

Nearing cruising speed

Finnair issued a positive profit warning, and although the revision wasn't a big surprise it came relatively early.

Finnair hits above 5% EBIT margin already this year

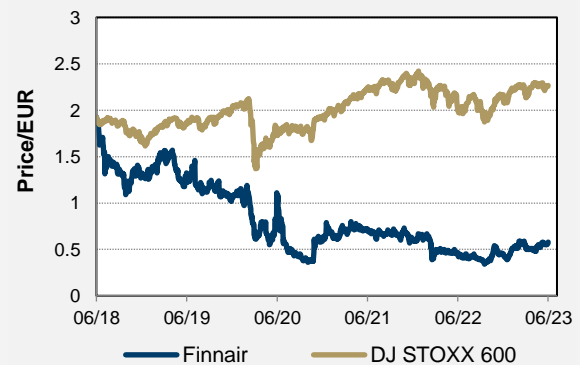
Finnair upgraded guidance, according to which it will near or even exceed the FY '19 adj. EBIT level of EUR 163m this year. Finnair did EUR 3,098m in FY '19 revenue, but is still likely to remain a bit shy of that figure this year. We don't view the upgrade a big surprise (although it arrived early) as Finnair has reached positive EBIT since Q3'22, and Q1'23 results were also strong considering seasonality. The revision was driven by the extension of factors which helped it reach its break-even Q1'23 EBIT, in other words continued high demand, moderating fuel prices and strategy execution. We previously estimated Finnair to reach EUR 127m EBIT this year, whereas our new estimate is EUR 160m. We make minor revisions to our top line estimates but update our FY '24 EBIT estimate to EUR 199m (prev. EUR 186m).

The market environment is quite favorable right now

Fuel prices have already slid a lot from their peak, yet the levels are still high in the historical context and hence a further decline seems more likely than an increase. In any case the airline industry continues to be in a rather sweet spot for now as higher ticket prices have not so far curtailed demand. The inflationary environment itself causes uncertainty around demand and operating costs going forward, while it's also unclear to what extent inflation persists. We note our Finnair EBIT margin estimates continue to significantly lag those of its peers.

At least some further improvement to be expected

Finnair's peers' EBIT margin estimates for FY '23-24 have gained by 100bps in less than two months. We update our FY '23 estimate by 100bps, but our revision is only 40bps for next year. We believe Finnair will issue new long-term targets soon as the ones given only nine months ago have already become outdated. Those targets at no point looked too challenging, but back then Finnair still had a lot to do in terms of strategy implementation. Finnair is now on a sound footing, but it remains to be seen how much more improvement continues to come through now that the market is already very favorable. Finnair is valued 10x and 8x EV/EBIT on our FY '23-24 estimates, which we view neutral levels. Our new TP is EUR 0.53 (0.49); we retain HOLD rating.

 Rating 🟡 HOLD


Share price, EUR (Last trading day's closing price)	0.58
Target price, EUR	0.53

Latest change in recommendation	24-Apr-23
Latest report on company	28-Apr-23
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	815
Free float, %	42.9
Exchange rate EUR/USD	1.08
Reuters code	FIA1S.HE
Bloomberg code	FIA1S.FH
Average daily volume, EURm	1.0
Next interim report	21-Jul-23
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
2021	838.4	-468.9	-55.9%	-639.2	-0.34	-1.7	2.8	-5.1	-76.4	0.00
2022	2,356.6	-163.9	-7.0%	146.7	-0.31	-1.2	0.6	-8.8	26.9	0.00
2023E	3,056.8	159.8	5.2%	-19.6	0.02	27.9	0.5	10.2	-2.4	0.00
2024E	3,209.6	199.0	6.2%	39.3	0.03	17.2	0.5	8.0	4.8	0.01
2025E	3,305.9	214.9	6.5%	58.3	0.04	13.1	0.5	7.2	7.1	0.01
Market cap, EURm			815	Gearing 2023E, %			149.9	CAGR EPS 2022-25, %		0.0
Net debt 2023E, EURm			817	Price/book 2023E			1.5	CAGR sales 2022-25, %		11.9
Enterprise value, EURm			1,632	Dividend yield 2023E, %			0.0	ROE 2023E, %		6.1
Total assets 2023E, EURm			4,014	Tax rate 2023E, %			1.2	ROCE 2023E, %		2.2
Goodwill 2023E, EURm			0	Equity ratio 2023E, %			15.5	PEG, P/E 23/CAGR		0.0

