

Dark winter ahead

Finnair will report its Q3 result on next week's Wednesday, 28th of October. We have cut our 20E-21E estimates. We keep our rating "HOLD" with TP of EUR 0.38 (EUR 0.50) ahead of Q3 result.

Q3'20 ASK decreased by 87% y/y

In Jul-Sep, Finnair carried 454k passengers which is 89% decline compared to Q3'19. Finnair's Q3 Available Seat Kilometers (ASK) decreased by 87% y/y but compared to Q2'20, ASK increased by ~380%. Revenue Passenger Kilometers (RPK) decreased by 94% y/y. Passenger load factor in Q3, was 38.7% (-47.5pp compared to Q3'19). Due to the strict travel restrictions and new infection waves, the company was not able to operate as many flights as it first anticipated. We expect Q3E revenue of EUR 157m and adj. EBIT of EUR -191m.

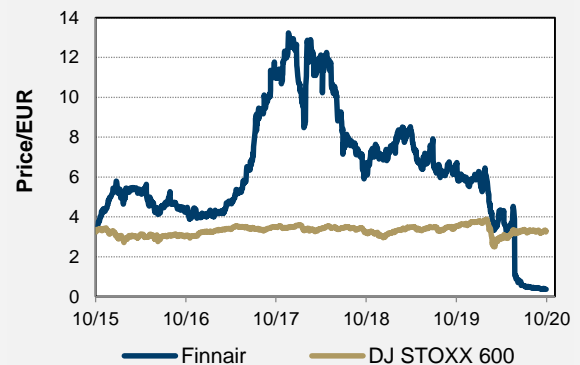
Aiming to fly ~75 daily flights during the winter season

The coronavirus has not shown signs of abating during the autumn and the travel restrictions have remained relatively tight, impacting negatively on demand. The company has been forced to adjust its traffic plans for several times and due to the current situation, the company now expects to operate approx. 75 flights per day from Nov'20 to Mar'21 (in 2019, ~350 daily flights) and will increase its destinations for summer 2021. During Q3, the company finalized a sale and leaseback arrangement for its A350 aircraft delivered in February this year. This had an immediate EUR ~100m positive cash effect. The company also issued a new EUR 200m hybrid bond (fixed interest rate of 10.250% p.a.).

"HOLD" with TP of EUR 0.38 (0.50)

We have further cut our 20E-21E estimates. We expect 20E revenue of EUR 1062m and comparable operating loss of EUR 609m. We expect the better recovery to start during '21 spring but we highlight that the outlook is still very blurry. We keep our rating "HOLD" with TP of EUR 0.38 (0.50).

Rating 🟡 HOLD



Share price, EUR (Last trading day's closing price) 0.36
Target price, EUR 0.38

Latest change in rating	16-Jul-20
Latest report on company	27-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	507
Free float, %	42.6
Exchange rate EUR/USD	1.170
Reuters code	FIA1S.HE
Bloomberg code	FIA1S.FH
Average daily volume, EURm	-
Next interim report	28-Oct-20
Web site	investors.finnair.com

Analyst Anna-Liisa Rissanen
E-mail annaliisa.rissanen@evli.com
Telephone +358401579919

🟢 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	1,062.3	-609.3	-57.4%	-860.7	-0.45	-0.8	1.4	-2.4	-169.9	0.00
2021E	2,224.1	-74.5	-3.4%	5.3	-0.11	-3.4	0.7	-19.9	1.0	0.00
2022E	2,858.3	114.7	4.0%	110.4	0.01	25.3	0.5	12.0	21.8	0.00
Market cap, EURm	507			Gearing 2020E, %	118.6			CAGR EPS 2019-22, %	-69.6	
Net debt 2020E, EURm	979			Price/book 2020E	0.6			CAGR sales 2019-22, %	-2.6	
Enterprise value, EURm	1,485			Dividend yield 2020E, %	0.0			ROE 2020E, %	-71.4	
Total assets 2020E, EURm	3,976			Tax rate 2020E, %	20.0			ROCE 2020E, %	-22.8	
Goodwill 2020E, EURm	0			Equity ratio 2020E, %	21.4			PEG, P/E 20/CAGR	0.0	

