

## Earnings trend up over the summer

Finnair's Q1 revenue was a bit soft relative to estimates, however earnings were as estimated thanks to cost discipline. We believe FY '24 results should stay quite high due to increased capacity and PLFs, however yields may no longer have room to gain despite a busy summer season.

### Q1 performance was decent considering the conditions

Finnair's Q1 revenue declined 2% y/y to EUR 682m, slightly below the EUR 710m/698m Evli/cons. estimates. Passenger revenue came in some EUR 35m below our estimate due to lower-than-estimated unit yields on Asian and European routes, whereas Finnish winter conditions as well as two political strikes (in addition to strikes in other countries such as Germany) had an impact on bottom line. Considering these headwinds the EUR -11.6m adj. EBIT, compared to the EUR -12.9m/-8.3m Evli/cons. estimates, reflected a very decent operative performance while operating costs were kept under control.

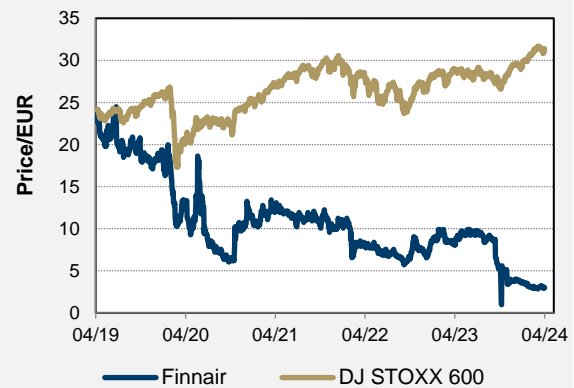
### We still see marginal EBIT gains over the rest of the year

Finnair adjusted its capacity guidance down a bit, but in our view the change wasn't very big. Capacity increases by more efficient use of assets and so costs should remain in check. The focus is on commercial excellence measures and finding the optimal balance between PLFs and unit yields; Q1 yields were a bit softer than we expected, but Finnair achieved lower costs than we estimated. We estimate PLFs have room to improve by further 100-200bps over the summer as comparison figures weren't yet that high, however unit yields face more challenging comparisons this summer as ticket prices increased by double-digit rates last year; we estimate yields to be down by a few percentage points y/y over the summer.

### Earnings multiples are not too high relative to peers

We estimate Finnair's FY '24 revenue to grow 4% this year, a conservative estimate relative to the ca. 9% growth seen for the peer group, while we see adj. EBIT basically flat at EUR 187m. Finnair is valued slightly above 8x EV/EBIT on our FY '24 estimates; in our view EBIT could have touched EUR 200m this year without the extraordinary conditions seen in Q1 and thus there should be room for an additional EUR 10-20m annual improvement assuming the market stays around its current rather stable balance. We retain our EUR 3.5 TP and BUY rating.

Rating + BUY



Share price, EUR (Last trading day's closing price) 2.95  
Target price, EUR 3.5

Latest change in recommendation 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 604  
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 19-Jul-24  
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
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	3,107.9	187.4	6.0%	29.3	0.55	5.4	0.5	8.1	4.9	0.10
2025E	3,201.1	198.5	6.2%	24.9	0.49	6.1	0.5	7.6	4.1	0.12
2026E	3,265.1	212.2	6.5%	42.0	0.55	5.4	0.5	7.0	7.0	0.13
Market cap, EURm	604		Gearing 2024E, %	132.1		CAGR EPS 2023-26, %		-23.1		
Net debt 2024E, EURm	910		Price/book 2024E	0.9		CAGR sales 2023-26, %		3.0		
Enterprise value, EURm	1,514		Dividend yield 2024E, %	3.4		ROE 2024E, %		17.7		
Total assets 2024E, EURm	4,122		Tax rate 2024E, %	5.7		ROCE 2024E, %		3.5		
Goodwill 2024E, EURm	0		Equity ratio 2024E, %	19.0		PEG, P/E 24/CAGR		0.0		

