

Strong Q4 traffic supports revenue growth

Finnair will report its Q4 result on next week's Friday, 7th of February. The company's Q4'19 traffic was in line with our expectations thus we have made only minor adjustments to our estimates. We expect Q4 revenue of EUR 740m and EBIT of EUR 8.2m. We keep our rating "HOLD" with TP of EUR 6.5 ahead of Q4.

Good Q4 traffic data

Finnair's traffic met the expectations in Q4. Capacity (ASK) grew by 10.6% vs. our 9.4% expectation, while sold capacity (RPK) grew as much as 13.6% vs. our 9.4% expectation. Thus, passenger load factor (PLF) increased by 2.1 percentage points to 79.0% in Q4. PLFs grew in all the market areas but especially in Europe (+3.4pp) and in Finland (+3.4pp). Total passenger number rose by 11 % y/y. Cargo development continued soft as the global uncertainty in world trade continued to press the global air freight market, especially in Asia. We expect Q4 revenue of EUR 740m (Q4'18: 684m) and EBIT of EUR 8.2m (Q4'18: 26.5m).

Slight increase in jet fuel prices

Jet fuel prices slightly increased towards the end of the year. The average price in USD moved up by 1% and in EUR by 2% on a q/q basis compared to Q3'19. Yet the average price in Q4'19 was still -7% lower y/y in USD and -4% lower in EUR.

Coronavirus hampers share price

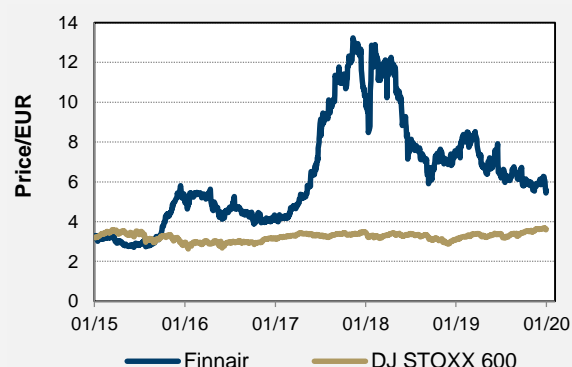
Finnair's share price has slumped after the fears around Coronavirus rose. In order to control the situation, China has restricted traveling and day-to-day business in some areas, which affects Finnair's operations in Asia. The impacts for Finnair's financial outlook are still unknown thus we have not made changes to our estimates. We expect to get more color on this with the Q4 result.

"HOLD" with TP of EUR 6.5 intact

We have kept our estimates largely intact ahead of Q4 result. For FY19E we expect revenue of EUR 3077m (FY18: EUR 2850m) and adj. EBIT of 140m (FY18: EUR 218m), resulting in EBIT margin of 4.6% which is at the lower end of the guided adj. EBIT margin level of 4.5-6.0%. We expect Finnair to propose a dividend of EUR 0.11 per share for '19. We keep our rating "HOLD" with TP of EUR 6.5 intact ahead of Q4.

Rating

■ HOLD



Share price, EUR (Last trading day's closing price) 5.58

Target price, EUR 6.5

Latest change in rating 22-Oct-19

Latest report on company 13-Nov-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 715

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%	134.1	0.88	14.6	0.5	8.2	8.2	0.30
2018	2,849.7	218.4	7.7%	267.6	0.40	17.7	0.6	7.4	29.5	0.27
2019E	3,076.7	140.1	4.6%	-18.3	0.22	24.8	0.5	10.5	-2.6	0.11
2020E	3,178.2	165.1	5.2%	-108.4	0.30	18.7	0.5	9.7	-15.2	0.15
2021E	3,304.0	216.0	6.5%	-20.8	0.58	9.7	0.5	7.6	-2.9	0.25
Market cap, EURm			715	Gearing 2019E, %		83.3	CAGR EPS 2018-21, %			13.0
Net debt 2019E, EURm			760	Price/book 2019E		0.8	CAGR sales 2018-21, %			5.1
Enterprise value, EURm			1,475	Dividend yield 2019E, %		2.0	ROE 2019E, %			3.1
Total assets 2019E, EURm			4,098	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

