

## Working through the challenges

Finnair reports Q2 results on Jul 19. We revise our estimates up a bit due to busy early summer, but valuation continues to reflect the on-going improvement well.

### We believe EBIT could turn positive already in Q3'22

Q2 RPK topped our estimate by 12% thanks to high passenger loads, especially in June, as Europe was in line while Asian and North Atlantic flows were above our estimates. The overall Q2 RPK figure was roughly half of the level seen in 2019; Finnair's European Q2 flows were already 70% of the corresponding 2019 figures, which reflects the fact that short-haul routes have rebounded faster than long-haul ones. Many airports have been strained under the traffic and Finnair cannot have dodged the challenge although the impact may have been less pronounced in its case. Finnair expected Q2 EBIT to land around the same level seen in Q4'21 (EUR -65m); we previously estimated the figure at EUR -80m but revise our estimate to EUR -41m due to the busier-than-expected early summer season. Finnair appears poised to reach profitability in the coming quarters, despite the Russian airspace closure, as Western routes continue to rebound and high travel demand helps secure good prices for wet leases.

### Expect to hear more on shoring up long-term potential

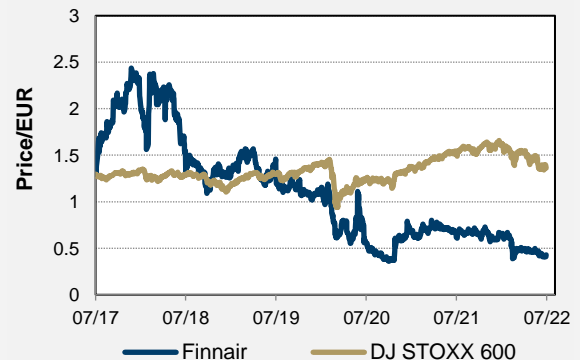
The Russian closure is likely to limit Finnair's long-term potential to some extent, however Finnair is yet to announce any sales of aircraft in response. It would therefore be interesting to get some further color on where Finnair sees itself standing now with respect to the already announced leases and potential additional capacity reduction measures. Finnair was quick to identify further EUR 60m in permanent cost savings, and there were hints the target could still be upped a bit. The company has also recently expanded its Stockholm Arlanda presence and may be able to pursue more growth from there.

### Valuation reflects the improving environment

Jet fuel prices peaked in June and are already down by some 20% from those highs but the current levels remain elevated by historical standards. We have revised our EBIT estimates slightly upwards, but airline valuations have developed soft over the summer weeks and are now trading about 12x FY '23 EV/EBIT. We don't thus see upside on the 13-18x EV/EBIT multiples (on our FY '23-24 estimates). We retain our EUR 0.43 TP and HOLD rating.

Rating

■ HOLD



Share price, EUR (Last trading day's closing price) 0.43  
Target price, EUR 0.43

Latest change in recommendation 28-Apr-22  
Latest report on company 28-Apr-22  
Research paid by issuer: YES  
No. of shares outstanding, '000's 1,405,964  
No. of shares fully diluted, '000's 1,405,964  
Market cap, EURm 605  
Free float, % 42.9  
Exchange rate EUR/USD 1.00  
Reuters code FIA1S.HE  
Bloomberg code FIA1S.FH  
Average daily volume, EURm 1.0  
Next interim report 19-Jul-22  
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
2020	829.2	-595.3	-71.8%	-1,281.1	-0.48	-1.6	2.9	-4.1	-119.8	0.00
2021	838.4	-468.9	-55.9%	-997.4	-0.34	-1.7	2.8	-5.1	-119.2	0.00
2022E	2,286.9	-123.4	-5.4%	154.0	-0.19	-2.3	0.8	-15.3	25.5	0.00
2023E	2,863.8	115.7	4.0%	-277.0	-0.01	-37.6	0.7	17.8	-45.8	0.00
2024E	3,007.0	180.4	6.0%	-268.4	0.04	11.7	0.8	12.9	-44.4	0.01
Market cap, EURm	605			Gearing 2022E, %	402.2			CAGR EPS 2021-24, %	0.0	
Net debt 2022E, EURm	1,284			Price/book 2022E	1.9			CAGR sales 2021-24, %	53.1	
Enterprise value, EURm	1,889			Dividend yield 2022E, %	0.0			ROE 2022E, %	-65.8	
Total assets 2022E, EURm	3,287			Tax rate 2022E, %	6.2			ROCE 2022E, %	-8.0	
Goodwill 2022E, EURm	0			Equity ratio 2022E, %	10.9			PEG, P/E 22/CAGR	0.0	