Estimates and valuation

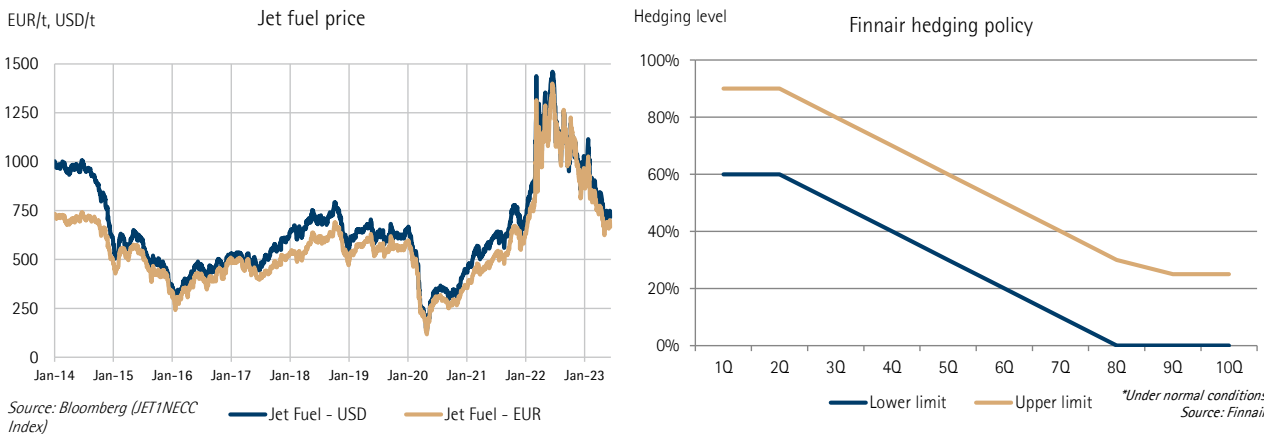
FINNAIR EURm	2017 FY	2018 FY	2019 FY	2020 FY	2021 FY	2022 Q1	2022 Q2	2022 Q3	2022 Q4	2022 FY	2023 Q1	2023E Q2	2023E Q3	2023E Q4	2023E FY
ASK (mkm)	36 922	42 386	47 189	12 938	12 094	6 915	7 841	8 357	8 186	31 299	8 550	9 343	10 208	9 591	37 692
<i>y/y change</i>	9 %	15 %	11 %	-73 %	-7 %	476 %	453 %	154 %	32 %	159 %	24 %	19 %	22 %	17 %	20.4%-p
RPK (mkm)	30 749	34 660	38 534	8 150	5 178	3 269	5 275	6 695	5 918	21 157	6 419	7 320	8 479	7 637	29 854
<i>y/y change</i>	14 %	13 %	11 %	-79 %	-36 %	967 %	1114 %	389 %	93 %	309 %	96 %	39 %	27 %	29 %	41 %
Load factor (RPK/ASK), PLF	83.3 %	81.8 %	81.7%	63.0 %	42.8 %	47.3 %	67.3 %	80.1 %	72.3 %	67.6 %	75.1 %	78.3 %	83.1 %	79.6 %	79.2 %
<i>y/y change</i>	3.5%-p	-1.5%-p	-0.1%-p	-18.7%-p	-20.2%-p	21.8%-p	36.6%-p	38.5%-p	22.7%-p	24.8%-p	27.8%-p	11.1%-p	2.9%-p	7.3%-p	11.6%-p
Ancillary and retail	145	161	176	62	44	27	28	36	32	123	33	37	47	39	156
Cargo	197	207	212	178	335	121	90	73	69	352	53	55	48	52	208
Travel services	206	223	230	61	39	25	39	56	51	170	55	60	67	57	239
Total revenue	2569	2835	3098	829	838	400	550	719	687	2356	695	714	849	799	3057
<i>YoY change</i>	11 %	10 %	9 %	-73 %	1 %	252 %	392 %	261 %	66 %	181 %	74 %	30 %	18 %	16 %	30 %
Other income	77	74	56	48	63	20	41	56	37	154	34	43	51	35	163
Staff costs	-423	-500	-535	-284	-249	-102	-114	-117	-115	-447	-129	-122	-131	-123	-505
<i>y/y change</i>	17 %	18 %	7 %	-47 %	-12 %	93 %	111 %	101 %	36 %	80 %	27 %	7 %	12 %	7 %	13 %
<i>% of revenue</i>	16 %	18 %	17 %	34 %	30 %	25 %	21 %	16 %	17 %	19 %	19 %	17 %	15 %	15 %	17 %
Fuel	-472	-581	-687	-233	-212	-137	-229	-242	-228	-836	-220	-227	-256	-246	-949
<i>y/y change</i>	-4 %	23 %	18 %	-66 %	-9 %	350 %	644 %	405 %	123 %	295 %	61 %	-1 %	6 %	8 %	13 %
<i>% of revenue</i>	18 %	20 %	22 %	28 %	25 %	34 %	42 %	34 %	33 %	35 %	32 %	32 %	30 %	31 %	31 %
Other OPEX	-1314	-1316	-1444	-613	-566	-231	-251	-302	-283	-1067	-294	-289	-343	-328	-1254
<i>y/y change</i>	4 %	0 %	10 %	-58 %	-8 %	130 %	139 %	126 %	24 %	88 %	27 %	15 %	14 %	16 %	18 %
<i>% of revenue</i>	51 %	46 %	47 %	74 %	68 %	58 %	46 %	42 %	41 %	45 %	42 %	40 %	40 %	41 %	41 %
Comparable EBIT	171	218	163	-595	-469	-133	-84	35	18	-164	1	32	82	45	160
<i>Comp. EBIT-%</i>	6.6 %	7.7 %	5.3 %	-71.8 %	-56.0 %	-33.2 %	-15.3 %	4.9 %	2.6 %	-7.0 %	0.1 %	4.4 %	9.7 %	5.6 %	5.2 %