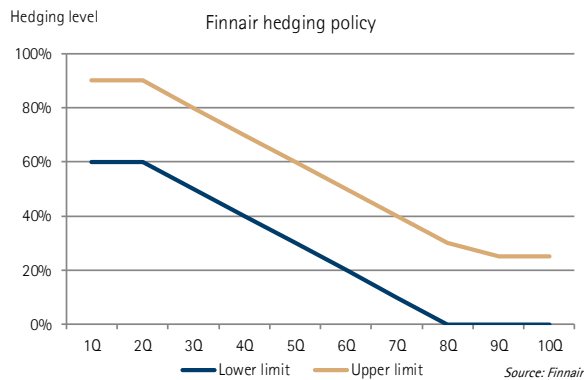
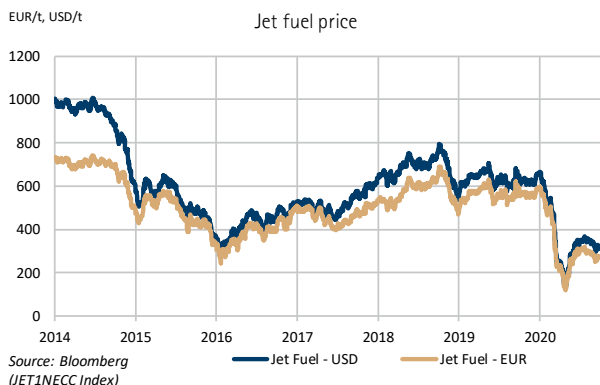
All the important disclosures can be found on the last pages of this report.

Estimates

FINNAIR EURm	2017 FY	2018 FY	2019 Q1	2019 Q2	2019 Q3	2019 Q4	2019 FY	2020 Q1	2020 Q2	2020E Q3	2020E Q4	2020E FY	2021E FY	2022E FY
Passengers (thousands)	11905	13281	3148	3910	4088	3504	14650	2656	98	454	969	4177	9435	12419
<i>y/y change</i>	10%	12%	4%	13%	12%	11%	10%	-16%	-97%	-89%	-72%	-71%	126%	32%
ASK (mkm)	36 922	42 386	10 670	12 308	12 624	11 587	47 190	9 671	345	1 667	3 206	14 888	33 111	43 861
<i>y/y change</i>	9%	15%	10%	15%	10%	11%	11%	-9%	-97%	-87%	-72%	-68%	122%	32%
RPK (mkm)	30 749	34 660	8 356	10 152	10 879	9 151	38 538	7 025	114	645	2 012	9 796	25 194	34 747
<i>y/y change</i>	14%	13%	4%	15%	12%	14%	11%	-16%	-99%	-94%	-78%	-75%	157%	38%
Load factor (RPK/ASK), PLF	83.3%	81.8%	78.3%	82.5%	86.2%	79.0%	81.7%	72.6%	33.1%	38.7%	62.8%	65.8%	76.1%	79.2%
<i>y/y change</i>	3.5% <i>-p</i>	-1.5% <i>-p</i>	-4.6% <i>-p</i>	-0.1% <i>-p</i>	1.7% <i>-p</i>	2.1% <i>-p</i>	-0.1% <i>-p</i>	-5.7% <i>-p</i>	-49.4% <i>-p</i>	-47.5% <i>-p</i>	-16.2% <i>-p</i>	-15.9% <i>-p</i>	10.3% <i>-p</i>	3.1% <i>-p</i>
Total revenue	2569	2835	668	789	865	775	3098	561	69	157	276	1062	2224	2858
<i>YoY change</i>	11%	10%	5%	10%	8%	13%	9%	-16%	-91%	-82%	-64%	-66%	109%	29%
Other income	77	74	15	13	13	15	56	14	11	10	10	45	52	52
Staff costs	-423	-500	-130	-137	-132	-136	-535	-136	-48	-53	-57	-294	-408	-496
<i>y/y change</i>	17%	18%	5%	3%	6%	14%	7%	5%	-65%	-60%	-58%	-45%	39%	22%
<i>% of revenue</i>	16%	18%	19%	17%	15%	18%	17%	24%	70%	34%	21%	28%	18%	17%
Fuel	-472	-581	-145	-181	-190	-171	-687	-144	-33	-55	-77	-309	-509	-623
<i>y/y change</i>	-4%	23%	14%	24%	17%	18%	18%	-1%	-82%	-71%	-55%	-55%	65%	22%
<i>% of revenue</i>	18%	20%	22%	23%	22%	22%	22%	26%	48%	35%	28%	29%	23%	22%
Other OPEX	-1314	-1330	-348	-359	-375	-362	-1444	-304	-87	-162	-212	-766	-1082	-1315
<i>y/y change</i>	4%	1%	8%	10%	8%	9%	9%	-13%	-76%	-57%	-41%	-47%	41%	22%
<i>% of revenue</i>	51%	47%	52%	45%	43%	47%	47%	54%	127%	104%	77%	72%	49%	46%
Comparable EBITDA	300	501	60	126	182	121	488	-9	-89	-103	-61	-262	277	476
Depreciation	-129	-294	-76	-79	-81	-90	-325	-83	-85	-88	-92	-348	-351	-361
Comparable EBIT	171	218	-16	47	101	31	163	-91	-174	-191	-153	-609	-75	115
<i>Comp. EBIT-%</i>	6.6%	7.7%	-2.4%	5.9%	11.6%	4.0%	5.3%	-16.2%	-254.1%	-122.0%	-55.4%	-57.4%	-3.4%	4.0%