**Estimates**

FINNAIR EURm	2017 FY	2018 FY	2019 FY	2020 FY	2021 Q1	2021 Q2	2021 Q3	2021 Q4	2021 FY	2022 Q1	2022E Q2	2022E Q3	2022E Q4	2022E FY	2023E FY
Passengers (thousands)	11905	13281	14650	3486	259	292	779	1523	2852	1509	1612	2260	2375	7756	9922
<i>y/y change</i>	10 %	12 %	10 %	-76 %	-90 %	198 %	72 %	447 %	-18 %	482 %	453 %	190 %	56 %	172 %	28 %
ASK (mkm)	36 922	42 386	47 189	12 938	1 201	1 418	3 294	6 181	12 094	6 915	7 841	9 563	9 638	33 958	43 712
<i>y/y change</i>	9 %	15 %	11 %	-73 %	-88 %	311 %	98 %	392 %	-7 %	476 %	453 %	190 %	56 %	181 %	28.7%-p
RPK (mkm)	30 749	34 660	38 534	8 150	306	434	1 369	3 068	5 178	3 269	5 275	7 175	7 814	23 533	35 656
<i>y/y change</i>	14 %	13 %	11 %	-79 %	-96 %	281 %	112 %	738 %	-36 %	967 %	1114 %	424 %	155 %	354 %	52 %
Load factor (RPK/ASK), PLF	83.3 %	81.8 %	81.7%	63.0 %	25.5 %	30.6 %	41.6 %	49.6 %	42.8 %	47.3 %	67.3 %	75.0 %	81.1 %	69.3 %	81.6 %
<i>y/y change</i>	3.5%-p	-1.5%-p	-0.1%-p	-18.7%-p	-47.1%-p	-2.5%-p	2.9%-p	20.5%-p	-20.2%-p	21.8%-p	36.6%-p	33.5%-p	31.4%-p	26.5%-p	12.3%-p
<b>Ancillary and retail</b>	145	161	176	62	9	6	11	19	44	27	35	37	34	132	197
<b>Cargo</b>	197	207	212	178	61	61	65	147	335	121	79	74	96	370	373
<b>Travel services</b>	206	223	230	61	1	0	10	28	39	25	27	29	37	118	133
<b>Total revenue</b>	<b>2569</b>	<b>2835</b>	<b>3098</b>	<b>829</b>	<b>114</b>	<b>112</b>	<b>199</b>	<b>414</b>	<b>838</b>	<b>400</b>	<b>549</b>	<b>640</b>	<b>698</b>	<b>2287</b>	<b>2864</b>
<i>YoY change</i>	<b>11 %</b>	<b>10 %</b>	<b>9 %</b>	<b>-73 %</b>	<b>-80 %</b>	<b>63 %</b>	<b>104 %</b>	<b>305 %</b>	<b>1 %</b>	<b>252 %</b>	<b>391 %</b>	<b>222 %</b>	<b>69 %</b>	<b>173 %</b>	<b>25 %</b>
Other income	77	74	56	48	9	8	32	13	63	20	23	30	25	98	85
<b>Staff costs</b>	<b>-423</b>	<b>-500</b>	<b>-535</b>	<b>-284</b>	<b>-53</b>	<b>-54</b>	<b>-58</b>	<b>-84</b>	<b>-249</b>	<b>-102</b>	<b>-108</b>	<b>-114</b>	<b>-109</b>	<b>-433</b>	<b>-451</b>
<i>y/y change</i>	17 %	18 %	7 %	-47 %	-61 %	12 %	2 %	100 %	-12 %	93 %	100 %	95 %	30 %	74 %	4 %
<i>% of revenue</i>	16 %	18 %	17 %	34 %	46 %	48 %	29 %	20 %	30 %	25 %	20 %	18 %	16 %	19 %	16 %
<b>Fuel</b>	<b>-472</b>	<b>-581</b>	<b>-687</b>	<b>-233</b>	<b>-30</b>	<b>-31</b>	<b>-48</b>	<b>-102</b>	<b>-212</b>	<b>-137</b>	<b>-175</b>	<b>-158</b>	<b>-186</b>	<b>-656</b>	<b>-915</b>
<i>y/y change</i>	-4 %	23 %	18 %	-66 %	-79 %	-7 %	65 %	286 %	-9 %	350 %	468 %	230 %	82 %	210 %	40 %
<i>% of revenue</i>	18 %	20 %	22 %	28 %	27 %	28 %	24 %	25 %	25 %	34 %	32 %	25 %	27 %	29 %	32 %
<b>Other OPEX</b>	<b>-1314</b>	<b>-1316</b>	<b>-1444</b>	<b>-613</b>	<b>-100</b>	<b>-105</b>	<b>-134</b>	<b>-227</b>	<b>-566</b>	<b>-231</b>	<b>-243</b>	<b>-293</b>	<b>-303</b>	<b>-1071</b>	<b>-1111</b>
<i>y/y change</i>	4 %	0 %	10 %	-58 %	-67 %	20 %	28 %	94 %	-8 %	130 %	132 %	120 %	33 %	89 %	4 %
<i>% of revenue</i>	51 %	46 %	47 %	74 %	88 %	94 %	67 %	55 %	68 %	58 %	44 %	46 %	43 %	47 %	39 %
<b>Comparable EBIT</b>	<b>171</b>	<b>218</b>	<b>163</b>	<b>-595</b>	<b>-143</b>	<b>-151</b>	<b>-109</b>	<b>-65</b>	<b>-469</b>	<b>-133</b>	<b>-41</b>	<b>18</b>	<b>32</b>	<b>-123</b>	<b>116</b>
<i>Comp. EBIT-%</i>	<b>6.6 %</b>	<b>7.7 %</b>	<b>5.3 %</b>	<b>-71.8 %</b>	<b>-126.2 %</b>	<b>-135.3 %</b>	<b>-54.8 %</b>	<b>-15.8 %</b>	<b>-56.0 %</b>	<b>-33.2 %</b>	<b>-7.5 %</b>	<b>2.9 %</b>	<b>4.6 %</b>	<b>-5.4 %</b>	<b>4.0 %</b>

