

Normalizing capacity growth in '20E

Finnair delivered strong Q4 result. Q4 revenue was EUR 774.9m vs. our 740m (cons. 744m) while adj. EBIT amounted to EUR 31.2m vs. our 8.2m (cons. 9.0m). Finnair expects '20E capacity growth of ~4% but didn't provide more detailed '20E guidance due to the coronavirus. We keep our rating "HOLD" with TP of EUR 6.3 (6.5).

Q4 better than expected

Finnair's Q4 result beat the expectations in terms of both revenue and profitability. Revenue grew by 13.4% y/y and amounted to EUR 774.9m vs. our EUR 740m (cons. 744m). The difference is mainly due to Finnair's better than anticipated revenue management (i.e. ticket fares). Revenue development was good especially in North America (38.5% y/y) and in Europe (17.3% y/y). Q4 costs were as expected with fuel cost of EUR 171m (Evli 171m) and other OPEX (incl. D&A) of EUR 588m (Evli 580m). Q4 adj. EBIT was EUR 31.2m vs. our EUR 8.2m (cons. EUR 9.0m). Proposed dividend for '19 is EUR 0.20 vs. our EUR 0.11 (cons 0.10).

Expecting ASK growth of ~4% y/y

Finnair's capacity (ASK) growth was strong in '19 (11.3% y/y), driven by two new A350s, received last year and one A350, received in Dec'18. The added capacity was mainly put to Asian routes. Two more A350s are expected to be delivered during H1'20E. For 20E, Finnair guides capacity growth of ~4% y/y while our expectation is at 3.6% y/y. We expect the good performance to continue especially in Europe where many airlines have cut capacity but also in North America. We expect cargo to remain relatively soft in '20E due to continuing uncertainties around global trade.

Weak visibility due to the coronavirus

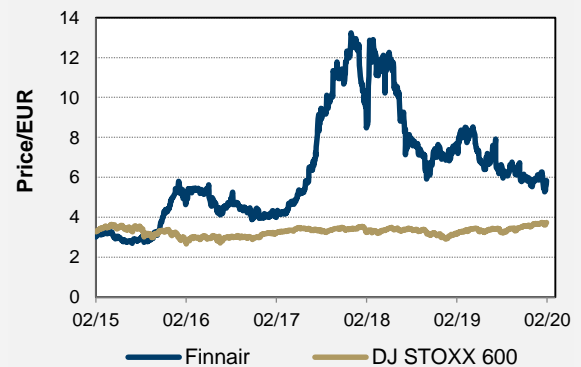
Finnair did not provide a revenue estimate for 20E, as the total impacts of the coronavirus are still unknown. Finnair has suspended all the flights to mainland China, which might continue until the end of March. Finnair estimates that the Q1'20E financial impacts remain limited as the post Chinese New Year time is usually relatively quiet in terms of traveling. Due to the coronavirus, one delivery of A350 will be delayed from April to June. We have slightly decreased our Q1'20E revenue expectation (approx. -1%) but expect the impacts for the full year to remain limited.

"HOLD" with TP of EUR 6.3 (6.5)

We expect 20E revenue of EUR 3191m (3% y/y) and adj. EBIT of EUR 171m (5% y/y), resulting in adj. EBIT margin of 5.4%. However, as the visibility of the coronavirus is weak, there are uncertainties especially with our short-term estimates. On our estimates, Finnair trades at '20E-'21E EV/EBIT multiple 9.2x and 8.4x, which translates into ~10-20% premium compared to the peers. We keep our rating "HOLD" with TP of EUR 6.3 (6.5).