Sources: Finnair, Evli estimates

Jet fuel



Valuation

	MCAP local FX	EV/EBITDA 20	EV/EBITDA 21	EV/EBITDA 22	EV/EBIT 20	EV/EBIT 21	EV/EBIT 22	P/E 20	P/E 21	P/E 22	P/B 20	P/B 21	P/B 22
FINNAIR PEER GROUP													
Primary European peers													
SAS AB	8907		8.0x	5.9x			17.0x			10.4x		10.8x	9.0x
International Consolidated Airlines Group S	4756		6.4x	3.4x		33.0x	6.6x			3.4x	1.1x	1.3x	1.0x
Air France-KLM SA	1283		7.5x	3.9x			18.3x			22.5x			
Deutsche Lufthansa AG	4517		7.3x	3.5x			10.3x			7.5x	0.6x	0.6x	0.6x
Norwegian Air Shuttle ASA	2222		14.3x	6.4x			27.2x			0.5x	0.0x	0.0x	0.0x
Other European peers													
Aegean Airlines SA	209			2.2x			4.6x		13.6x	2.9x	1.5x	1.3x	1.0x
easyJet plc	2139		9.2x	3.7x			8.2x			7.9x	0.9x	1.0x	0.9x
Ryanair Holdings Plc	13127		8.8x	5.7x		16.3x	8.9x		18.0x	9.6x	2.9x	2.5x	2.1x
Wizz Air Holdings Plc	2722	39.0x	6.5x	4.0x		15.4x	7.6x		18.0x	9.6x	4.0x	3.1x	2.2x
North American peers													
American Airlines Group, Inc.	6337		26.6x	8.3x			20.4x			11.8x			
Delta Air Lines, Inc.	20069		10.0x	5.6x		22.8x	9.1x			7.6x	3.8x	4.0x	2.9x
JetBlue Airways Corporation	3334		8.3x	4.9x		29 562.2x	8.9x			11.4x	0.8x	0.9x	0.8x
Southwest Airlines Co.	23406		10.7x	5.9x		22.8x	8.7x		66.9x	13.0x	2.2x	2.2x	2.0x
Spirit Airlines, Inc.	1580		11.5x	7.8x		52.1x	13.3x			7.6x	0.8x	0.8x	0.7x
Primary European peers median			7.5x	3.9x		33.0x	17.0x			7.5x	0.6x	1.0x	0.8x
Finnair (Evli est)*		-5.7x	5.4x	2.9x	-2.4x	-19.9x	12.0x	-0.8x	-3.4x	25.3x	0.6x	0.8x	0.7x