Sources: Finnair, Evli estimates

**Jet fuel cost**

EUR/t, USD/t

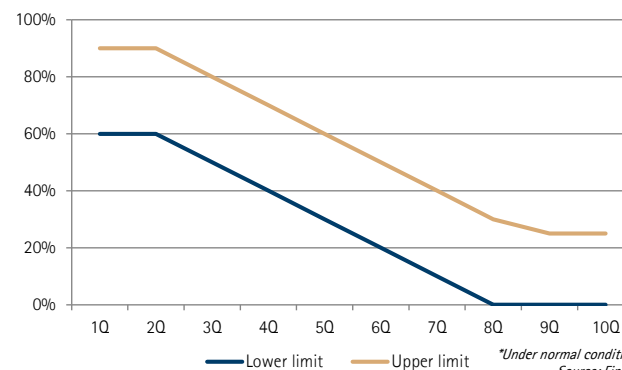
Jet fuel price



Source: Bloomberg (JET1NECC Index)

Hedging level

Finnair hedging policy


 \*Under normal conditions  
 Source: Finnair

**Valuation**

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
		21	22	23	21	22	23	21	22	23	21	22	23
<b>Primary European peers</b>													
SAS AB	4992		16.2x	10.7x							1.8x		
International Consolidated Airlines Group	5213		7.3x	4.9x		31.8x	10.3x			6.6x		11.8x	4.3x
Air France-KLM SA	2930	15.3x	4.7x	3.6x		87.4x	15.8x			18.9x			
Deutsche Lufthansa AG	6801		5.4x	4.4x		30.2x	14.0x		123.8x		1.1x	1.5x	1.5x
Norwegian Air Shuttle ASA	8398		5.0x	2.4x		6.1x	5.0x			8.2x	3.1x	2.5x	2.0x
<b>Other European peers</b>													
Aegean Airlines SA	440	3.8x	3.4x	2.7x	19.9x	11.4x	7.0x		20.3x	8.8x	2.1x	1.8x	1.6x
easyJet plc	2675		4.9x	3.0x		42.9x	7.4x			9.8x	0.8x	1.0x	0.9x
Ryanair Holdings Plc	13208	70.5x	6.4x	5.5x		10.0x	8.5x		10.9x	9.6x	2.4x	2.0x	1.7x
Wizz Air Holdings Plc	1808		14.0x	4.7x			11.5x			8.2x	8.4x		11.9x
<b>North American peers</b>													
American Airlines Group, Inc.	9295		14.7x	7.5x		94.2x	13.4x			6.8x			
Delta Air Lines, Inc.	19040		7.6x	5.0x		12.6x	7.3x		10.2x	5.2x	6.3x	3.7x	1.8x
JetBlue Airways Corporation	2605		12.9x	4.6x			10.3x			9.5x	0.8x	0.7x	0.7x
Southwest Airlines Co.	23007		5.2x	4.0x		8.0x	5.8x		14.2x	10.0x	2.5x	1.9x	1.7x
Spirit Airlines, Inc.	2603		33.4x	9.3x			21.1x			17.7x	1.3x	1.3x	1.2x
<b>Primary European peers median</b>		<b>15.3x</b>	<b>5.4x</b>	<b>4.4x</b>	<b>-</b>	<b>31.0x</b>	<b>12.1x</b>	<b>-</b>	<b>123.8x</b>	<b>10.2x</b>	<b>1.8x</b>	<b>2.5x</b>	<b>2.0x</b>
<b>Finnair (Evli est)*</b>		<b>-16.0x</b>	<b>5.8x</b>	<b>4.0x</b>	<b>-5.1x</b>	<b>-15.3x</b>	<b>17.8x</b>	<b>-1.7x</b>	<b>-2.3x</b>	<b>-37.3x</b>	<b>1.8x</b>	<b>1.9x</b>	<b>1.5x</b>
<i>Finnair discount/premium to primary peer group median*</i>		<i>-204%</i>	<i>7%</i>	<i>-8%</i>	<i>-</i>	<i>-149%</i>	<i>47%</i>	<i>-</i>	<i>-102%</i>	<i>-466%</i>	<i>-5%</i>	<i>-25%</i>	<i>-25%</i>
FINNAIR PEER GROUP	Ticker	Div yield	Div yield	Div yield	EBIT-%	EBIT-%	EBIT-%	ROCE-%	ROCE-%	ROCE-%	ROE-%	ROE-%	ROE-%
		21	22	23	21	22	23	21	22	23	21	22	23
<b>Primary European peers</b>													
SAS AB	SAS-SE	0.0%	0.0%	0.0%	-38.8%	-6.2%	-1.1%	-14.8%	-5.1%	-1.1%	-246.0%		
International Consolidated Airlines Group	IAG-GB	0.0%	0.0%	0.8%	-35.1%	2.9%	7.6%	-13.5%	2.6%	7.9%		-25.1%	65.7%
Air France-KLM SA	AF-FR	0.0%	0.0%	0.0%	-11.4%	0.6%	3.0%	-8.7%	0.8%	4.9%			
Deutsche Lufthansa AG	LHA-DE	0.0%	0.0%	0.1%	-13.9%	1.8%	3.3%	-8.4%	1.8%	3.9%	-56.4%	1.2%	11.9%
Norwegian Air Shuttle ASA	NAS-NO	0.0%	0.0%	2.2%	-55.0%	9.7%	9.5%				-43.4%	-11.8%	24.0%
<b>Other European peers</b>													
Aegean Airlines SA	AEGN-GR	0.0%	1.0%	2.2%	4.5%	4.8%	6.6%	3.1%	5.6%	9.8%	-18.5%	9.0%	17.8%
easyJet plc	EZJ-GB	0.0%	0.1%	1.8%	-71.5%	1.4%	5.5%	-14.2%	1.1%	6.4%	-38.7%	-0.7%	9.4%
Ryanair Holdings Plc	RYA-IE	0.0%	0.0%	0.3%	-9.4%	14.3%	13.2%	-4.4%	13.4%	14.3%	-4.5%	18.6%	17.7%
Wizz Air Holdings Plc	WIZZ-GB	0.0%	0.0%	0.0%	-28.1%	-5.9%	8.4%	-11.7%	-5.8%	9.7%	-258.0%		144.2%
<b>North American peers</b>													
American Airlines Group, Inc.	AAL-US	0.0%	0.0%	0.2%	-18.5%	0.9%	5.9%	-11.6%	1.0%	6.9%			
Delta Air Lines, Inc.	DAL-US	0.2%	0.0%	0.6%	-8.6%	7.2%	10.7%	-4.9%	6.3%	10.0%	-76.9%	36.5%	34.3%
JetBlue Airways Corporation	JBLU-US	0.0%	0.0%	0.0%	-15.1%	-2.7%	5.1%	-8.8%	-2.3%	4.6%	-21.6%	-6.2%	6.9%
Southwest Airlines Co.	LUV-US	0.0%	0.2%	0.9%	-6.7%	10.3%	12.3%	-3.9%	8.6%	11.1%	-12.5%	13.6%	16.5%
Spirit Airlines, Inc.	SAVE-US				-13.0%	-3.0%	5.0%	-6.0%	-2.2%	4.1%	-20.7%	-11.3%	6.7%
<b>Primary European peers median</b>		<b>0.0%</b>	<b>0.0%</b>	<b>0.1%</b>	<b>-35.1%</b>	<b>1.8%</b>	<b>3.3%</b>	<b>-11.1%</b>	<b>1.3%</b>	<b>4.4%</b>	<b>-56.4%</b>	<b>-11.8%</b>	<b>24.0%</b>
<b>Finnair (Evli est)*</b>	FIA1S-FI	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>-55.9%</b>	<b>-5.4%</b>	<b>4.0%</b>	<b>-17.9%</b>	<b>-8.0%</b>	<b>0.6%</b>	<b>-69.8%</b>	<b>-65.8%</b>	<b>-4.4%</b>

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.