Rating

■ HOLD



Share price, EUR (Last trading day's closing price) 5.83

Target price, EUR 6.3

Latest change in rating	23-Oct-19
Latest report on company	29-Jan-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	747
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	29-Apr-20
Web site	investors.finnair.com

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■ BUY ■ HOLD ■ SELL

KEY FIGURES

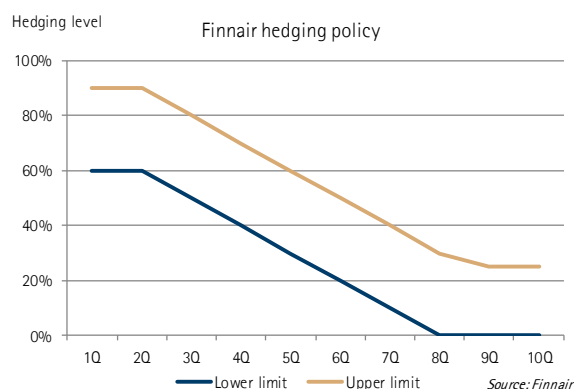
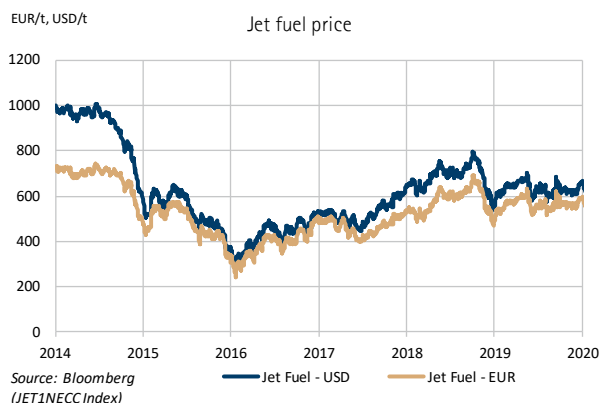
	Sales EURm	EBIT EURm	EBIT %	FCF EURm	EPS EUR	P/E (x)	EV/Sales (x)	EV/EBIT (x)	FCF yield %	DPS EUR
2018	2,836.1	218.4	7.7%	267.6	0.40	10.2	0.6	7.4	29.5	0.27
2019	3,097.7	162.8	5.3%	-12.3	0.50	11.7	0.4	8.5	-1.6	0.20
2020E	3,191.2	171.0	5.4%	-183.1	0.50	11.8	0.5	9.2	-24.5	0.16
2021E	3,317.3	215.8	6.5%	-213.9	0.67	8.6	0.5	8.4	-28.6	0.22
2022E	3,448.6	241.1	7.0%	-157.7	0.76	7.7	0.6	8.3	-21.1	0.25
Market cap, EURm			747	Gearing 2020E, %		82.8	CAGR EPS 2019-22, %			14.6
Net debt 2020E, EURm			832	Price/book 2020E		0.7	CAGR sales 2019-22, %			3.6
Enterprise value, EURm			1,579	Dividend yield 2020E, %		2.8	ROE 2020E, %			6.4
Total assets 2020E, EURm			4,161	Tax rate 2020E, %		16.4	ROCE 2020E, %			6.4
Goodwill 2020E, EURm			0	Equity ratio 2020E, %		26.4	PEG, P/E 20/CAGR			0.5