Sources: Finnair, Evli estimates

FINNAIR PEER GROUP	MCAP MEUR	EV/EBITDA			EV/EBIT			EBIT-%		
		22	23	24	22	23	24	22	23	24
SAS	260	38.0x	20.1x	6.9x			34.0x	-10.3 %	-6.6 %	3.0 %
International Consolidated Airlines Group	9440	5.4x	4.4x	3.9x	14.6x	8.2x	6.8x	5.3 %	9.0 %	10.6 %
Air France-KLM	4530	3.1x	3.0x	2.8x	9.4x	7.4x	6.5x	4.5 %	6.0 %	6.6 %
Deutsche Lufthansa	11313	4.3x	3.6x	3.4x	11.2x	7.3x	6.5x	4.4 %	6.6 %	7.1 %
Norwegian Air Shuttle	1009	9.6x	3.2x	2.8x	7.0x	7.4x	5.7x	8.0 %	9.5 %	11.4 %
Aegean Airlines	918	3.5x	4.2x	3.7x	6.9x	9.2x	7.7x	10.5 %	9.8 %	10.9 %
easyJet	4386	4.3x	3.3x	2.9x	25.3x	7.7x	6.3x	1.9 %	6.1 %	6.7 %
Ryanair Holdings	19204	7.7x	6.8x	5.5x	13.6x	10.4x	8.0x	11.7 %	14.6 %	17.0 %
Wizz Air Holdings	3418	54.3x	7.8x	4.8x		27.1x	9.8x	-14.0 %	5.6 %	12.3 %
American Airlines Group	9731	10.9x	6.5x	6.2x	23.5x	10.1x	9.6x	3.6 %	7.8 %	7.9 %
Delta Air Lines	24040	7.2x	5.7x	5.1x	12.6x	8.2x	7.1x	7.8 %	11.1 %	12.3 %
Peer Group Average	8023	13.5x	6.2x	4.4x	13.8x	10.3x	9.8x	3.1 %	7.2 %	9.6 %
Peer Group Median	4530	7.2x	4.4x	3.9x	12.6x	8.2x	7.1x	4.5 %	7.8 %	10.6 %
Finnair (Evli est.)	817	7.8x	3.3x	2.9x	-8.8x	10.2x	8.0x	-7.0 %	5.2 %	6.2 %