Updated strategy

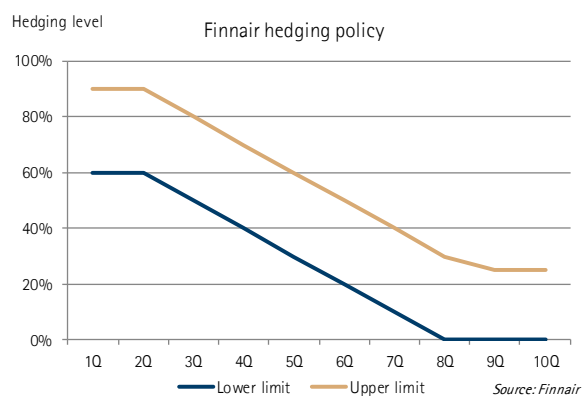
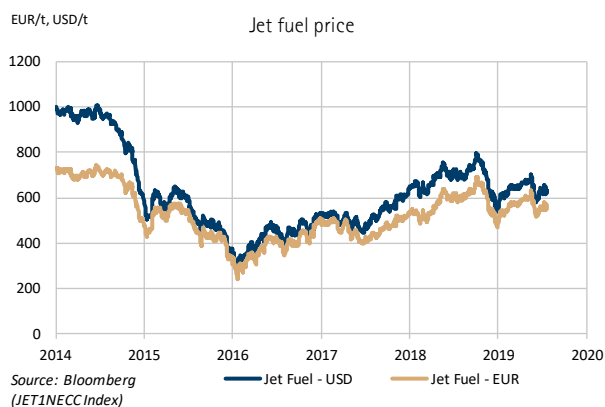
Based on Finnair's new strategy update (for 2020-2025), the company aims to moderate its growth and expects it to be in line with the market growth. Finnair guides ASK growth (CAGR) of 3-5% which is in line with our expectations (3-4% in 20E-21E). The company's new target is to reach comparable EBIT margin of over 7.5% (prev. over 6%) over the cycle (at constant fuel and currency), after a 12-18 months build-up period.

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	3504	14650	15192	15717
<i>y/y change</i>	7%	6%	10%	12%	4%	13%	12%	11%	10%	4%	3%
ASK (mkm)	31 836	33 914	36 922	42 386	10 670	12 308	12 624	11 588	47 190	48 936	50 628
<i>y/y change</i>	3%	7%	9%	15%	10%	15%	10%	10.6%	11.3%	4%	3%
RPK (mkm)	25 592	27 065	30 749	34 660	8 356	10 152	10 879	9 151	38 538	39 971	41 359
<i>y/y change</i>	3%	6%	14%	13%	4%	15%	12%	13.6%	11.2%	4%	3%
Load factor (RPK/ASK), PLF	80.4%	79.8%	83.3%	81.8%	78.3%	82.5%	86.2%	79.0%	81.7%	81.7%	81.7%
<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	2.1%-p	-0.1%-p	0.0%-p	0.0%-p
Total revenue	2255	2317	2569	2850	673	793	870	740	3077	3178	3304
<i>YoY change</i>	-1%	3%	11%	11%	5%	10%	8%	8%	8%	3%	4%
Other income	85	76	77	74	15	13	13	18	59	72	72
Staff costs	-353	-363	-423	-500	-130	-137	-132	-133	-531	-547	-563
<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%
Fuel	-596	-492	-472	-581	-145	-181	-190	-171	-687	-701	-699
<i>y/y change</i>	-10%	-17%	-4%	23%	14%	24%	17%	18%	18%	2%	0%
<i>% of revenue</i>	26%	21%	18%	20%	22%	23%	22%	23%	22%	22%	21%
Other OPEX	-1160	-1268	-1314	-1330	-353	-363	-380	-365	-1460	-1509	-1562
<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%	47%	47%
Comparable EBITDA	132	161	300	513	60	126	182	90	457	493	552
Depreciation	-108	-106	-129	-294	-76	-79	-81	-82	-317.4	-327.5	-336.0
Comparable EBIT	24	55	171	218	-16	47	101	8	140	165	216
<i>Comp. EBIT-%</i>	1.0%	2.4%	6.6%	7.7%	-2.4%	5.9%	11.6%	1.1%	4.6%	5.2%	6.5%
IAC & fair value changes	98	61	54	38	-2	1	-6	0	-7	0	0
EBIT	122	116	225	256	-18	48	95	8	133	165	216