Finnair discount/premium to primary peer group median*

- -29% -25% - -160% -29% - - -237% 3% -24% -5%

	Ticker	Div yield 20	Div yield 21	Div yield 22	EBIT-% 20	EBIT-% 21	EBIT-% 22	ROCE-% 20	ROCE-% 21	ROCE-% 22	ROE-% 20	ROE-% 21	ROE-% 22
FINNAIR PEER GROUP													
Primary European peers													
SAS AB	SAS-SE	0.0%	0.0%	0.0%	-36.5%	-0.3%	6.8%	-20.9%	-0.3%	6.7%		-48.0%	86.3%
International Consolidated Airlines Group S	IAG-GB	0.0%	0.4%	3.7%	-35.7%	3.1%	11.4%	-15.6%	2.4%	10.5%	-104.7%	-1.8%	29.2%
Air France-KLM SA	AF-FR	0.0%	0.0%	0.0%	-37.5%	-5.7%	3.6%	-22.7%	-5.8%	5.2%			
Deutsche Lufthansa AG	LHA-DE	0.1%	0.5%	1.5%	-32.3%	-2.4%	4.6%	-18.4%	-2.2%	4.6%	-68.0%	-13.5%	7.4%
Norwegian Air Shuttle ASA	NAS-NO	0.0%	0.0%	32.8%	-40.7%	-9.7%	5.5%	-10.8%	-4.0%	3.7%	-26.5%	-1.9%	5.9%
Other European peers													
Aegean Airlines SA	AEGN-GR	20.9%	0.3%	5.6%	-24.9%	6.2%	10.9%	-22.4%	8.3%	14.7%	-121.0%	9.8%	34.6%
easyJet plc	EZJ-GB	0.0%	0.0%	3.9%	-24.1%	-2.5%	7.5%	-12.5%	-1.7%	7.1%	-32.3%	-7.1%	11.1%
Ryanair Holdings Plc	RY4C-IE	0.0%	0.0%	0.0%	-31.8%	13.4%	19.4%	-9.7%	9.5%	15.4%	-19.8%	14.1%	21.6%
Wizz Air Holdings Plc	WIZZ-GB	0.0%	0.0%	0.0%	-20.4%	12.5%	17.2%	-7.3%	8.7%	13.5%	-26.1%	17.5%	23.4%
North American peers													
American Airlines Group, Inc.	AAL-US	1.0%	0.4%	0.5%	-64.2%	-5.6%	5.0%	-22.0%	-3.3%	3.9%			
Delta Air Lines, Inc.	DAL-US	1.0%	0.1%	1.8%	-45.4%	6.2%	10.8%	-14.0%	3.1%	7.4%	-124.8%	-1.9%	38.7%
JetBlue Airways Corporation	JBLU-US	0.0%	0.0%	0.0%	-66.8%	0.0%	9.8%	-16.7%	0.0%	6.5%	-39.2%	-4.1%	7.1%
Southwest Airlines Co.	LUV-US	0.7%	0.6%	1.2%	-53.3%	5.8%	13.0%	-20.2%	4.0%	11.5%	-36.9%	3.3%	15.1%
Spirit Airlines, Inc.	SAVE-US	0.0%	0.0%	0.0%	-50.5%	3.0%	10.9%	-13.0%	1.3%	5.9%	-44.3%	-4.0%	9.7%
Primary European peers median		0.0%	0.0%	1.5%	-36.5%	-2.4%	5.5%	-18.4%	-2.2%	5.2%	-68.0%	-7.7%	18.3%
Finnair (Evli est)*	FIA1S-FI	0.0%	0.0%	0.0%	-57.4%	-3.4%	4.0%	-22.8%	-2.9%	4.8%	-71.4%	-20.2%	2.9%