Finnair prem./disc. to peer median

Source FactSet, Evli Research

Jet fuel cost


VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC
Current share price	0.58 PV of Free Cash Flow	1,968 Long-term growth, %	2.0 Risk-free interest rate, %
DCF share value	2.14 PV of Horizon value	1,940 WACC, %	9.6 Market risk premium, %
Share price potential, %	268.7 Unconsolidated equity	0 Spread, %	0.5 Debt risk premium, %
Maximum value	2.3 Marketable securities	1,524 Minimum WACC, %	9.1 Equity beta coefficient
Minimum value	2.0 Debt - dividend	-2,426 Maximum WACC, %	10.1 Target debt ratio, %
Horizon value, %	49.6 Value of stock	3,006 Nr of shares, Mn	1,406.0 Effective tax rate, %

DCF valuation, EURm	2022	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	Horizon
Net sales	2,357	3,057	3,210	3,306	3,372	3,439	3,508	3,578	3,650	3,723	3,797	3,873
<i>Sales growth, %</i>	<i>181.1</i>	<i>29.7</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>	<i>2.0</i>
Operating income (EBIT)	-164	160	199	215	202	206	210	215	237	242	247	252
<i>Operating income margin, %</i>	<i>-7.0</i>	<i>5.2</i>	<i>6.2</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>	<i>6.5</i>
+ Depreciation+amort.	350	331	343	326	325	335	348	359	370	380	389	
EBITDA	186	491	542	541	527	541	558	574	607	622	636	
- Paid taxes	60	-2	-40	-43	-40	-41	-42	-43	-47	-48	-49	
- Change in NWC	274	223	21	13	9	9	9	10	10	10	10	
<i>NWC / Sales, %</i>	<i>-27.3</i>	<i>-28.3</i>	<i>-27.6</i>	<i>-27.2</i>	<i>-27.0</i>	<i>-26.7</i>	<i>-26.4</i>	<i>-26.2</i>	<i>-25.9</i>	<i>-25.7</i>	<i>-25.5</i>	
+ Change in other liabs	171	0	0	0	0	0	0	0	0	0	0	
- Operative CAPEX	-88	-250	-250	-250	-250	-240	-240	-240	-240	-240	-240	
<i>opCAPEX / Sales, %</i>	<i>6.3</i>	<i>19.7</i>	<i>11.6</i>	<i>10.4</i>	<i>12.2</i>	<i>12.6</i>	<i>12.5</i>	<i>12.4</i>	<i>12.2</i>	<i>12.1</i>	<i>6.3</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	0	-9	-13	-13	-13	-13	-13	-13	-13	-13	-13	
= FCFF	603	452	260	249	233	257	273	288	317	331	344	4,640
= Discounted FCFF		430	226	197	169	170	164	158	159	151	144	1,940
= DFCF min WACC		431	228	199	172	173	169	163	165	157	150	2,170
= DFCF max WACC		429	224	195	166	166	160	154	154	146	138	1,742