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC
Current share price	0.43 PV of Free Cash Flow	1,185 Long-term growth, %	2.0 Risk-free interest rate, %
DCF share value	1.25 PV of Horizon value	1,830 WACC, %	9.6 Market risk premium, %
Share price potential, %	191.6 Unconsolidated equity	0 Spread, %	0.5 Debt risk premium, %
Maximum value	1.4 Marketable securities	1,266 Minimum WACC, %	9.1 Equity beta coefficient
Minimum value	1.1 Debt - dividend	-2,809 Maximum WACC, %	10.1 Target debt ratio, %
Horizon value, %	60.7 Value of stock	1,472 Nr of shares, Mn	1,406.0 Effective tax rate, %

DCF valuation, EURm	2021	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	Horizon
Net sales	838	2,287	2,864	3,007	3,097	3,159	3,222	3,287	3,352	3,420	3,488	3,558
<i>Sales growth, %</i>	<i>1.1</i>	<i>172.8</i>	<i>25.2</i>	<i>5.0</i>	<i>3.0</i>	<i>2.0</i>	<i>2.0</i>	<i>2.0</i>	<i>2.0</i>	<i>2.0</i>	<i>2.0</i>	<i>2.0</i>
Operating income (EBIT)	-469	-123	116	180	201	190	193	197	201	222	227	231
<i>Operating income margin, %</i>	<i>-55.9</i>	<i>-5.4</i>	<i>4.0</i>	<i>6.0</i>	<i>6.5</i>	<i>6.0</i>	<i>6.0</i>	<i>6.0</i>	<i>6.0</i>	<i>6.5</i>	<i>6.5</i>	<i>6.5</i>
+ Depreciation+amort.	320	448	398	361	334	347	358	366	374	381	388	
EBITDA	-149	324	513	542	536	537	551	563	575	603	615	
- Paid taxes	-15	8	-23	-36	-40	-38	-39	-39	-40	-44	-45	
- Change in NWC	117	47	43	11	7	5	5	5	5	5	5	
<i>NWC / Sales, %</i>	<i>-43.9</i>	<i>-18.2</i>	<i>-16.0</i>	<i>-15.6</i>	<i>-15.4</i>	<i>-15.2</i>	<i>-15.1</i>	<i>-14.9</i>	<i>-14.8</i>	<i>-14.6</i>	<i>-14.5</i>	
+ Change in other liabs	39	0	0	0	0	0	0	0	0	0	0	
- Operative CAPEX	-434	-400	-450	-400	-250	-250	-240	-240	-240	-240	-240	
<i>opCAPEX / Sales, %</i>	<i>100.5</i>	<i>3.5</i>	<i>24.5</i>	<i>23.0</i>	<i>14.0</i>	<i>13.6</i>	<i>13.1</i>	<i>13.0</i>	<i>12.8</i>	<i>12.7</i>	<i>6.9</i>	
- Acquisitions	0	0	0	0	0	0	0	0	0	0	0	
+ Divestments	0	0	0	0	0	0	0	0	0	0	0	
- Other items	-6	-12	-13	-13	-13	-13	-13	-13	-13	-13	-13	
= FCFF	-448	-33	71	104	240	241	264	276	287	311	322	4,343
= Discounted FCFF		-32	62	83	175	160	160	153	145	144	136	1,830
= DFCF min WACC		-32	62	84	177	163	164	157	150	149	142	2,046
= DFCF max WACC		-32	62	82	172	157	156	148	140	138	130	1,644