Estimates

FINNAIR EURm	2017 FY	2018 FY	2019 Q1	2019 Q2	2019 Q3	2019 Q4	2019 FY	2020E Q1	2020E Q2	2020E Q3	2020E Q4	2020E FY	2021E FY
Passengers (thousands)	11905	13281	3148	3910	4088	3504	14650	3230	4062	4239	3633	15165	15689
<i>y/y change</i>	10%	12%	4%	13%	12%	11%	10%	3%	4%	4%	4%	4%	3%
ASK (mkm)	36 922	42 386	10 670	12 308	12 624	11 587	47 190	10 948	12 787	13 091	12 016	48 842	50 530
<i>y/y change</i>	9%	15%	10%	15%	10%	11%	11%	2.6%	4%	4%	4%	4%	3%
RPK (mkm)	30 749	34 660	8 356	10 152	10 879	9 151	38 538	8 572	10 547	11 283	9 490	39 893	41 277
<i>y/y change</i>	14%	13%	4%	15%	12%	14%	11%	3%	4%	4%	4%	4%	3%
Load factor (RPK/ASK), PLF	83.3%	81.8%	78.3%	82.5%	86.2%	79.0%	81.7%	78%	82%	86%	79%	81.7%	81.7%
<i>y/y change</i>	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	0.0%-p	0.0%-p	0.0%-p	0.0%-p
Total revenue	2569	2835	668.3	789	865	775	3098	684	820	896	791	3191	3317
YoY change	11%	10%	5%	10%	8%	13%	9%	2%	4%	4%	2%	3%	4%
Other income	77	74	15	13	13	15	56	18	18	18	18	72	72
Staff costs	-423	-500	-130	-137	-132	-136	-535	-134	-141	-136	-140	-551	-569
<i>y/y change</i>	17%	18%	5%	3%	6%	14%	7%	3%	3%	3%	3%	3%	3%
<i>% of revenue</i>	16%	18%	19%	17%	15%	18%	17%	20%	17%	15%	18%	17%	17%
Fuel	-472	-581	-145	-181	-190	-171	-687	-153	-184	-193	-170	-701	-698
<i>y/y change</i>	-4%	23%	14%	24%	17%	18%	18%	5%	2%	2%	-1%	2%	0%
<i>% of revenue</i>	18%	20%	22%	23%	22%	22%	22%	22%	22%	22%	21%	22%	21%
Other OPEX	-1314	-1330	-348	-359	-375	-362	-1444	-363	-375	-392	-374	-1505	-1560
<i>y/y change</i>	4%	1%	8%	10%	8%	9%	9%	4%	5%	5%	3%	4%	4%
<i>% of revenue</i>	51%	47%	52%	45%	43%	47%	47%	53%	46%	44%	47%	47%	47%
Comparable EBITDA	300	501	60	126	182	121	488	52	138	192	125	507	562
Depreciation	-129	-294	-76	-79	-81	-90	-325	-78	-82	-84	-92	-335.5	-346.0
Comparable EBIT	171	218	-16	47	101	31	163	-26	56	108	33	171	216
Comp. EBIT-%	6.6%	7.7%	-2.4%	5.9%	11.6%	4.0%	5.3%	-3.8%	6.8%	12.1%	4.1%	5.4%	6.5%
IAC & fair value changes	54	49	-2	1	-6	4	-3	0	0	0	0	0	0
EBIT	225	256	-18	48	95	35	160	-26	56	108	33	171	216

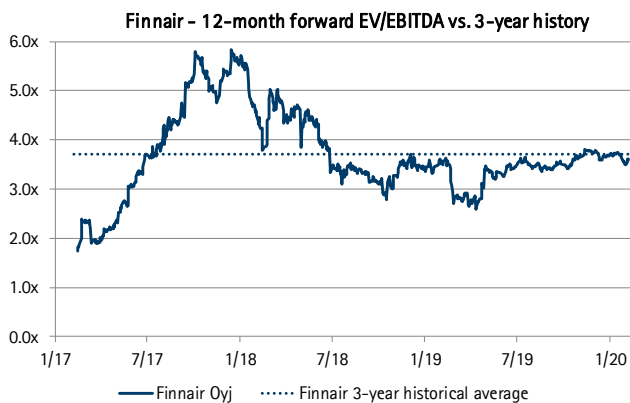
Sources: Finnair, Evli estimates

Fuel price



Valuation

Our model treats Finnair's EUR 200m hybrid bond as 100% equity. Our estimates exclude IAC and fair value changes, but include hybrid interest.