## Estimates and valuation

FINNAIR	2017	2018	2019	2020	2021	2022	2023	2023	2023	2023	2023	2024	2024E	2024E	2024E	2024E
EURm	FY	FY	FY	FY	FY	FY	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY
ASK (mkm)	36 922	42 386	47 189	12 938	12 094	31 299	8 550	9 213	9 344	9 047	36 154	8 923	10 295	10 239	9 662	39 119
<i>y/y change</i>	9 %	15 %	11 %	-73 %	-7 %	159 %	24 %	17 %	12 %	11 %	16 %	4 %	12 %	10 %	7 %	8 %
RPK (mkm)	30 749	34 660	38 534	8 150	5 178	21 157	6 419	7 031	7 562	6 615	27 627	6 435	8 042	8 387	7 237	30 101
<i>y/y change</i>	14 %	13 %	11 %	-79 %	-36 %	309 %	96 %	33 %	13 %	12 %	31 %	0 %	14 %	11 %	9 %	9 %
Load factor (RPK/ASK), PLF	83.3 %	81.8 %	81.7 %	63.0 %	42.8 %	67.6 %	75.1 %	76.3 %	80.9 %	73.1 %	76.4 %	72.1 %	78.1 %	81.9 %	74.9 %	76.9 %
<i>y/y change</i>	3.5%-p	-1.5%-p	-0.1%-p	-18.7%-p	-20.2%-p	24.8%-p	27.8%-p	9.1%-p	0.8%-p	0.8%-p	8.8%-p	-2.9%-p	1.8%-p	1.0%-p	1.8%-p	0.5%-p
Ancillary and retail	145	161	176	62	44	123	33	33	38	44	148	37	36	40	45	159
Cargo	197	207	212	178	335	352	53	47	41	51	192	46	34	29	36	146
Travel services	206	223	230	61	39	170	55	57	66	60	237	58	64	74	68	264
<b>Total revenue</b>	<b>2569</b>	<b>2835</b>	<b>3098</b>	<b>829</b>	<b>838</b>	<b>2356</b>	<b>695</b>	<b>749</b>	<b>817</b>	<b>727</b>	<b>2989</b>	<b>681</b>	<b>792</b>	<b>864</b>	<b>770</b>	<b>3108</b>
<i>YoY change</i>	11 %	10 %	9 %	-73 %	1 %	181 %	74 %	36 %	14 %	6 %	27 %	-2 %	6 %	6 %	6 %	4 %
Other income	77	74	56	48	63	154	34	28	27	42	130	33	23	22	25	103
Staff costs	-423	-500	-535	-284	-249	-447	-129	-125	-120	-124	-498	-130	-131	-128	-131	-521
<i>y/y change</i>	17 %	18 %	7 %	-47 %	-12 %	80 %	27 %	10 %	2 %	8 %	11 %	0 %	5 %	7 %	6 %	5 %
% of revenue	16 %	18 %	17 %	34 %	30 %	19 %	19 %	17 %	15 %	17 %	17 %	19 %	17 %	15 %	17 %	17 %
Fuel	-472	-581	-687	-233	-212	-836	-220	-220	-238	-222	-900	-210	-226	-239	-227	-902
<i>y/y change</i>	-4 %	23 %	18 %	-66 %	-9 %	295 %	61 %	-4 %	-2 %	-3 %	8 %	-4 %	3 %	1 %	2 %	0 %
% of revenue	18 %	20 %	22 %	28 %	25 %	35 %	32 %	29 %	29 %	31 %	30 %	31 %	29 %	28 %	29 %	29 %
Other OPEX	-1314	-1316	-1444	-613	-566	-1067	-294	-282	-309	-306	-1191	-304	-309	-337	-324	-1273
<i>y/y change</i>	4 %	0 %	10 %	-58 %	-8 %	88 %	27 %	12 %	2 %	8 %	12 %	3 %	9 %	9 %	6 %	7 %
% of revenue	51 %	46 %	47 %	74 %	68 %	45 %	42 %	38 %	38 %	42 %	40 %	45 %	39 %	39 %	42 %	41 %
Comparable EBIT	171	218	163	-595	-469	-164	1	66	94	23	184	-12	68	100	31	187
<i>Comp. EBIT-%</i>	6.6 %	7.7 %	5.3 %	-71.8 %	-56.0 %	-7.0 %	0.1 %	8.8 %	11.5 %	3.1 %	6.2 %	-1.7 %	8.6 %	11.6 %	4.1 %	6.0 %

