

EBIT landed right next to estimates

Finnair's Q1 earnings were in line with estimates even though top line came in a bit lower than estimated. The report doesn't seem to contain many surprises, although Finnair appears slightly more cautious towards capacity increases (and hence revenue) than before.

- Finnair's Q1 revenue decreased by 1.9% y/y to EUR 681.5m vs the EUR 709.8m/698.2m Evli/consensus estimates. Passenger revenue decreased by 2.5% y/y to EUR 539.3m. Political strikes in Finland had a negative effect on revenue. Yields remained strong despite a slight y/y decrease.
- Comparable EBIT amounted to EUR -11.6m, compared to the EUR -12.9m/-8.3m Evli/consensus estimates. Operating expenses remained unchanged y/y due to strict cost control and lower fuel prices even though capacity increased.
- Fuel costs were EUR 210m vs our EUR 212m estimate, whereas staff costs amounted to EUR 130m vs our EUR 138m estimate. All other OPEX+D&A were EUR 386m, compared to our EUR 399m estimate.
- Cost per Available Seat Kilometer was 7.77 eurocents vs our estimate of 8.10 eurocents.

Finnair updates its guidance and now plans to increase its total capacity (ASK) by some 10% this year, including the agreed wet leases. Growth mainly focuses on Asia and Europe, and revenue is expected to grow at a slower pace than capacity in 2024. Finnair previously planned to increase capacity by more than 10% while revenue was expected to grow at a somewhat slower pace than capacity. Finnair provides full-year comparable EBIT guidance in connection with the Q2 report in July. Summer season sales look good while winter season trips have been booked well in advance.

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Q1'24	Actual	Evli	Year ago	Q4'23
Revenue	681.5	709.8	694.7	727.2
Adj. EBIT	-11.6	-12.9	0.9	22.5
Adj. EBIT-%	-1.7 %	-1.8 %	0.1 %	3.1 %

Share price, EUR (Last trading day's closing price) 3.06

Target price, EUR 3.5

Latest change in 08-Feb-24

Latest report on company 08-Apr-24

Research paid by issuer: YES

No. of shares outstanding, '000's 204,811

No. of shares fully diluted, '000's 204,811

Market cap, EURm 627

Free float, % 42.9

Exchange rate EUR/USD 1.07

Reuters code FIA1S.HE

Bloomberg code FIA1S.FH

Average daily volume, EURm 0.5

Next interim report 23-Apr-24

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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
2022	2,356.6	-163.9	-7.0%	146.7	-5.25	-1.2	0.6	-8.8	26.9	0.00
2023	2,988.5	184.0	6.2%	92.1	1.21	3.3	0.6	9.5	11.3	0.00
2024E	3,170.5	190.0	6.0%	58.2	0.52	5.9	0.5	7.9	9.3	0.10
2025E	3,265.7	202.5	6.2%	-19.1	0.50	6.1	0.5	7.6	-3.1	0.12
2026E	3,331.0	216.5	6.5%	43.9	0.56	5.5	0.5	7.1	7.0	0.13

Market cap, EURm	627	BV per share 2024E, EUR	129.0	CAGR EPS 2023-26, %	-22.7
Net debt 2024E, EURm	881	Price/book 2024E	0.9	CAGR sales 2023-26, %	3.7
Enterprise value, EURm	1,508	Dividend yield 2024E, %	3.3	ROE 2024E, %	16.9
Total assets 2024E, EURm	4,123	Tax rate 2024E, %	14.4	ROCE 2024E, %	3.6
Goodwill 2024E, EURm	0	Equity ratio 2024E, %	18.9	PEG, P/E 24/CAGR	0.0

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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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Recommendation	Percentage
Sell	15%
Hold	58%
Buy	27%

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): Ilvonen

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