Source: Factset

	MCAP local FX	EV/EBITDA 19	EV/EBITDA 20	EV/EBITDA 21	EV/EBIT 19	EV/EBIT 20	EV/EBIT 21	P/E 19	P/E 20	P/E 21	P/B 19	P/B 20	P/B 21
FINNAIR PEER GROUP													
Primary European peers													
SAS AB	5326	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	12106	4.0x	3.6x	3.3x	6.6x	5.8x	5.3x	6.5x	6.0x	5.5x	2.0x	1.7x	1.4x
Air France-KLM SA	3783	2.8x	2.5x	2.3x	10.4x	8.6x	7.1x	11.0x	5.8x	4.6x	1.8x	1.4x	1.1x
Deutsche Lufthansa AG	7025	2.9x	2.6x	2.3x	6.6x	5.5x	4.6x	5.3x	4.5x	3.8x	0.7x	0.6x	0.6x
Norwegian Air Shuttle ASA	6081	9.3x	8.1x	6.8x	99.1x	29.6x	18.1x	7.8x	7.8x	7.8x	1.3x	1.5x	1.3x
Other European peers													
Aegean Airlines SA	611	1.4x	1.4x		2.5x	2.6x		8.9x	8.9x	8.1x	2.2x	2.0x	1.8x
easyJet plc	5978	6.2x	6.1x	5.6x	12.8x	11.9x	10.5x	17.4x	14.3x	12.7x	2.0x	1.8x	1.7x
Ryanair Holdings Plc	17242	8.7x	7.6x	6.8x	14.3x	11.5x	10.5x	17.0x	13.0x	11.8x	3.0x	2.5x	2.1x
Wizz Air Holdings Plc	3074	4.3x	3.8x	3.2x	8.2x	6.9x	5.7x	17.3x	13.7x	11.6x	3.1x	2.4x	1.9x
North American peers													
American Airlines Group, Inc.	12432	6.5x	6.2x	5.4x	10.2x	10.3x	8.7x	5.8x	5.7x	5.0x	18.8x	5.2x	2.7x
Delta Air Lines, Inc.	37459	5.0x	5.0x	4.8x	7.1x	7.3x	6.9x	8.0x	7.9x	7.3x	2.5x	2.0x	1.7x
JetBlue Airways Corporation	5757	5.0x	4.5x	4.3x	8.2x	7.1x	6.7x	10.6x	8.0x	7.1x	1.1x	1.0x	0.8x
Southwest Airlines Co.	29620	6.6x	6.8x	6.1x	9.4x	9.6x	8.5x	13.5x	12.6x	10.5x	2.6x	2.4x	2.1x
Spirit Airlines, Inc.	3025	6.0x	6.4x	5.5x	8.6x	9.0x	8.0x	8.7x	7.9x	7.2x	1.4x	1.2x	1.1x
Primary European peers median		4.0x	3.6x	3.3x	10.4x	8.6x	7.1x	7.9x	5.9x	4.6x	1.3x	1.4x	1.1x
Finnair (Evli est)*		2.8x	3.1x	3.2x	8.5x	9.2x	8.4x	11.7x	11.8x	8.6x	0.8x	0.7x	0.7x
<i>Finnair discount/premium to primary peer group median*</i>		-30 %	-14 %	-3 %	-19 %	7 %	19 %	48 %	100 %	88 %	-41 %	-48 %	-36 %