## INTERIM FIGURES

EVLI ESTIMATES, EURm	2021Q1	2021Q2	2021Q3	2021Q4	2021	2022Q1	2022Q2E	2022Q3E	2022Q4E	2022E	2023E	2024E
Net sales	113.6	111.8	199.5	413.5	838.4	399.8	548.7	640.5	697.9	2,286.9	2,863.8	3,007.0
EBITDA	-60.9	-70.1	-30.6	12.6	-149.0	-21.3	70.7	130.4	144.4	324.2	513.4	541.7
<i>EBITDA margin (%)</i>	<i>-53.6</i>	<i>-62.7</i>	<i>-15.3</i>	<i>3.0</i>	<i>-17.8</i>	<i>-5.3</i>	<i>12.9</i>	<i>20.4</i>	<i>20.7</i>	<i>14.2</i>	<i>17.9</i>	<i>18.0</i>
EBIT	-143.2	-151.3	-109.1	-65.3	-468.9	-132.9	-41.3	18.4	32.4	-123.4	115.7	180.4
<i>EBIT margin (%)</i>	<i>-126.1</i>	<i>-135.3</i>	<i>-54.7</i>	<i>-15.8</i>	<i>-55.9</i>	<i>-33.2</i>	<i>-7.5</i>	<i>2.9</i>	<i>4.6</i>	<i>-5.4</i>	<i>4.0</i>	<i>6.0</i>
Net financial items	-32.7	-11.0	-39.1	-44.7	-127.5	-47.1	-40.0	-30.0	-25.0	-142.1	-120.0	-100.0
Pre-tax profit	-175.9	-162.3	-148.2	-110.0	-596.4	-180.0	-81.3	-11.6	7.4	-265.5	-4.3	80.4
Tax	36.3	30.1	30.1	21.1	117.6	-0.7	16.3	2.3	-1.5	16.4	0.9	-16.1
<i>Tax rate (%)</i>	<i>20.6</i>	<i>18.5</i>	<i>20.3</i>	<i>19.2</i>	<i>19.7</i>	<i>-0.4</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>6.2</i>	<i>20.0</i>	<i>20.0</i>
Net profit	-139.6	-132.2	-118.1	-88.9	-478.8	-180.7	-69.1	-13.4	1.8	-261.4	-16.1	51.7
EPS	-0.10	-0.09	-0.08	-0.06	-0.34	-0.13	-0.05	-0.01	0.00	-0.19	-0.01	0.04
EPS adjusted (diluted no. of shares)	-0.10	-0.09	-0.08	-0.06	-0.34	-0.13	-0.05	-0.01	0.00	-0.19	-0.01	0.04
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	0.01
<b>SALES, EURm</b>												
Group total	113.6	111.8	199.5	413.5	838.4	399.8	548.7	640.5	697.9	2,286.9	2,863.8	3,007.0
Total	113.6	111.8	199.5	413.5	838.4	399.8	548.7	640.5	697.9	2,286.9	2,863.8	3,007.0
<b>SALES GROWTH, Y/Y %</b>												
Group total	-79.8	63.0	104.7	305.4	1.1	251.9	390.8	221.0	68.8	172.8	25.2	5.0
Total	-79.8	63.0	104.7	305.4	1.1	251.9	390.8	221.0	68.8	172.8	25.2	5.0
<b>EBIT, EURm</b>												
Group total	-143.2	-151.3	-109.1	-65.3	-468.9	-132.9	-41.3	18.4	32.4	-123.4	115.7	180.4
Total	-143.2	-151.3	-109.1	-65.3	-468.9	-132.9	-41.3	18.4	32.4	-123.4	115.7	180.4
<b>EBIT margin, %</b>												
Group total	-126.1	-135.3	-54.7	-15.8	-55.9	-33.2	-7.5	2.9	4.6	-5.4	4.0	6.0
Total	-126.1	-135.3	-54.7	-15.8	-55.9	-33.2	-7.5	2.9	4.6	-5.4	4.0	6.0

INCOME STATEMENT, EURm	2017	2018	2019	2020	2021	2022E	2023E	2024E
Sales	2,568.4	2,836.1	3,097.7	829.2	838.4	2,286.9	2,863.8	3,007.0
<i>Sales growth (%)</i>	<i>10.9</i>	<i>10.4</i>	<i>9.2</i>	<i>-73.2</i>	<i>1.1</i>	<i>172.8</i>	<i>25.2</i>	<i>5.0</i>
EBITDA	299.6	512.6	488.2	-251.5	-149.0	324.2	513.4	541.7