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	2019Q1	2019Q2	2019Q3	2019Q4	2019	2020Q1	2020Q2	2020Q3E	2020Q4E	2020E	2021E	2022E
Net sales	668.3	789.1	865.4	774.9	3,097.7	561.2	68.6	156.7	275.7	1,062.3	2,224.1	2,858.3
EBITDA	60.2	125.6	181.8	120.7	488.2	-8.6	-89.2	-103.2	-60.7	-261.7	276.5	475.6
<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>-130.0</i>	<i>-65.8</i>	<i>-22.0</i>	<i>-24.6</i>	<i>12.4</i>	<i>16.6</i>
EBIT	-15.8	46.9	100.6	31.2	162.8	-91.1	-174.3	-191.2	-152.7	-609.3	-74.5	114.7
<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>-254.1</i>	<i>-122.0</i>	<i>-55.4</i>	<i>-57.4</i>	<i>-3.4</i>	<i>4.0</i>
Net financial items	-31.0	-8.8	-22.9	-4.3	-67.0	-82.7	-44.0	-23.0	-23.0	-172.7	-94.0	-69.1
Pre-tax profit	-46.8	38.1	77.7	26.9	95.8	-173.8	-218.3	-214.2	-175.7	-782.0	-168.5	45.5
Tax	9.7	-7.8	-14.4	-5.9	-18.4	35.6	43.1	42.8	35.1	156.7	33.7	-9.1
<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>19.7</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>
Net profit	-40.3	27.1	60.1	17.8	64.6	-141.4	-178.3	-175.5	-144.7	-639.8	-151.2	20.0
EPS	-0.31	0.21	0.47	0.14	0.50	-0.10	-0.13	-0.12	-0.10	-0.45	-0.11	0.01
EPS adjusted (diluted no. of shares)	-0.31	0.21	0.47	0.14	0.50	-0.10	-0.13	-0.12	-0.10	-0.45	-0.11	0.01
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	668.3	789.1	865.4	774.9	3,097.7	561.2	68.6	156.7	275.7	1,062.3	2,224.1	2,858.3
Total	668.3	789.1	865.4	774.9	3,097.7	561.2	68.6	156.7	275.7	1,062.3	2,224.1	2,858.3
SALES GROWTH, Y/Y %												
Group total	4.2	9.9	7.2	15.7	9.2	-16.0	-91.3	-81.9	-64.4	-65.7	109.4	28.5
Total	4.2	9.9	7.2	15.7	9.2	-16.0	-91.3	-81.9	-64.4	-65.7	109.4	28.5
EBIT, EURm												
Group total	-15.8	46.9	100.6	31.2	162.8	-91.1	-174.3	-191.2	-152.7	-609.3	-74.5	114.7
Total	-15.8	46.9	100.6	31.2	162.8	-91.1	-174.3	-191.2	-152.7	-609.3	-74.5	114.7
EBIT margin, %												
Group total	-2.4	5.9	11.6	4.0	5.3	-16.2	-254.1	-122.0	-55.4	-57.4	-3.4	4.0
Total	-2.4	5.9	11.6	4.0	5.3	-16.2	-254.1	-122.0	-55.4	-57.4	-3.4	4.0

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	1,062.3	2,224.1	2,858.3
<i>Sales growth (%)</i>	-1.3	2.8	10.9	10.4	9.2	-65.7	109.4	28.5
EBITDA	131.8	161.0	299.6	512.6	488.2	-261.7	276.5	475.6
<i>EBITDA margin (%)</i>	5.8	6.9	11.7	18.1	15.8	-24.6	12.4	16.6
Depreciation	-108.1	-105.8	-129.2	-294.2	-325.4	-347.6	-351.1	-360.9
EBITA	23.7	55.2	170.4	218.4	162.8	-609.3	-74.5	114.7
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	-609.3	-74.5	114.7
<i>EBIT margin (%)</i>	1.1	2.4	6.6	7.7	5.3	-57.4	-3.4	4.0
Reported EBIT	12.4	53.8	169.5	218.3	160.0	-610.6	-74.5	114.7
<i>EBIT margin (reported) (%)</i>	0.6	2.3	6.6	7.7	5.2	-57.5	-3.4	4.0
Net financials	-8.3	-10.5	-13.7	-129.0	-67.0	-172.7	-94.0	-69.1
Pre-tax profit	15.4	44.7	156.7	89.4	95.8	-782.0	-168.5	45.5
Taxes	-3.1	-8.9	-31.3	-25.6	-18.4	156.7	33.7	-9.1
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	-641.1	-151.2	20.0
Cash NRIs	-11.3	-1.4	-0.9	-0.1	-2.8	-1.3	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	1,763	1,778	1,785
Goodwill	0	0	0	0	0	0	0	0
Right of use assets	0	0	0	999	878	977	979	1,000
Inventory	12	15	17	121	80	106	67	43
Receivables	364	512	460	210	217	131	146	171
Liquid funds	708	814	965	1,067	952	998	667	858
Total assets	2,050	2,529	2,887	3,944	3,878	3,976	3,636	3,857
Liabilities								
Shareholder's equity	727	857	1,016	918	966	825	674	694
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	977	979	1,000
Deferred taxes	0	33	74	48	64	64	64	64
Interest bearing debt	346	718	719	615	521	1,000	667	725
Non-interest bearing current liabilities	682	519	566	285	243	74	222	343
Other interest-free debt	201	339	428	811	873	878	873	873
Total liabilities	2,050	2,529	2,887	3,944	3,878	3,976	3,636	3,857
CASH FLOW, EURm								
+ EBITDA	132	161	300	513	488	-262	277	476
- Net financial items	-8	-10	-14	-129	-67	-173	-94	-69
- Taxes	0	33	-1	-52	-2	157	34	-9
- Increase in Net Working Capital	43	56	57	50	-7	-108	173	119
+/- Other	-2	-19	40	1	-16	-16	-16	-16
= Cash flow from operations	164	220	382	383	397	-402	373	500
- Capex	-81	-486	-405	-330	-409	-459	-368	-390
- 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	-861	5	110
+/- New issues/buybacks	231	110	60	-110	21	500	0	0
- Paid dividend	0	0	-13	-38	-35	0	0	0
+/- Other	-480	108	-30	-17	-89	407	-336	80
Change in cash	282	105	151	103	-116	47	-331	190

