

## Q3 profitability was very high

Finnair's Q3 profitability topped estimates while revenue was much as estimated. The company achieved a very high bottom line as fuel prices remained relatively low, but their recent increase will have an adverse effect going forward. Finnair narrowed its EBIT guidance a bit, but the midpoint for the year remains at EUR 180m.

- Finnair Q3 revenue increased by 13.7% y/y to EUR 817.3m vs the EUR 825.7m/804.2m Evli/consensus estimates. Passenger revenue grew by 21.5% y/y to EUR 673.1m and was in line with our estimate.
- Comparable EBIT amounted to EUR 94.3m, compared to the EUR 74.1m/83.8m Evli/consensus estimates. Higher fuel prices had an adverse impact on profitability towards the end of the period.
- Fuel costs were EUR 238m vs our EUR 259m estimate. Staff costs amounted to EUR 120m, compared to our EUR 129m estimate, while all other OPEX+D&A were EUR 392m vs our EUR 399m estimate.
- Cost per Available Seat Kilometer was 7.74 eurocents, compared to our estimate of 8.04 eurocents.
- Finnair specifies its guidance for FY '23 revenue and now estimates it to be in the range of EUR 2.9-3.1bn. Finnair now sees comparable EBIT for the year in the range of EUR 160-200m, based on current fuel prices and exchange rates. The guidance midpoint suggests Q4 EBIT at EUR 19m. Finnair still expects to operate an average capacity of 80-85% in 2023 (in terms of ASK) compared to 2019, including the agreed wet leases.

Rating <span style="float: right;">🟡 HOLD</span>				
Q3'23	Actual	Evli	Year ago	Q2'23
Revenue	817.3	825.7	719.2	749.2
Adj. EBIT	94.3	74.1	35.2	66.2
Adj. EBIT-%	11.5 %	9.0 %	4.9 %	8.8 %
Share price, EUR (Last trading day's closing price)				0.31
Target price, EUR				0.35
Latest change in recommendation				24-Apr-23
Latest report on company				18-Oct-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				436
Free float, %				42.9
Exchange rate EUR/USD				1.06
Reuters code				FIA1S.HE
Bloomberg code				FIA1S FH
Average daily volume, EURm				0.5
Next interim report				24-Oct-23
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🟢 BUY 🟡 HOLD 🟠 SELL

### PRE-REPORT 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	3,029.1	177.5	5.9%	-20.0	0.12	2.5	0.4	7.1	-4.6	0.00
2024E	3,180.5	190.8	6.0%	41.0	0.06	4.9	0.4	6.4	9.4	0.02
2025E	3,276.0	203.1	6.2%	58.6	0.07	4.3	0.4	5.8	13.5	0.02
Market cap, EURm	436			BV per share 2023E, EUR		118.7	CAGR EPS 2022-25, %			0.0
Net debt 2023E, EURm	817			Price/book 2023E		0.6	CAGR sales 2022-25, %			11.6
Enterprise value, EURm	1,253			Dividend yield 2023E, %		0.0	ROE 2023E, %			31.4
Total assets 2023E, EURm	4,142			Tax rate 2023E, %		-111.5	ROCE 2023E, %			2.8
Goodwill 2023E, EURm	0			Equity ratio 2023E, %		18.8	PEG, P/E 23/CAGR			0.0

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

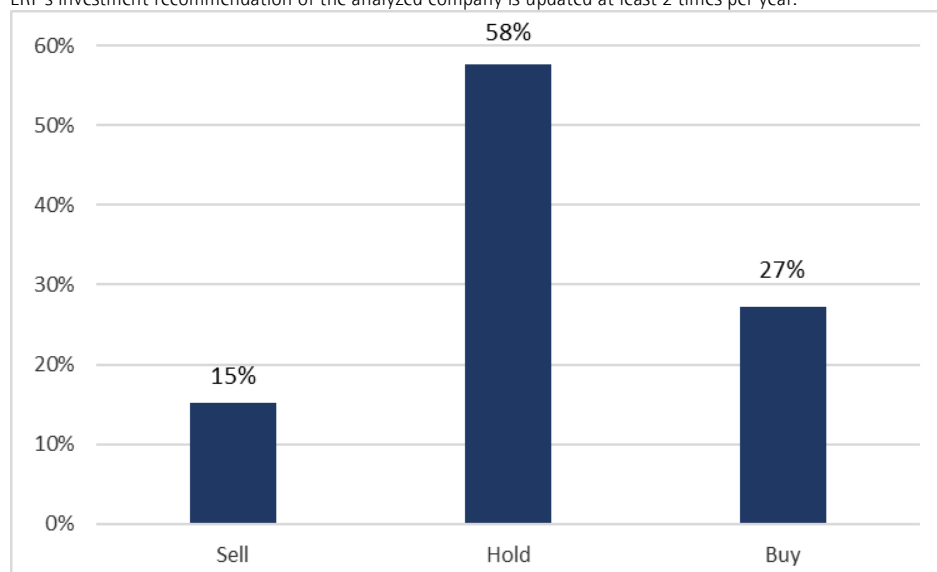
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< -10 %	SELL
-10 – (+10) %	HOLD
> 10 %	BUY

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