	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
FINNAIR PEER GROUP													
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%	20.0%
International Consolidated Airlines Group	IAG-GB	4.1%	4.3%	4.7%	12.7%	13.5%	13.8%	15.2%	15.7%	15.7%	31.4%	27.8%	25.0%
Air France-KLM SA	AF-FR	0.1%	0.5%	0.6%	4.0%	4.5%	5.3%	6.7%	7.2%	8.0%	16.4%	24.5%	23.7%
Deutsche Lufthansa AG	LHA-DE	5.1%	5.6%	6.6%	5.5%	6.0%	6.9%	8.5%	9.0%	10.1%	13.3%	14.0%	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	6.5%	7.0%	7.4%	8.5%	8.6%	9.3%	12.0%	11.4%	11.8%	24.6%	22.5%	22.6%
easyJet plc	EZJ-GB	2.9%	3.4%	3.9%	7.3%	8.0%	8.6%	8.6%	9.3%	9.8%	11.5%	12.9%	13.3%
Ryanair Holdings Plc	RY4C-IE	0.2%	0.2%	0.4%	13.5%	16.7%	16.4%	11.8%	14.4%	14.3%	17.7%	19.0%	17.6%
Wizz Air Holdings Plc	WIZZ-GB	0.0%	0.0%	1.0%	14.8%	16.4%	16.6%	12.4%	12.8%	12.5%	17.9%	17.8%	16.5%
North American peers													
American Airlines Group, Inc.	AAL-US	1.4%	1.5%	1.5%	8.1%	7.2%	7.5%	8.9%	8.0%	8.5%	323.0%	91.4%	54.5%
Delta Air Lines, Inc.	DAL-US	2.6%	2.8%	3.1%	14.1%	13.0%	13.0%	14.9%	13.7%	13.7%	31.2%	25.5%	23.1%
JetBlue Airways Corporation	JBLU-US	0.0%	0.0%	0.0%	10.0%	11.6%	11.9%	9.5%	10.6%	10.4%	10.6%	11.9%	11.8%
Southwest Airlines Co.	LUV-US	1.2%	1.3%	1.4%	13.3%	13.1%	13.9%	17.9%	17.6%	19.3%	19.5%	18.8%	19.8%
Spirit Airlines, Inc.	SAVE-US	0.0%	0.0%	0.0%	13.6%	12.7%	12.3%	10.4%	9.8%	10.3%	16.5%	15.1%	14.8%
Primary European peers median		0.1%	0.5%	0.6%	4.0%	5.5%	6.9%	6.7%	7.2%	8.9%	13.3%	15.7%	20.0%
Finnair (Evli est)*	FIA1S-FI	3.4%	2.8%	3.8%	5.3%	5.4%	6.5%	6.2%	6.4%	7.2%	6.9%	6.4%	8.3%

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	2020Q1E	2020Q2E	2020Q3E	2020Q4E	2020E	2021E	2022E
Net sales	668.3	789.1	865.4	774.9	3,097.7	683.6	820.2	895.9	791.4	3,191.2	3,317.3	3,448.6
EBITDA	60.2	125.6	181.8	120.7	488.2	51.5	137.9	192.4	124.7	506.5	565.8	598.3
<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>7.5</i>	<i>16.8</i>	<i>21.5</i>	<i>15.8</i>	<i>15.9</i>	<i>17.1</i>	<i>17.3</i>
EBIT	-15.8	46.9	100.6	31.2	162.8	-26.0	55.9	108.4	32.7	171.0	215.8	241.1
<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>-3.8</i>	<i>6.8</i>	<i>12.1</i>	<i>4.1</i>	<i>5.4</i>	<i>6.5</i>	<i>7.0</i>
Net financial items	-31.0	-8.8	-22.9	-4.3	-67.0	-20.0	-20.0	-20.0	-20.0	-80.0	-92.1	-103.9
Pre-tax profit	-46.8	38.1	77.7	26.9	95.8	-46.0	35.9	88.4	12.7	91.0	123.7	137.2
Tax	9.7	-7.8	-14.4	-5.9	-18.4	9.1	-5.9	-16.5	-1.6	-14.9	-24.7	-27.4
<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>19.8</i>	<i>16.4</i>	<i>18.7</i>	<i>12.6</i>	<i>16.4</i>	<i>20.0</i>	<i>20.0</i>
Net profit	-40.3	27.1	60.1	17.8	64.6	-40.0	26.8	68.8	8.0	63.5	86.4	97.2
EPS	-0.31	0.21	0.47	0.14	0.50	-0.31	0.21	0.54	0.06	0.50	0.67	0.76
EPS adjusted (diluted no. of shares)	-0.31	0.21	0.47	0.14	0.50	-0.31	0.21	0.54	0.06	0.50	0.67	0.76
Dividend per share	0.00	0.00	0.00	0.00	0.20	0.00	0.00	0.00	0.00	0.16	0.22	0.25
SALES, EURm												
Group total	668.3	789.1	865.4	774.9	3,097.7	683.6	820.2	895.9	791.4	3,191.2	3,317.3	3,448.6
Total	668.3	789.1	865.4	774.9	3,097.7	683.6	820.2	895.9	791.4	3,191.2	3,317.3	3,448.6
SALES GROWTH, Y/Y %												
Group total	4.2	9.9	7.2	15.7	9.2	2.3	3.9	3.5	2.1	3.0	4.0	4.0
Total	4.2	9.9	7.2	15.7	9.2	2.3	3.9	3.5	2.1	3.0	4.0	4.0
EBIT, EURm												
Group total	-15.8	46.9	100.6	31.2	162.8	-26.0	55.9	108.4	32.7	171.0	215.8	241.1
Total	-15.8	46.9	100.6	31.2	162.8	-26.0	55.9	108.4	32.7	171.0	215.8	241.1
EBIT margin, %												
Group total	-2.4	5.9	11.6	4.0	5.3	-3.8	6.8	12.1	4.1	5.4	6.5	7.0
Total	-2.4	5.9	11.6	4.0	5.3	-3.8	6.8	12.1	4.1	5.4	6.5	7.0

