-REPORT KEY FIGURES

	Sales EURm	EBIT EURm	EBIT %	FCF EURm	EPS EUR	P/E (x)	EV/Sales (x)	EV/EBIT (x)	FCF yield %	DPS EUR
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	1,595.0	-304.3	-19.1%	-650.1	-0.27	-1.9	0.9	-4.9	-88.8	0.00
2021E	2,643.6	74.4	2.8%	-17.8	-0.02	-25.9	0.6	20.5	-2.4	0.00
2022E	2,753.3	120.7	4.4%	-19.7	0.02	24.8	0.6	12.8	-2.7	0.00
Market cap, EURm	732		BV per share 2020E, EUR		70.8	CAGR EPS 2019-22, %		-65.4		
Net debt 2020E, EURm	768		Price/book 2020E		0.7	CAGR sales 2019-22, %		-3.9		
Enterprise value, EURm	1,500		Dividend yield 2020E, %		0.0	ROE 2020E, %		-36.7		
Total assets 2020E, EURm	3,932		Tax rate 2020E, %		20.2	ROCE 2020E, %		-11.6		
Goodwill 2020E, EURm	0		Equity ratio 2020E, %		28.9	PEG, P/E 20/CAGR		0.0		

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

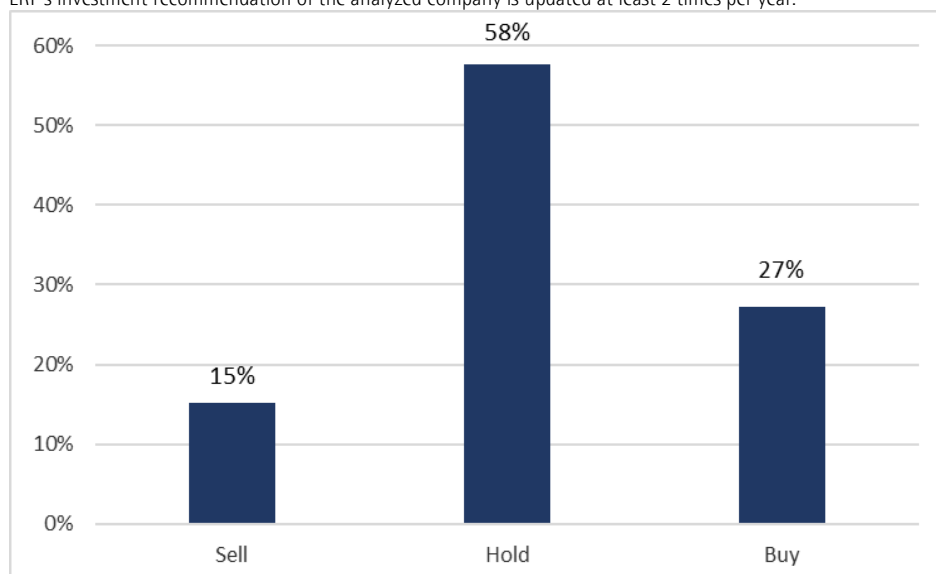
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Target price compared to share price	Recommendation
< -10 %	SELL
-10 – (+10) %	HOLD
> 10 %	BUY

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

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Contact information

SALES, TRADING AND RESEARCH

Equity Sales

Ari Laine +358 9 4766 9115
Lauri Ahokanto +358 9 4766 9117
Niclas Henelius +358 9 4766 9116

Trading

Lauri Vehkaluoto (Head) +358 9 4766 9120
Pasi Väisänen +358 9 4766 9120
Antti Kässi +358 9 4766 9120
Miika Ronkanen +358 9 4766 9120

ETFs and Derivatives

Joachim Dannberg +358 9 4766 9123
Kimmo Lijja +358 9 4766 9130

Structured Investments

Heikki Savijoki +358 9 4766 9726
Aki Lakkisto +358 9 4766 9123

Equity Research

Jonas Forslund +358 9 4766 9314
Joonas Ilvonen +358 44 430 9071
Jerker Salokivi +358 9 4766 9149
Anna-Liisa Rissanen +358 40 157 9919

Evli Investment Solutions

Johannes Asuja +358 9 4766 9205
Markku Reinikainen +358 9 4766 9669



EVLI BANK PLC
Aleksanterinkatu 19 A
P.O. Box 1081
FIN-00101 Helsinki, FINLAND
Phone +358 9 476 690
Fax +358 9 634 382
Internet www.evli.com
E-mail firstname.lastname@evli.com

**EVLI BANK PLC,
STOCKHOLMSFILIAL**
Regeringsgatan 67 P.O. Box 16354
SE-103 26 Stockholm
Sverige
stockholm@evli.com
Tel +46 (0)8 407 8000
Fax +46 (0)8 407 8001