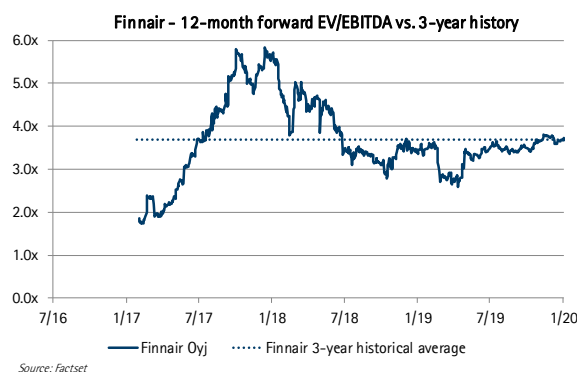
Sources: Finnair, Evli estimates

Fuel price



Finnair's valuation vs. peers

Our model treats Finnair's EUR 200m hybrid bond as 100% equity. Our estimates exclude IAC and fair value changes, but include hybrid interest. On our estimates, Finnair trades EV/EBITDA multiple of 3.2x and 3.0x in 20E-21E and EV/EBIT multiple of 9.7x and 7.6x, which translates into 13-19% premium compared to the peer group.



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
		19	20	21	19	20	21	19	20	21	19	20	21
Primary European peers													
SAS AB	5360	6.3x	3.8x	3.6x	17.4x	13.7x	11.1x	9.3x	6.6x	4.2x	1.1x	1.0x	0.8x
International Consolidated Airlines Group	11755	4.0x	3.5x	3.3x	6.6x	5.7x	5.2x	6.3x	5.8x	5.3x	2.0x	1.6x	1.3x
Air France-KLM SA	3634	2.8x	2.4x	2.2x	10.3x	8.2x	6.7x	10.2x	5.6x	4.4x	1.7x	1.3x	1.0x
Deutsche Lufthansa AG	6695	2.9x	2.4x	2.2x	6.5x	5.2x	4.4x	5.1x	4.3x	3.6x	0.7x	0.6x	0.5x
Norwegian Air Shuttle ASA	5999	9.3x	8.1x	6.8x	99.0x	29.6x	18.1x			7.7x	1.3x	1.5x	1.3x
Other European peers													
Aegean Airlines SA	632	1.4x	1.5x		2.5x	2.8x		9.2x	9.2x	8.3x	2.3x	2.1x	1.9x
easyJet plc	5585	6.2x	5.8x	5.3x	12.8x	11.3x	9.9x	16.3x	13.4x	11.9x	1.9x	1.7x	1.6x
Ryanair Holdings Plc	16304	9.0x	7.5x	6.8x	15.0x	11.6x	10.6x	16.8x	12.6x	11.6x	2.9x	2.4x	2.0x
Wizz Air Holdings Plc	2998	4.4x	3.9x	3.0x	8.5x	7.1x	5.5x	17.0x	13.8x	11.5x	3.0x	2.4x	1.9x
North American peers													
American Airlines Group, Inc.	11784	6.4x	6.1x	5.2x	10.0x	10.0x	8.5x	5.5x	5.3x	4.7x	13.8x	4.2x	2.4x
Delta Air Lines, Inc.	37175	5.0x	5.0x	4.8x	7.0x	7.3x	6.9x	7.9x	7.9x	7.3x	2.5x	2.0x	1.7x
JetBlue Airways Corporation	5852	4.9x	4.6x	4.4x	8.0x	7.3x	6.8x	10.7x	8.2x	7.2x	1.1x	1.0x	0.9x
Southwest Airlines Co.	30313	6.7x	6.9x	6.2x	9.4x	10.0x	8.8x	13.5x	12.7x	10.7x	2.5x	2.3x	2.1x
Spirit Airlines, Inc.	2902	6.1x	6.6x	5.8x	8.7x	9.7x	8.8x	8.4x	8.7x	7.7x	1.4x	1.2x	1.0x
Primary European peers median		4.0x	3.5x	3.3x	10.3x	8.2x	6.7x	7.8x	5.7x	4.4x	1.3x	1.3x	1.0x
Finnair (Evli est)*		3.2x	3.2x	3.0x	10.5x	9.7x	7.6x	24.8x	18.7x	9.7x	0.8x	0.8x	0.7x
<i>Finnair discount/premium to primary peer group median*</i>		-20 %	-9 %	-9 %	2 %	19 %	13 %	218 %	230 %	121 %	-40 %	-43 %	-30 %