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	3,191.2	3,317.3	3,448.6
<i>Sales growth (%)</i>	-1.3	2.8	10.9	10.4	9.2	3.0	4.0	4.0
EBITDA	131.8	161.0	299.6	512.6	488.2	506.5	565.8	598.3
<i>EBITDA margin (%)</i>	5.8	6.9	11.7	18.1	15.8	15.9	17.1	17.3
Depreciation	-108.1	-105.8	-129.2	-294.2	-325.4	-335.5	-350.0	-357.2
EBITA	23.7	55.2	170.4	218.4	162.8	171.0	215.8	241.1
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	171.0	215.8	241.1
<i>EBIT margin (%)</i>	1.1	2.4	6.6	7.7	5.3	5.4	6.5	7.0
Reported EBIT	12.4	53.8	169.5	218.3	160.0	171.0	215.8	241.1
<i>EBIT margin (reported) (%)</i>	0.6	2.3	6.6	7.7	5.2	5.4	6.5	7.0
Net financials	-8.3	-10.5	-13.7	-129.0	-67.0	-80.0	-92.1	-103.9
Pre-tax profit	15.4	44.7	156.7	89.4	95.8	91.0	123.7	137.2
Taxes	-3.1	-8.9	-31.3	-25.6	-18.4	-14.9	-24.7	-27.4
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	63.5	86.4	97.2
Cash NRIs	-11.3	-1.4	-0.9	-0.1	-2.8	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	957	1,189	1,446	1,547	1,751	1,982	2,247	2,465
Goodwill	0	0	0	0	0	0	0	0
Right of use assets	0	0	0	999	878	894	929	966
Inventory	12	15	17	121	80	83	86	89
Receivables	364	512	460	210	217	222	229	236
Liquid funds	708	814	965	1,067	952	980	1,019	1,059
Total assets	2,050	2,529	2,887	3,944	3,878	4,161	4,510	4,815
Liabilities								
Shareholder's equity	727	857	1,016	918	966	1,004	1,070	1,138
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	894	929	966
Deferred taxes	0	33	74	48	64	64	64	64
Interest bearing debt	346	718	719	615	521	919	1,157	1,347
Non-interest bearing current liabilities	682	519	566	285	243	250	260	271
Other interest-free debt	201	339	428	811	873	873	873	873
Total liabilities	2,050	2,529	2,887	3,944	3,878	4,161	4,510	4,815
CASH FLOW, EURm								
+ EBITDA	132	161	300	513	488	507	566	598
- Net financial items	-8	-10	-14	-129	-67	-80	-92	-104
- Taxes	0	33	-1	-52	-2	-15	-25	-27
- Increase in Net Working Capital	43	56	57	50	-7	0	0	0
+/- Other	-2	-19	40	1	-16	-13	-13	-13
= Cash flow from operations	164	220	382	383	397	399	436	454
- Capex	-81	-486	-405	-330	-409	-582	-650	-612
- 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	-183	-214	-158
+/- New issues/buybacks	231	110	60	-110	21	0	0	0
- Paid dividend	0	0	-13	-38	-35	-26	-21	-29
+/- Other	-480	108	-30	-17	-89	237	274	227
Change in cash	282	105	151	103	-116	29	39	40