INTERIM FIGURES

EVLI ESTIMATES, EURm	2022Q1	2022Q2	2022Q3	2022Q4	2022	2023Q1	2023Q2E	2023Q3E	2023Q4E	2023E	2024E	2025E
Net sales	399.8	550.3	719.2	687.3	2,356.6	694.7	714.2	849.4	798.5	3,056.8	3,209.6	3,305.9
EBITDA	-54.7	-5.4	114.2	131.8	185.9	82.9	114.7	165.3	128.0	490.8	542.0	541.0
<i>EBITDA margin (%)</i>	<i>-13.7</i>	<i>-1.0</i>	<i>15.9</i>	<i>19.2</i>	<i>7.9</i>	<i>11.9</i>	<i>16.1</i>	<i>19.5</i>	<i>16.0</i>	<i>16.1</i>	<i>16.9</i>	<i>16.4</i>
EBIT	-132.9	-84.2	35.3	17.9	-163.9	0.9	31.7	82.3	45.0	159.8	199.0	214.9
<i>EBIT margin (%)</i>	<i>-33.2</i>	<i>-15.3</i>	<i>4.9</i>	<i>2.6</i>	<i>-7.0</i>	<i>0.1</i>	<i>4.4</i>	<i>9.7</i>	<i>5.6</i>	<i>5.2</i>	<i>6.2</i>	<i>6.5</i>
Net financial items	-47.1	-76.5	-63.8	17.2	-170.2	-15.7	-35.0	-35.0	-35.0	-120.7	-124.0	-121.5
Pre-tax profit	-180.0	-160.7	-28.5	35.1	-334.1	-14.8	-3.3	47.3	10.0	39.1	75.0	93.4
Tax	-0.7	-110.3	7.6	-2.0	-105.4	10.3	0.7	-9.5	-2.0	-0.5	-15.0	-18.7
<i>Tax rate (%)</i>	<i>-0.4</i>	<i>-68.6</i>	<i>26.7</i>	<i>5.7</i>	<i>-31.5</i>	<i>69.6</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>1.2</i>	<i>20.0</i>	<i>20.0</i>
Net profit	-180.7	-271.0	-20.9	33.1	-439.5	-4.5	-5.8	34.7	4.8	29.2	47.4	62.1
EPS	-0.13	-0.19	-0.01	0.02	-0.31	0.00	0.00	0.02	0.00	0.02	0.03	0.04
EPS adjusted (diluted no. of shares)	-0.13	-0.19	-0.01	0.02	-0.31	0.00	0.00	0.02	0.00	0.02	0.03	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	0.01	0.01
SALES, EURm												
Group total	399.8	550.3	719.2	687.3	2,356.6	694.7	714.2	849.4	798.5	3,056.8	3,209.6	3,305.9
Total	399.8	550.3	719.2	687.3	2,356.6	694.7	714.2	849.4	798.5	3,056.8	3,209.6	3,305.9
SALES GROWTH, Y/Y %												
Group total	251.9	392.2	260.5	66.2	181.1	73.8	29.8	18.1	16.2	29.7	5.0	3.0
Total	251.9	392.2	260.5	66.2	181.1	73.8	29.8	18.1	16.2	29.7	5.0	3.0
EBIT, EURm												
Group total	-132.9	-84.2	35.3	17.9	-163.9	0.9	31.7	82.3	45.0	159.8	199.0	214.9
Total	-132.9	-84.2	35.3	17.9	-163.9	0.9	31.7	82.3	45.0	159.8	199.0	214.9
EBIT margin, %												
Group total	-33.2	-15.3	4.9	2.6	-7.0	0.1	4.4	9.7	5.6	5.2	6.2	6.5
Total	-33.2	-15.3	4.9	2.6	-7.0	0.1	4.4	9.7	5.6	5.2	6.2	6.5