FINNAIR PEER GROUP	Ticker	Div yield	Div yield	Div yield	EBIT-%	EBIT-%	EBIT-%	ROCE-%	ROCE-%	ROCE-%	ROE-%	ROE-%	ROE-%
		19	20	21	19	20	21	19	20	21	19	20	21
Primary European peers													
SAS AB	SAS-SE	0.0%	0.0%	0.0%	2.3%	4.2%	5.3%	6.6%	7.0%	8.9%	11.9%	15.7%	19.9%
International Consolidated Airlines Group	IAG-GB	4.3%	4.5%	4.9%	12.7%	13.5%	13.9%	15.2%	15.8%	15.8%	31.3%	27.9%	25.0%
Air France-KLM SA	AF-FR	0.1%	0.5%	0.6%	4.0%	4.6%	5.3%	6.7%	7.4%	8.0%	16.8%	24.2%	23.5%
Deutsche Lufthansa AG	LHA-DE	5.2%	5.9%	6.9%	5.6%	6.1%	6.9%	8.6%	9.2%	10.1%	13.2%	14.1%	14.9%
Norwegian Air Shuttle ASA	NAS-NO	0.0%	0.0%	0.0%	1.5%	5.5%	8.5%	1.0%	3.4%	5.4%	-54.0%	-11.5%	16.8%
Other European peers													
Aegean Airlines SA	AEGN-GR	6.3%	6.7%	7.1%	8.5%	8.6%	9.3%	12.0%	11.4%	11.8%	24.6%	22.5%	22.6%
easyJet plc	EZJ-GB	3.1%	3.7%	4.2%	7.3%	8.0%	8.6%	8.6%	9.3%	9.8%	11.5%	12.8%	13.3%
Ryanair Holdings Plc	RY4C-IE	0.2%	0.2%	0.4%	13.1%	16.1%	15.8%	11.7%	14.2%	14.1%	17.1%	18.8%	17.3%
Wizz Air Holdings Plc	WIZZ-GB	0.0%	0.0%	1.1%	14.7%	16.1%	16.5%	12.2%	12.6%	12.6%	17.8%	17.4%	16.4%
North American peers													
American Airlines Group, Inc.	AAL-US	1.5%	1.5%	1.6%	8.1%	7.3%	7.5%	8.9%	7.9%	8.4%	249.6%	80.0%	50.6%
Delta Air Lines, Inc.	DAL-US	2.6%	2.8%	3.1%	14.1%	12.9%	13.0%	14.9%	13.4%	13.4%	31.3%	25.1%	22.9%
JetBlue Airways Corporation	JBLU-US	0.0%	0.0%	0.0%	10.0%	11.5%	11.8%	10.0%	10.6%	10.4%	10.4%	11.9%	11.8%
Southwest Airlines Co.	LUV-US	1.2%	1.3%	1.4%	13.2%	13.0%	13.7%	18.2%	16.6%	17.9%	18.1%	18.4%	19.3%
Spirit Airlines, Inc.	SAVE-US	0.0%	0.0%	0.0%	13.4%	11.3%	10.9%	10.3%	8.7%	9.2%	16.4%	13.7%	13.4%
Primary European peers median		0.1%	0.5%	0.6%	4.0%	5.5%	6.9%	6.7%	7.4%	8.9%	13.2%	15.7%	19.9%
Finnair (Evli est)*	FIA1S-FI	2.0%	2.7%	4.5%	4.6%	5.2%	6.5%	5.1%	5.7%	7.0%	3.1%	4.1%	7.7%