KEY FIGURES	2016	2017	2018	2019	2020E	2021E	2022E
M-cap	516	1,643	908	753	507	507	507
Net debt (excl. convertibles)	-96	-246	707	623	979	979	868
Enterprise value	420	1,397	1,615	1,377	1,485	1,485	1,375
Sales	2,317	2,568	2,836	3,098	1,062	2,224	2,858
EBITDA	161	300	513	488	-262	277	476
EBIT	55	170	218	163	-609	-75	115
Pre-tax	45	157	89	96	-782	-169	46
Earnings	21	113	51	65	-640	-151	20
Equity book value (excl. minorities)	857	1,016	918	966	825	674	694
Valuation multiples							
EV/sales	0.2	0.5	0.6	0.4	1.4	0.7	0.5
EV/EBITDA	2.6	4.7	3.2	2.8	-5.7	5.4	2.9
EV/EBITA	7.6	8.2	7.4	8.5	-2.4	-19.9	12.0
EV/EBIT	7.6	8.2	7.4	8.5	-2.4	-19.9	12.0
EV/OCF	1.9	3.7	4.2	3.5	-3.7	4.0	2.7
EV/FCFF	-1.5	6.3	6.1	8.4	-3.1	6.7	4.1
P/FCFE	-4.6	12.2	3.4	-61.4	-0.6	96.2	4.6
P/E	24.9	14.6	10.2	11.7	-0.8	-3.4	25.3
P/B	0.6	1.6	1.0	0.8	0.6	0.8	0.7
Target EV/EBITDA	0.0	0.0	0.0	0.0	-5.8	5.5	3.0
Target EV/EBIT	0.0	0.0	0.0	0.0	-2.5	-20.3	12.2
Target EV/FCF	0.0	0.0	0.0	0.0	-1.8	287.5	12.7
Target P/B	0.0	0.0	0.0	0.0	0.6	0.8	0.8
Target P/E	0.0	0.0	0.0	0.0	-0.8	-3.5	26.7
Per share measures							
Number of shares	128,136	128,136	128,136	128,136	1,407,192	1,407,192	1,407,192
Number of shares (diluted)	128,136	128,136	128,136	128,136	1,407,192	1,407,192	1,407,192
EPS	0.16	0.88	0.40	0.50	-0.45	-0.11	0.01
Operating cash flow per share	1.71	2.98	2.99	3.09	-0.29	0.26	0.36
Free cash flow per share	-0.88	1.05	2.09	-0.10	-0.61	0.00	0.08
Book value per share	6.69	7.93	7.17	7.54	0.59	0.48	0.49
Dividend per share	0.10	0.30	0.27	0.00	0.00	0.00	0.00
Dividend payout ratio, %	61.7	34.1	68.6	0.0	0.0	0.0	0.0
Dividend yield, %	2.5	2.3	3.9	0.0	0.0	0.0	0.0
FCF yield, %	-21.9	8.2	29.5	-1.6	-169.9	1.0	21.8
Efficiency measures							
ROE	2.6	12.0	5.3	6.9	-71.4	-20.2	2.9
ROCE	4.2	10.3	9.9	6.2	-22.8	-2.9	4.8
Financial ratios							
Inventories as % of sales	0.6	0.7	4.3	2.6	10.0	3.0	1.5
Receivables as % of sales	22.1	17.9	7.4	7.0	12.3	6.6	6.0
Non-interest bearing liabilities as % of sales	22.4	22.0	10.1	7.8	7.0	10.0	12.0
NWC/sales, %	-12.7	-18.7	-26.4	-23.9	-59.5	-36.2	-32.3
Operative CAPEX/sales, %	21.0	15.8	11.6	13.2	43.2	16.5	13.6
CAPEX/sales (incl. acquisitions), %	21.0	15.8	11.6	13.2	43.2	16.5	13.6
FCFF/EBITDA	-1.8	0.7	0.5	0.3	1.8	0.8	0.7
Net debt/EBITDA, book-weighted	-0.6	-0.8	1.4	1.3	-3.7	3.5	1.8
Debt/equity, market-weighted	1.4	0.4	0.7	0.7	2.0	1.3	1.4
Equity ratio, book-weighted	37.8	39.1	25.4	27.4	21.4	19.9	19.6
Gearing, %	-11.2	-24.2	77.0	64.5	118.6	145.2	125.1