INCOME STATEMENT, EURm	2018	2019	2020	2021	2022	2023E	2024E	2025E
Sales	2,836.1	3,097.7	829.2	838.4	2,356.6	3,056.8	3,209.6	3,305.9
<i>Sales growth (%)</i>	<i>10.4</i>	<i>9.2</i>	<i>-73.2</i>	<i>1.1</i>	<i>181.1</i>	<i>29.7</i>	<i>5.0</i>	<i>3.0</i>
EBITDA	512.6	488.2	-251.5	-149.0	185.9	490.8	542.0	541.0
<i>EBITDA margin (%)</i>	<i>18.1</i>	<i>15.8</i>	<i>-30.3</i>	<i>-17.8</i>	<i>7.9</i>	<i>16.1</i>	<i>16.9</i>	<i>16.4</i>
Depreciation	-294.2	-325.4	-343.8	-319.9	-349.8	-331.0	-343.0	-326.1
EBITA	218.4	162.8	-595.3	-468.9	-163.9	159.8	199.0	214.9
Goodwill amortization / writedown	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	218.4	162.8	-595.3	-468.9	-163.9	159.8	199.0	214.9
<i>EBIT margin (%)</i>	<i>7.7</i>	<i>5.3</i>	<i>-71.8</i>	<i>-55.9</i>	<i>-7.0</i>	<i>5.2</i>	<i>6.2</i>	<i>6.5</i>
Reported EBIT	218.3	160.0	-597.7	-474.7	-163.9	159.8	199.0	214.9
<i>EBIT margin (reported) (%)</i>	<i>7.7</i>	<i>5.2</i>	<i>-72.1</i>	<i>-56.6</i>	<i>-7.0</i>	<i>5.2</i>	<i>6.2</i>	<i>6.5</i>
Net financials	-129.0	-67.0	-190.1	-127.5	-170.2	-120.7	-124.0	-121.5
Pre-tax profit	89.4	95.8	-785.4	-596.4	-334.1	39.1	75.0	93.4
Taxes	-25.6	-18.4	131.2	117.6	-105.4	-0.5	-15.0	-18.7
Minority shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit	51.1	61.8	-671.4	-484.6	-439.5	29.2	47.4	62.1
Cash NRIs	-0.1	-2.8	-2.4	-5.8	0.0	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	1,547	1,751	1,683	1,215	1,165	1,236	1,297	1,408
Goodwill	0	0	0	0	0	0	0	0
Right of use assets	999	878	918	1,182	1,083	1,284	1,252	1,157
Inventory	121	80	68	56	122	76	80	83
Receivables	210	217	70	137	158	115	120	123
Liquid funds	1,067	952	824	1,266	1,524	1,223	1,284	1,322
Total assets	3,944	3,878	3,646	4,047	4,133	4,014	4,113	4,174
Liabilities								
Shareholder's equity	918	966	897	476	411	545	592	639
Minority interest	0	0	0	0	0	0	0	0
Convertibles	0	0	0	0	0	0	0	0
Lease liabilities	1,159	1,054	1,016	1,381	1,128	1,284	1,252	1,157
Deferred taxes	48	64	0	0	0	0	0	0
Interest bearing debt	615	521	1,182	1,428	1,299	756	809	900
Non-interest bearing current liabilities	285	243	176	291	452	586	616	634
Other interest-free debt	811	873	215	271	658	658	658	658
Total liabilities	3,944	3,878	3,647	4,047	4,133	4,014	4,113	4,174
CASH FLOW, EURm								
+ EBITDA	513	488	-251	-149	186	491	542	541
- Net financial items	-129	-67	-190	-127	-170	-121	-124	-121
- Taxes	-52	-2	-18	11	6	0	-15	-19
- Increase in Net Working Capital	50	-7	-489	117	274	223	21	13
+/- Other	1	-16	-17	-6	0	-9	-13	-13
= Cash flow from operations	383	397	-966	-155	296	583	411	401
- Capex	-330	-409	-315	-484	-149	-603	-372	-343
- Acquisitions	0	0	0	0	0	0	0	0
+ Divestments	214	0	0	0	0	0	0	0
= Free cash flow	268	-12	-1,281	-639	147	-20	39	58
+/- New issues/buybacks	-110	21	602	64	374	105	0	0
- Paid dividend	-38	-35	0	0	0	0	0	-16
+/- Other	-17	-89	551	1,018	-262	-387	22	-4
Change in cash	103	-116	-128	442	259	-302	61	39