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	740.0	3,076.7	3,178.2	3,304.0
EBITDA	86.6	130.5	191.4	104.1	512.6	59.9	125.9	181.9	89.7	457.5	492.7	552.3
<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>12.1</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	8.2	140.1	165.1	216.0
<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>6.5</i>
Net financial items	-0.1	-70.1	-27.8	-31.0	-129.0	-31.0	-8.8	-22.9	-27.0	-89.7	-101.6	-107.9
Pre-tax profit	14.5	-11.0	90.4	-4.5	89.4	-47.1	38.4	77.8	-18.8	50.4	63.5	108.1
Tax	-3.3	3.9	-17.6	-8.6	-25.6	9.7	-7.8	-14.4	3.8	-8.7	-12.7	-21.6
<i>Tax rate (%)</i>	<i>22.8</i>	<i>35.5</i>	<i>19.5</i>	<i>-191.1</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	-18.2	28.8	38.2	73.9
EPS	0.06	-0.08	0.54	-0.13	0.40	-0.32	0.21	0.47	-0.14	0.22	0.30	0.58
EPS adjusted (diluted no. of shares)	0.06	-0.08	0.54	-0.13	0.40	-0.32	0.21	0.47	-0.14	0.22	0.30	0.58
Dividend per share	0.00	0.00	0.00	0.00	0.27	0.00	0.00	0.00	0.00	0.11	0.15	0.25
SALES, EURm												
Group total	641.1	718.2	806.9	683.5	2,849.7	673.0	793.4	870.3	740.0	3,076.7	3,178.2	3,304.0
Total	641.1	718.2	806.9	683.5	2,849.7	673.0	793.4	870.3	740.0	3,076.7	3,178.2	3,304.0
SALES GROWTH, Y/Y %												
Group total	15.6	13.4	9.7	5.9	11.0	5.0	10.5	7.9	8.3	8.0	3.3	4.0
Total	15.6	13.4	9.7	5.9	11.0	5.0	10.5	7.9	8.3	8.0	3.3	4.0
EBIT, EURm												
Group total	14.6	59.1	118.2	26.5	218.4	-16.1	47.2	100.7	8.2	140.1	165.1	216.0
Total	14.6	59.1	118.2	26.5	218.4	-16.1	47.2	100.7	8.2	140.1	165.1	216.0
EBIT margin, %												
Group total	2.3	8.2	14.6	3.9	7.7	-2.4	5.9	11.6	1.1	4.6	5.2	6.5
Total	2.3	8.2	14.6	3.9	7.7	-2.4	5.9	11.6	1.1	4.6	5.2	6.5