KEY FIGURES	2016	2017	2018	2019	2020E	2021E	2022E
M-cap	516	1,643	908	753	747	747	747
Net debt (excl. convertibles)	-96	-246	707	623	832	1,067	1,253
Enterprise value	420	1,397	1,615	1,377	1,579	1,814	2,000
Sales	2,317	2,568	2,836	3,098	3,191	3,317	3,449
EBITDA	161	300	513	488	507	566	598
EBIT	55	170	218	163	171	216	241
Pre-tax	45	157	89	96	91	124	137
Earnings	21	113	51	65	64	86	97
Equity book value (excl. minorities)	857	1,016	918	966	1,004	1,070	1,138
Valuation multiples							
EV/sales	0.2	0.5	0.6	0.4	0.5	0.5	0.6
EV/EBITDA	2.6	4.7	3.2	2.8	3.1	3.2	3.3
EV/EBITA	7.6	8.2	7.4	8.5	9.2	8.4	8.3
EV/EBIT	7.6	8.2	7.4	8.5	9.2	8.4	8.3
EV/OCF	1.9	3.7	4.2	3.5	4.0	4.2	4.4
EV/FCFF	-1.5	6.3	6.1	8.4	46.4	90.1	22.8
P/FCFE	-4.6	12.2	3.4	-61.4	-4.1	-3.5	-4.7
P/E	24.9	14.6	10.2	11.7	11.8	8.6	7.7
P/B	0.6	1.6	1.0	0.8	0.7	0.7	0.7
Target EV/EBITDA	0.0	0.0	0.0	0.0	3.2	3.3	3.4
Target EV/EBIT	0.0	0.0	0.0	0.0	9.6	8.7	8.5
Target EV/FCF	0.0	0.0	0.0	0.0	-9.0	-8.8	-13.1
Target P/B	0.0	0.0	0.0	0.0	0.8	0.8	0.7
Target P/E	0.0	0.0	0.0	0.0	12.7	9.3	8.3
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	0.16	0.88	0.40	0.50	0.50	0.67	0.76
Operating cash flow per share	1.71	2.98	2.99	3.09	3.11	3.41	3.55
Free cash flow per share	-0.88	1.05	2.09	-0.10	-1.43	-1.67	-1.23
Book value per share	6.69	7.93	7.17	7.54	7.84	8.35	8.88
Dividend per share	0.10	0.30	0.27	0.20	0.16	0.22	0.25
Dividend payout ratio, %	61.7	34.1	68.6	39.7	33.0	33.0	33.0
Dividend yield, %	2.5	2.3	3.9	3.4	2.8	3.8	4.3
FCF yield, %	-21.9	8.2	29.5	-1.6	-24.5	-28.6	-21.1
Efficiency measures							
ROE	2.6	12.0	5.3	6.9	6.4	8.3	8.8
ROCE	4.2	10.3	9.9	6.2	6.4	7.2	7.3
Financial ratios							
Inventories as % of sales	0.6	0.7	4.3	2.6	2.6	2.6	2.6
Receivables as % of sales	22.1	17.9	7.4	7.0	7.0	6.9	6.8
Non-interest bearing liabilities as % of sales	22.4	22.0	10.1	7.8	7.8	7.8	7.8
NWC/sales, %	-12.7	-18.7	-26.4	-23.9	-23.2	-22.3	-21.5
Operative CAPEX/sales, %	21.0	15.8	11.6	13.2	18.2	19.6	17.8
CAPEX/sales (incl. acquisitions), %	21.0	15.8	11.6	13.2	18.2	19.6	17.8
FCFF/EBITDA	-1.8	0.7	0.5	0.3	0.1	0.0	0.1
Net debt/EBITDA, book-weighted	-0.6	-0.8	1.4	1.3	1.6	1.9	2.1
Debt/equity, market-weighted	1.4	0.4	0.7	0.7	1.2	1.5	1.8
Equity ratio, book-weighted	37.8	39.1	25.4	27.4	26.4	25.9	25.7
Gearing, %	-11.2	-24.2	77.0	64.5	82.8	99.7	110.1