KEY FIGURES	2019	2020	2021	2022	2023E	2024E	2025E
M-cap	753	1,069	837	546	815	815	815
Net debt (excl. convertibles)	623	1,374	1,543	902	817	777	735
Enterprise value	1,377	2,443	2,380	1,448	1,632	1,593	1,550
Sales	3,098	829	838	2,357	3,057	3,210	3,306
EBITDA	488	-251	-149	186	491	542	541
EBIT	163	-595	-469	-164	160	199	215
Pre-tax	96	-785	-596	-334	39	75	93
Earnings	65	-669	-479	-439	29	47	62
Equity book value (excl. minorities)	966	897	476	411	545	592	639
Valuation multiples							
EV/sales	0.4	2.9	2.8	0.6	0.5	0.5	0.5
EV/EBITDA	2.8	-9.7	-16.0	7.8	3.3	2.9	2.9
EV/EBITA	8.5	-4.1	-5.1	-8.8	10.2	8.0	7.2
EV/EBIT	8.5	-4.1	-5.1	-8.8	10.2	8.0	7.2
EV/OCF	3.5	-2.5	-15.4	4.9	2.8	3.9	3.9
EV/FCFF	8.4	-2.4	-26.4	2.4	3.6	6.1	6.2
P/FCFE	-333.2	-0.8	-1.3	3.7	-41.6	20.7	14.0
P/E	11.7	-1.6	-1.7	-1.2	27.9	17.2	13.1
P/B	0.8	1.2	1.8	1.3	1.5	1.4	1.3
Target EV/EBITDA	0.0	0.0	0.0	0.0	3.2	2.8	2.7
Target EV/EBIT	0.0	0.0	0.0	0.0	9.8	7.7	6.9
Target EV/FCF	0.0	0.0	0.0	0.0	-79.8	38.7	25.4
Target P/B	0.0	0.0	0.0	0.0	1.4	1.3	1.2
Target P/E	0.0	0.0	0.0	0.0	25.5	15.7	12.0
Per share measures							
Number of shares	695,894	1,407,231	1,405,964	1,405,964	1,405,964	1,405,964	1,405,964
Number of shares (diluted)	695,894	1,407,231	1,405,964	1,405,964	1,405,964	1,405,964	1,405,964
EPS	0.09	-0.48	-0.34	-0.31	0.02	0.03	0.04
Operating cash flow per share	0.57	-0.69	-0.11	0.21	0.41	0.29	0.29
Free cash flow per share	-0.02	-0.91	-0.45	0.10	-0.01	0.03	0.04
Book value per share	1.39	0.64	0.34	0.29	0.39	0.42	0.45
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.01	0.01
Dividend payout ratio, %	0.0	0.0	0.0	0.0	0.0	33.0	33.0
Dividend yield, %	0.0	0.0	0.0	0.0	0.0	1.9	2.5
FCF yield, %	-1.6	-119.8	-76.4	26.9	-2.4	4.8	7.1
Efficiency measures							
ROE	6.9	-71.8	-69.8	-99.2	6.1	8.3	10.1
ROCE	6.2	-21.1	-17.9	-8.9	2.2	3.0	4.2
Financial ratios							
Inventories as % of sales	2.6	8.2	6.7	5.2	2.5	2.5	2.5
Receivables as % of sales	7.0	8.4	16.3	6.7	3.8	3.7	3.7
Non-interest bearing liabilities as % of sales	7.8	21.2	34.7	19.2	19.2	19.2	19.2
NWC/sales, %	-23.9	-30.3	-43.9	-27.3	-28.3	-27.6	-27.2
Operative CAPEX/sales, %	13.2	38.0	57.8	6.3	19.7	11.6	10.4
CAPEX/sales (incl. acquisitions), %	13.2	38.0	57.8	6.3	19.7	11.6	10.4
FCFF/EBITDA	0.3	4.0	0.6	3.2	0.9	0.5	0.5
Net debt/EBITDA, book-weighted	1.3	-5.5	-10.4	4.9	1.7	1.4	1.4
Debt/equity, market-weighted	0.7	1.1	1.7	2.4	0.9	1.0	1.1
Equity ratio, book-weighted	27.4	25.5	12.2	10.9	15.5	16.5	17.5
Gearing, %	64.5	153.3	324.4	219.7	149.9	131.3	115.0