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	786,669,687	283.201	55.9%
The local Government Pensions Institution	57,109,316	20.559	4.1%
Ilmarinen Mutual Pension Insurance Company	37,464,260	13.487	2.7%
Varma Mutual Pension Insurance Company	35,881,263	12.917	2.5%
The State Pension Fund	21,999,999	7.920	1.6%
Elo Mutual Pension Insurance Company	14,671,667	5.282	1.0%
Veritas Pension Insurance Company Ltd.	7,785,851	2.803	0.6%
Laakkonen Mikko Kalervo	7,200,000	2.592	0.5%
Finnair	4,100,001	1.476	0.3%
Länsiauto Oy	2,323,220	0.836	0.2%
Ten largest	975,205,264	351.074	69%
Residual	431,986,401	155.515	31%
Total	1,407,191,665	506.589	100%

EARNINGS CALENDAR	
October 28, 2020	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, %	$\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes}}{\text{Shareholder's equity} + \text{minority interest} + \text{taxed provisions (average)}}$		

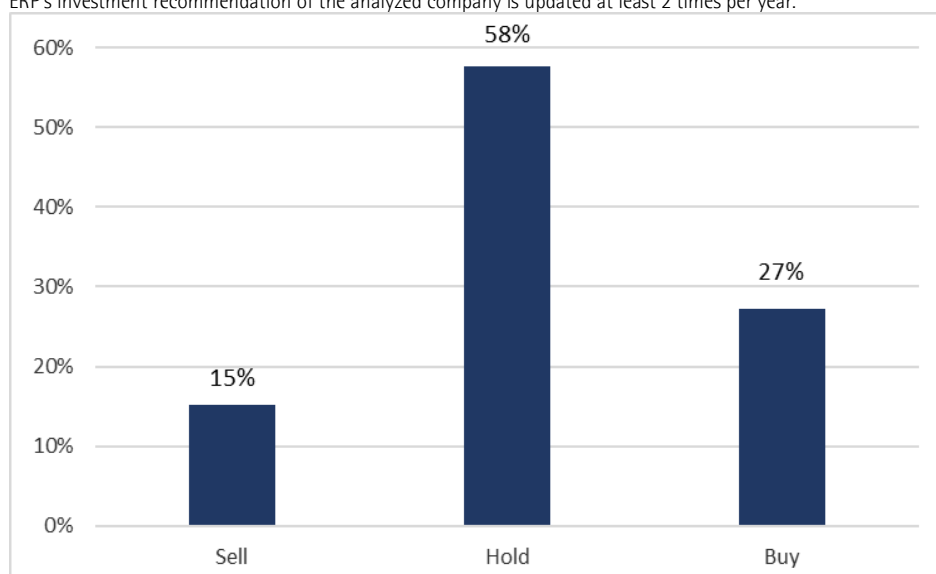
Important Disclosures

Evli Research Partners Plc ("ERP") uses 12-month target prices. Target prices are defined by utilizing analytical techniques based on financial theory including (but not limited to) discounted cash flow analysis and comparative valuation. The selection of valuation methods depends on different circumstances. Target prices may be altered on the basis of new information coming to light in the underlying company or changes in interest rates, changes in foreign exchange rates, other securities prices or market indices or outlook for the aforementioned factors or other factors that may change the conditions of financial markets. Recommendations and changes by analysts are available at [Analysts' recommendations and ratings revisions](#).

Investment recommendations are defined as follows:

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

ERP's investment recommendation of the analyzed company is updated at least 2 times per year.



The graph above shows the distribution of ERP's recommendations of companies under coverage in 11th of May 2020. If recommendation is not given, it is not mentioned here.

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

This research report has been prepared by Evli Research Partners Plc ("ERP" or "Evli Research"). ERP is a subsidiary of Evli Bank Plc. Production of the investment recommendation has been concluded on [19.10.2020, 9:00]. This report has been published on [19.10.2020, 9:40].