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	3,076.7	3,178.2	3,304.0
<i>Sales growth (%)</i>	-4.8	-1.3	2.8	10.9	11.0	8.0	3.3	4.0
EBITDA	97.8	131.8	161.0	299.6	512.6	457.5	492.7	552.3
<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	-317.4	-327.6	-336.3
EBITA	-36.5	23.7	55.2	170.4	218.4	140.1	165.1	216.0
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	140.1	165.1	216.0
<i>EBIT margin (%)</i>	-1.6	1.1	2.4	6.6	7.7	4.6	5.2	6.5
Reported EBIT	-36.5	12.4	53.8	169.5	218.3	140.1	165.1	216.0
<i>EBIT margin (reported) (%)</i>	-1.6	0.6	2.3	6.6	7.7	4.6	5.2	6.5
Net financials	-26.6	-8.3	-10.5	-13.7	-129.0	-89.7	-101.6	-107.9
Pre-tax profit	-63.1	15.4	44.7	156.7	89.4	50.4	63.5	108.1
Taxes	12.6	-3.1	-8.9	-31.3	-25.6	-8.7	-12.7	-21.6
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	28.8	38.2	73.9
Cash NRIs	0.0	-11.3	-1.4	-0.9	-0.1	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
BALANCE SHEET, EURm								
Assets								
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	785	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	1,152	1,190	1,237
Total assets	1,885	2,050	2,529	2,887	3,944	4,098	4,293	4,448
Liabilities								
Shareholder's equity	514	727	857	1,016	918	912	936	991
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	785	788	819
Deferred taxes	0	0	33	74	48	48	48	48
Interest bearing debt	428	346	718	719	615	1,128	1,285	1,341
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	4,098	4,293	4,448
CASH FLOW, EURm								
+ EBITDA	98	132	161	300	513	457	493	552
- Net financial items	-27	-8	-10	-14	-129	-90	-102	-108
- Taxes	0	0	33	-1	-52	-9	-13	-22
- Increase in Net Working Capital	-33	43	56	57	50	1	0	1
+/- Other	-33	-2	-19	40	1	-13	-13	-13
= Cash flow from operations	5	164	220	382	383	347	366	411
- Capex	-146	-81	-486	-405	-330	-365	-475	-432
- Acquisitions	0	0	0	0	0	0	0	0
+ Divestments	268	448	153	157	214	0	0	0
= Free cash flow	126	531	-113	134	268	-18	-108	-21
+/- New issues/buybacks	143	231	110	60	-110	0	0	0
- Paid dividend	0	0	0	-13	-38	-35	-14	-19
+/- Other	-46	-480	108	-30	-17	138	160	87
Change in cash	223	282	105	151	103	85	38	47

KEY FIGURES	2015	2016	2017	2018	2019E	2020E	2021E
M-cap	694	516	1,643	908	715	715	715
Net debt (excl. convertibles)	-362	-96	-246	707	760	883	923
Enterprise value	332	420	1,397	1,615	1,475	1,598	1,638
Sales	2,255	2,317	2,568	2,850	3,077	3,178	3,304
EBITDA	132	161	300	513	457	493	552
EBIT	24	55	170	218	140	165	216
Pre-tax	15	45	157	89	50	63	108
Earnings	-6	21	113	51	29	38	74
Equity book value (excl. minorities)	727	857	1,016	918	912	936	991
Valuation multiples							
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	3.2	3.2	3.0
EV/EBITA	14.0	7.6	8.2	7.4	10.5	9.7	7.6
EV/EBIT	14.0	7.6	8.2	7.4	10.5	9.7	7.6
EV/OCF	2.0	1.9	3.7	4.2	4.2	4.4	4.0
EV/FCFF	1.5	-1.5	6.3	6.1	-51.4	14.9	7.9
P/FCFE	1.3	-4.6	12.2	3.4	-39.1	-6.6	-34.3
P/E	-107.2	24.9	14.6	17.7	24.8	18.7	9.7
P/B	1.0	0.6	1.6	1.0	0.8	0.8	0.7
Target EV/EBITDA	0.0	0.0	0.0	0.0	3.5	3.5	3.2
Target EV/EBIT	0.0	0.0	0.0	0.0	11.4	10.4	8.1
Target EV/FCF	0.0	0.0	0.0	0.0	-87.2	-15.8	-84.2
Target P/B	0.0	0.0	0.0	0.0	0.9	0.9	0.8
Target P/E	0.0	0.0	0.0	0.0	28.9	21.8	11.3
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	-0.05	0.16	0.88	0.40	0.22	0.30	0.58
Operating cash flow per share	1.28	1.71	2.98	2.99	2.71	2.86	3.21
Free cash flow per share	4.15	-0.88	1.05	2.09	-0.14	-0.85	-0.16
Book value per share	5.68	6.69	7.93	7.17	7.12	7.31	7.73
Dividend per share	0.00	0.10	0.30	0.27	0.11	0.15	0.25
Dividend payout ratio, %	0.0	61.7	34.1	68.6	48.9	50.3	43.4
Dividend yield, %	0.0	2.5	2.3	3.9	2.0	2.7	4.5
FCF yield, %	76.5	-21.9	8.2	29.5	-2.6	-15.2	-2.9
Efficiency measures							
ROE	-1.0	2.6	12.0	5.3	3.1	4.1	7.7
ROCE	2.4	4.2	10.3	9.9	5.1	5.7	7.0
Financial ratios							
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	15.8	11.6	11.9	14.9	13.1
CAPEX/sales (incl. acquisitions), %	3.6	21.0	15.8	11.6	11.9	14.9	13.1
FCFF/EBITDA	1.6	-1.8	0.7	0.5	-0.1	0.2	0.4
Net debt/EBITDA, book-weighted	-2.7	-0.6	-0.8	1.4	1.7	1.8	1.7
Debt/equity, market-weighted	0.5	1.4	0.4	0.7	1.6	1.8	1.9
Equity ratio, book-weighted	40.6	37.8	39.1	25.4	24.3	23.8	24.3
Gearing, %	-49.8	-11.2	-24.2	77.0	83.3	94.3	93.1