<i>EBITDA margin (%)</i>	<i>11.7</i>	<i>18.1</i>	<i>15.8</i>	<i>-30.3</i>	<i>-17.8</i>	<i>14.2</i>	<i>17.9</i>	<i>18.0</i>
Depreciation	-129.2	-294.2	-325.4	-343.8	-319.9	-447.6	-397.7	-361.3
EBITA	170.4	218.4	162.8	-595.3	-468.9	-123.4	115.7	180.4
Goodwill amortization / writedown	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	170.4	218.4	162.8	-595.3	-468.9	-123.4	115.7	180.4
<i>EBIT margin (%)</i>	<i>6.6</i>	<i>7.7</i>	<i>5.3</i>	<i>-71.8</i>	<i>-55.9</i>	<i>-5.4</i>	<i>4.0</i>	<i>6.0</i>
Reported EBIT	169.5	218.3	160.0	-597.7	-474.7	-123.4	115.7	180.4
<i>EBIT margin (reported) (%)</i>	<i>6.6</i>	<i>7.7</i>	<i>5.2</i>	<i>-72.1</i>	<i>-56.6</i>	<i>-5.4</i>	<i>4.0</i>	<i>6.0</i>
Net financials	-13.7	-129.0	-67.0	-190.1	-127.5	-142.1	-120.0	-100.0
Pre-tax profit	156.7	89.4	95.8	-785.4	-596.4	-265.5	-4.3	80.4
Taxes	-31.3	-25.6	-18.4	131.2	117.6	16.4	0.9	-16.1
Minority shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit	111.9	51.1	61.8	-671.4	-484.6	-261.4	-16.1	51.7
Cash NRIs	-0.9	-0.1	-2.8	-2.4	-5.8	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
<b>BALANCE SHEET, EURm</b>								
Assets								
Fixed assets	1,446	1,547	1,751	1,683	1,215	1,320	1,474	1,641
Goodwill	0	0	0	0	0	0	0	0
Right of use assets	0	999	878	918	1,182	709	859	1,022
Inventory	17	121	80	68	56	57	72	75
Receivables	460	210	217	70	137	95	112	116
Liquid funds	965	1,067	952	824	1,266	915	1,146	1,203
Total assets	2,887	3,944	3,878	3,646	4,047	3,287	3,854	4,250
Liabilities								
Shareholder's equity	1,016	918	966	897	476	319	408	460
Minority interest	0	0	0	0	0	0	0	0
Convertibles	0	0	0	0	0	0	0	0
Lease liabilities	0	1,159	1,054	1,016	1,381	709	859	1,022
Deferred taxes	74	48	64	0	0	0	0	0
Interest bearing debt	719	615	521	1,182	1,428	1,490	1,743	1,905
Non-interest bearing current liabilities	566	285	243	176	291	297	372	391
Other interest-free debt	428	811	873	215	271	271	271	271
Total liabilities	2,887	3,944	3,878	3,647	4,047	3,287	3,854	4,250
<b>CASH FLOW, EURm</b>								
+ EBITDA	300	513	488	-251	-149	324	513	542
- Net financial items	-14	-129	-67	-190	-127	-142	-120	-100
- Taxes	-1	-52	-2	-18	11	16	1	-16
- Increase in Net Working Capital	57	50	-7	-489	117	47	43	11
+/- Other	40	1	-16	-17	-6	-12	-13	-13
= Cash flow from operations	382	383	397	-966	-155	233	425	424
- Capex	-405	-330	-409	-315	-842	-79	-702	-692
- Acquisitions	0	0	0	0	0	0	0	0
+ Divestments	157	214	0	0	0	0	0	0
= Free cash flow	134	268	-12	-1,281	-997	154	-277	-268
+/- New issues/buybacks	60	-110	21	602	64	105	105	0
- Paid dividend	-13	-38	-35	0	0	0	0	0
+/- Other	-30	-17	-89	551	1,376	-610	403	326
Change in cash	151	103	-116	-128	442	-351	231	57