COMPANY DESCRIPTION: Finnair is a network airline established in 1923. The company focuses on passenger and cargo traffic between Nordic capitals and destinations across the northern hemisphere 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 restoring profitability according to its new strategy and operating a cost efficient and eco-friendly modern fleet.

OWNERSHIP STRUCTURE	SHARES	EURm	%
Prime Minister's Office	786,669,685	456.268	56.0%
Varma Mutual Pension Insurance Company	50,081,263	29.047	3.6%
Ilmarinen Mutual Pension Insurance Company	30,000,000	17.400	2.1%
Elo Mutual Pension Insurance Company	14,008,115	8.125	1.0%
The State Pension Fund	11,000,000	6.380	0.8%
Finnairin Henkilöstöraho Hr.	3,772,902	2.188	0.3%
OP Life Assurance Company Ltd	1,954,798	1.134	0.1%
Finnairin Eläkesäätiö	1,505,262	0.873	0.1%
Finnair Oyj	1,421,133	0.824	0.1%
Mäkitalo Allan Risto Pekka	1,195,547	0.693	0.1%
Ten largest	901,608,705	522.933	64%
Residual	504,355,367	292.526	36%
Total	1,405,964,072	815.459	100%

EARNINGS CALENDAR

July 21, 2023

Q2 report

October 31, 2023

Q3 report

OTHER EVENTS**COMPANY MISCELLANEOUS**

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Tietotie 9, 01053 FINNAIR (VANTAA AIRPORT)

CFO: Kristian Pullola

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

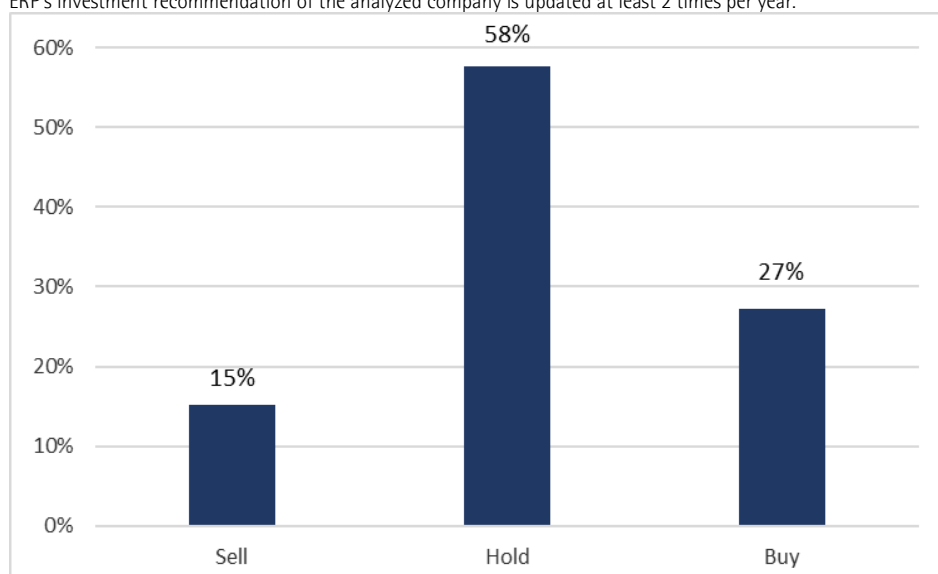
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Target price compared to share price	Recommendation
< -10 %	SELL
-10 – (+10) %	HOLD
> 10 %	BUY

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

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