Sources: Finnair, Evli estimates

FINNAIR PEER GROUP	MCAP MEUR	EV/EBITDA			EV/EBIT			P/B		
		23	24	25	23	24	25	23	24	25
United Airlines Holdings	16638	4.6x	4.8x	4.3x	7.0x	7.5x	6.5x	1.9x	1.3x	1.0x
International Consolidated Air France-KLM	10162	3.4x	3.6x	3.3x	5.4x	5.9x	5.4x	3.0x	1.8x	1.3x
Deutsche Lufthansa	2650									3.7x
Norwegian Air Shuttle	8080	3.2x	3.0x	2.7x	5.7x	5.9x	5.1x	0.9x	0.8x	0.7x
Aegean Airlines	1327	2.9x	3.2x	2.9x	7.4x	7.4x	6.7x	2.8x	2.0x	1.6x
easyJet	1118	3.5x	3.9x	3.6x	5.6x	7.5x	7.2x	2.2x	2.1x	1.8x
Ryanair Holdings	4821							1.5x	1.3x	1.1x
Wizz Air Holdings	23645	7.3x	6.2x	5.6x	11.2x	8.9x	8.0x	3.4x	2.6x	2.1x
American Airlines Group	2622	7.4x	4.6x	3.8x	32.4x	10.6x	8.6x		7.0x	3.0x
Delta Air Lines	8942	7.1x	7.4x	6.5x	10.5x	11.4x	9.8x			
Peer Group Average	29675	5.4x	5.7x	5.1x	7.7x	8.1x	7.3x	3.5x	2.1x	1.6x
Peer Group Median	9971	5.0x	4.7x	4.2x	10.3x	8.1x	7.2x	2.4x	2.3x	1.8x
Finnair (Evli est.)	8080	4.6x	4.6x	3.8x	7.4x	7.5x	7.2x	2.5x	2.0x	1.6x
<b>Finnair (Evli est.)</b>	<b>616</b>	<b>3.3x</b>	<b>3.0x</b>	<b>3.0x</b>	<b>9.5x</b>	<b>8.1x</b>	<b>7.7x</b>	<b>1.4x</b>	<b>0.9x</b>	<b>0.8x</b>

Finnair prem./disc. to peer median

-28 % -35 % -21 % 28 % 8 % 7 % -43 % -56 % -49 %

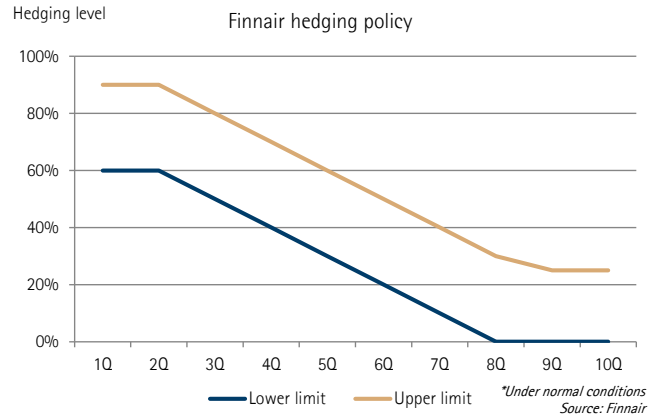
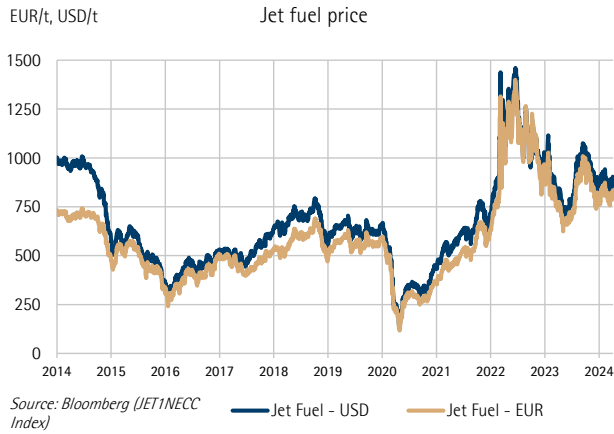
Source FactSet, Evli Research