KEY FIGURES	2018	2019	2020	2021	2022E	2023E	2024E
M-cap	908	753	1,069	837	605	605	605
Net debt (excl. convertibles)	707	623	1,374	1,543	1,284	1,456	1,725
Enterprise value	1,615	1,377	2,443	2,380	1,889	2,061	2,329
Sales	2,836	3,098	829	838	2,287	2,864	3,007
EBITDA	513	488	-251	-149	324	513	542
EBIT	218	163	-595	-469	-123	116	180
Pre-tax	89	96	-785	-596	-266	-4	80
Earnings	51	65	-669	-479	-261	-16	52
Equity book value (excl. minorities)	918	966	897	476	319	408	460
<b>Valuation multiples</b>							
EV/sales	0.6	0.4	2.9	2.8	0.8	0.7	0.8
EV/EBITDA	3.2	2.8	-9.7	-16.0	5.8	4.0	4.3
EV/EBITA	7.4	8.5	-4.1	-5.1	-15.3	17.8	12.9
EV/EBIT	7.4	8.5	-4.1	-5.1	-15.3	17.8	12.9
EV/OCF	4.2	3.5	-2.5	-15.4	8.1	4.8	5.5
EV/FCFF	6.1	8.4	-2.4	-5.3	-56.6	29.1	22.5
P/FCFE	18.4	-333.2	-0.8	-0.8	3.9	-2.2	-2.3
P/E	10.2	11.7	-1.6	-1.7	-2.3	-37.6	11.7
P/B	1.0	0.8	1.2	1.8	1.9	1.5	1.3
Target EV/EBITDA	0.0	0.0	0.0	0.0	5.8	4.0	4.3
Target EV/EBIT	0.0	0.0	0.0	0.0	-15.3	17.8	12.9
Target EV/FCF	0.0	0.0	0.0	0.0	12.3	-7.4	-8.7
Target P/B	0.0	0.0	0.0	0.0	1.9	1.5	1.3
Target P/E	0.0	0.0	0.0	0.0	-2.3	-37.6	11.7
<b>Per share measures</b>							
Number of shares	695,894	695,894	1,407,231	1,405,964	1,405,964	1,405,964	1,405,964
Number of shares (diluted)	695,894	695,894	1,407,231	1,405,964	1,405,964	1,405,964	1,405,964
EPS	0.07	0.09	-0.48	-0.34	-0.19	-0.01	0.04
Operating cash flow per share	0.55	0.57	-0.69	-0.11	0.17	0.30	0.30
Free cash flow per share	0.38	-0.02	-0.91	-0.71	0.11	-0.20	-0.19
Book value per share	1.32	1.39	0.64	0.34	0.23	0.29	0.33
Dividend per share	0.05	0.00	0.00	0.00	0.00	0.00	0.01
Dividend payout ratio, %	68.6	0.0	0.0	0.0	0.0	0.0	33.0
Dividend yield, %	3.9	0.0	0.0	0.0	0.0	0.0	2.8
FCF yield, %	29.5	-1.6	-119.8	-119.2	25.5	-45.8	-44.4
<b>Efficiency measures</b>							
ROE	5.3	6.9	-71.8	-69.8	-65.8	-4.4	11.9
ROCE	9.9	6.2	-21.1	-17.9	-8.0	0.6	2.5
<b>Financial ratios</b>							
Inventories as % of sales	4.3	2.6	8.2	6.7	2.5	2.5	2.5
Receivables as % of sales	7.4	7.0	8.4	16.3	4.1	3.9	3.9
Non-interest bearing liabilities as % of sales	10.1	7.8	21.2	34.7	13.0	13.0	13.0
NWC/sales, %	-26.4	-23.9	-30.3	-43.9	-18.2	-16.0	-15.6
Operative CAPEX/sales, %	11.6	13.2	38.0	100.5	3.5	24.5	23.0
CAPEX/sales (incl. acquisitions), %	11.6	13.2	38.0	100.5	3.5	24.5	23.0
FCFF/EBITDA	0.5	0.3	4.0	3.0	-0.1	0.1	0.2
Net debt/EBITDA, book-weighted	1.4	1.3	-5.5	-10.4	4.0	2.8	3.2
Debt/equity, market-weighted	0.7	0.7	1.1	1.7	2.5	2.9	3.2
Equity ratio, book-weighted	25.4	27.4	25.5	12.2	10.9	12.0	12.2
Gearing, %	77.0	64.5	153.3	324.4	402.2	356.7	375.0