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	416.935	55.8%
The local Government Pensions Institution	5,750,875	33.528	4.5%
Varma Mutual Pension Insurance Company	3,261,933	19.017	2.5%
Ilmarinen Mutual Pension Insurance Company	2,870,642	16.736	2.2%
Tiiviste-Group Oy	2,150,000	12.534	1.7%
The State Pension Fund	1,720,000	10.028	1.3%
Oy Etra Invest Ab	1,000,000	5.830	0.8%
Elo Mutual Pension Insurance Company	832,652	4.854	0.6%
Veritas Pension Insurance Company	777,656	4.534	0.6%
Laakkonen Mikko Kalervo	740,000	4.314	0.6%
Ten largest	90,619,184	528.310	71%
Residual	37,516,931	218.724	29%
Total	128,136,115	747.034	100%

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

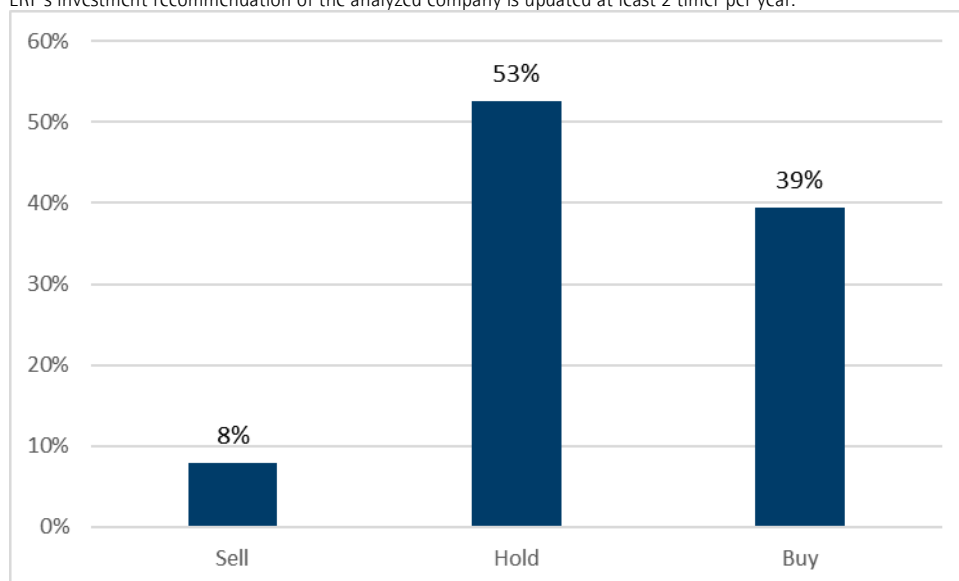
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Target price compared to share price	Recommendation
< -10 %	SELL
-10 – (+10) %	HOLD
> 10 %	BUY

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

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