None of the analysts contributing to this report, persons under their guardianship or corporations under their control have a position in the shares of the company or related securities.

The date and time for any price of financial instruments mentioned in the recommendation refer to the previous trading day's closing price(s) unless otherwise stated in the report.

Each analyst responsible for the content of this report assures that the expressed views accurately reflect the personal views of each analyst on the covered companies and securities. Each analyst assures that (s)he has not been, nor are or will be, receiving direct or indirect compensation related to the specific recommendations or views contained in this report.

Companies in the Evli Group, affiliates or staff of companies in the Evli Group, may perform services for, solicit business from, hold long or short positions in, or otherwise be interested in the investments (including derivatives) of any company mentioned in the publication or report.

Neither ERP nor any company within the Evli Group have managed or co-managed a public offering of the company's securities during the last 12 months prior to, received compensation for investment banking services from the company during the last 12 months prior to the publication of the research report.

ERP has signed an agreement with the issuer of the financial instruments mentioned in the recommendation, which includes production of research reports. This assignment has a limited economic and financial impact on ERP and/or Evli. Under the assignment ERP performs services including, but not limited to, arranging investor meetings or –events, investor relations communication advisory and production of research material.

ERP or another company within the Evli Group does not have an agreement with the company to perform market making or liquidity providing services. months prior to, received compensation for investment banking services from the company during the last 12 months prior to the publication of the. For the prevention and avoidance of conflicts of interests with respect to this report, there is an information barrier (Chinese wall) between Investment

Research and Corporate Finance units concerning unpublished investment banking services to the company. The remuneration of the analyst(s) is not tied directly or indirectly to investment banking transactions or other services performed by Evli Bank Plc or any company within Evli Group.

This report has not been disclosed to the company prior to its dissemination.

This report is provided and intended for informational purposes only and may not be used or considered under any circumstances as an offer to sell or buy any securities or as advice to trade any securities.

This report is based on sources ERP considers to be correct and reliable. The sources include information providers Reuters and Bloomberg, stock-exchange releases from the companies and other company news, Statistics Finland and articles in newspapers and magazines. However, ERP does not guarantee the materialization, correctness, accuracy or completeness of the information, opinions, estimates or forecasts expressed or implied in the report. In addition, circumstantial changes may have an influence on opinions and estimates presented in this report. The opinions and estimates presented are valid at the moment of their publication and they can be changed without a separate announcement. Neither ERP nor any company within the Evli Group are responsible for amending, correcting or updating any information, opinions or estimates contained in this report. Neither ERP nor any company within the Evli Group will compensate any direct or consequential loss caused by or derived from the use of the information represented in this publication.

All information published in this report is for the original recipient's private and internal use only. ERP reserves all rights to the report. No part of this publication may be reproduced or transmitted in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, or stored in any retrieval system of any nature, without the written permission of ERP.

This report or its copy may not be published or distributed in Australia, Canada, Hong Kong, Japan, New Zealand, Singapore or South Africa. The publication or distribution of this report in certain other jurisdictions may also be restricted by law. Persons into whose possession this report comes are required to inform themselves about and to observe any such restrictions.

Evli Bank Plc is not registered as a broker-dealer with the U. S. Securities and Exchange Commission ("SEC"), and it and its analysts are not subject to SEC rules on securities analysts' certification as to the currency of their views reflected in the research report. Evli Bank is not a member of the Financial Industry Regulatory Authority ("FINRA"). It and its securities analysts are not subject to FINRA's rules on Communications with the Public and Research Analysts and Research Reports and the attendant requirements for fairness, balance and disclosure of potential conflicts of interest. This research report is only being offered in U.S. by Auerbach Grayson & Company, LLC (Auerbach Grayson) to Major U.S. Institutional Investors and is not available to, and should not be used by, any U.S. person or entity that is not a Major U.S. Institutional Investor. Auerbach Grayson is a broker-dealer registered with the U.S. Securities and Exchange Commission and is a member of the FINRA. U.S. entities seeking more information about any of the issuers or securities discussed in this report should contact Auerbach Grayson. The securities of non-U.S. issuers may not be registered with or subject to SEC reporting and other requirements.

ERP is not a supervised entity but its parent company Evli Bank Plc is supervised by the Finnish Financial Supervision Authority.

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