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	71,515,426	399.056	55.8%
The local Government Pensions Institution	6,250,875	34.880	4.9%
Varma Mutual Pension Insurance Company	3,261,933	18.202	2.5%
Ilmarinen Mutual Pension Insurance Company	2,870,642	16.018	2.2%
Tiiviste-Group Oy	2,150,000	11.997	1.7%
The State Pension Fund	1,700,000	9.486	1.3%
Oy Etra Invest Ab	1,000,000	5.580	0.8%
Veritas Pension Insurance Company	803,174	4.482	0.6%
Laakkonen Mikko Kalervo	740,000	4.129	0.6%
Evli Finland Select Fund	700,000	3.906	0.5%
Ten largest	90,992,050	507.736	71%
Residual	37,144,065	207.264	29%
Total	128,136,115	715.000	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

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

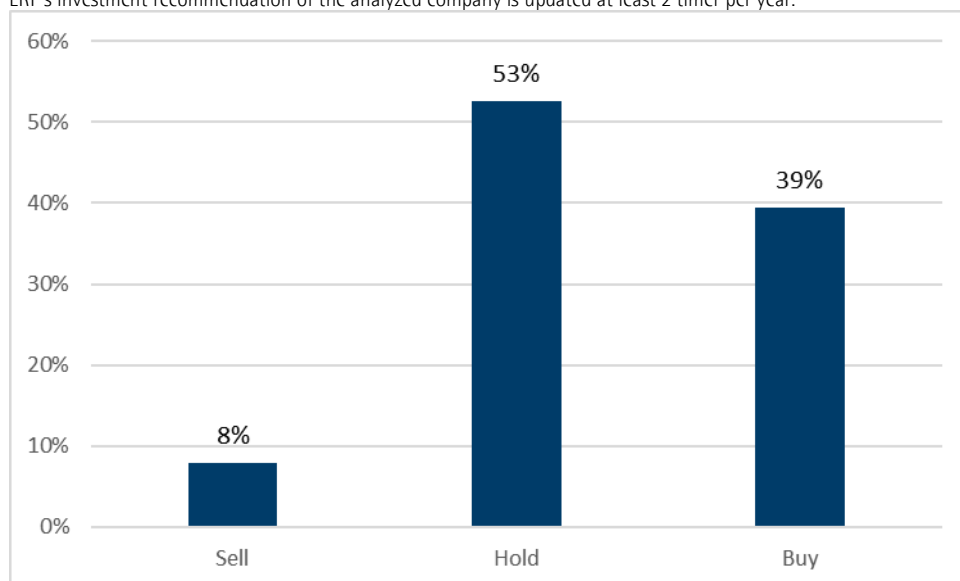
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Target price compared to share price	Recommendation
< -10 %	SELL
-10 – (+10) %	HOLD
> 10 %	BUY

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

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