**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	786,669,685	338.268	56.0%
Varma Mutual Pension Insurance Company	50,081,263	21.535	3.6%
Ilmarinen Mutual Pension Insurance Company	30,000,000	12.900	2.1%
Elo Mutual Pension Insurance Company	14,008,115	6.023	1.0%
The State Pension Fund	11,000,000	4.730	0.8%
Finnairin Henkilöstöraho Ho.	3,772,902	1.622	0.3%
OP Life Assurance Company Ltd	1,954,798	0.841	0.1%
Finnairin Eläkesäätiö	1,505,262	0.647	0.1%
Finnair Oyj	1,421,133	0.611	0.1%
Mäkitalo Allan Risto Pekka	1,195,547	0.514	0.1%
Ten largest	901,608,705	387.692	64%
Residual	504,355,367	216.873	36%
Total	1,405,964,072	604.565	100%

**EARNINGS CALENDAR**

July 19, 2022	Q2 report
October 28, 2022	Q3 report

**OTHER EVENTS****COMPANY MISCELLANEOUS**

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

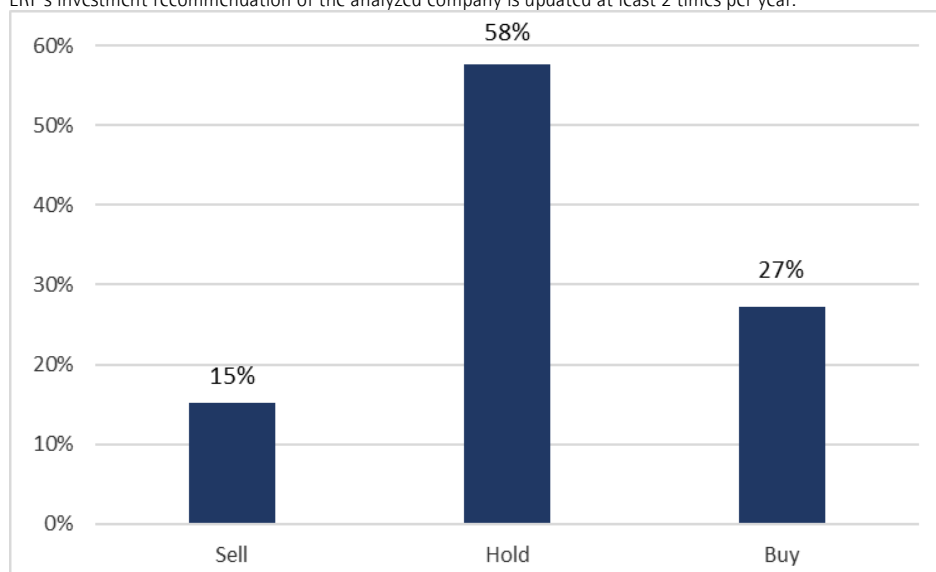
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Investment recommendations are defined as follows:

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

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## Name(s) of the analyst(s): Ilvonen

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