FINNAIR PEER GROUP	Sales 22	Sales gr.			EBIT-%			Div. yield		
		23	24	25	23	24	25	23	24	25
United Airlines Holdings	41504	19.5%	8.9%	6.0%	9.6 %	9.0 %	9.8 %	0.0 %	0.0 %	0.0 %
International Consolidated Air France-KLM	23066	27.7%	4.9%	3.7%	11.9 %	11.0 %	11.7 %	0.0 %	2.3 %	3.4 %
Deutsche Lufthansa	26393	13.7%	4.9%	4.1%	5.7 %	5.5 %	6.2 %	0.0 %	0.0 %	0.0 %
Norwegian Air Shuttle	32770	8.1%	9.3%	5.2%	7.6 %	6.1 %	6.7 %	4.1 %	4.4 %	5.2 %
Aegean Airlines	1724	30.8%	18.8%	7.9%	8.8 %	9.8 %	10.0 %	0.3 %	0.7 %	1.2 %
easyJet	1337	26.3%	3.2%	8.5%	15.3 %	11.7 %	11.3 %	2.2 %	3.7 %	2.5 %
Ryanair Holdings	6684	46.8%	13.7%	7.1%	6.2 %	7.3 %	7.2 %	1.2 %	2.5 %	2.9 %
Wizz Air Holdings	10775	18.2%	14.6%	9.8%	15.2 %	18.1 %	18.3 %	1.1 %	2.3 %	2.7 %
American Airlines Group	3896	23.7%	12.0%	21.7%	4.3 %	11.8 %	11.9 %	0.0 %	0.0 %	0.0 %
Delta Air Lines	45118	8.0%	6.5%	4.9%	7.6 %	6.8 %	7.5 %	0.0 %	0.0 %	0.0 %
Peer Group Average	42112	18.4%	9.1%	4.6%	11.6 %	11.4 %	12.0 %	0.4 %	0.9 %	0.9 %
Peer Group Median	21398	21.9%	9.6%	7.6%	9.4 %	9.9 %	10.2 %	0.9 %	1.5 %	1.7 %
Finnair (Evli est.)	23066	19.5%	9.1%	6.0%	8.8 %	9.8 %	10.0 %	0.3 %	0.9 %	1.2 %
<b>Finnair (Evli est.)</b>	<b>2357</b>	<b>26.8%</b>	<b>4.0%</b>	<b>3.0%</b>	<b>6.2 %</b>	<b>6.0 %</b>	<b>6.2 %</b>	<b>0.0 %</b>	<b>3.3 %</b>	<b>4.0 %</b>

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	2.95 PV of Free Cash Flow	1,782 Long-term growth, %	2.0 Risk-free interest rate, %
DCF share value	9.90 PV of Horizon value	1,471 WACC, %	9.6 Market risk premium, %
Share price potential, %	235.5 Unconsolidated equity	0 Spread, %	0.5 Debt risk premium, %
Maximum value	10.9 Marketable securities	922 Minimum WACC, %	9.1 Equity beta coefficient
Minimum value	9.0 Debt - dividend	-1,861 Maximum WACC, %	10.1 Target debt ratio, %
Horizon value, %	45.2 Value of stock	2,313 Nr of shares, Mn	204.8 Effective tax rate, %

DCF valuation, EURm	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	Horizon
Net sales	2,989	3,108	3,201	3,265	3,330	3,397	3,465	3,534	3,605	3,677	3,751	3,826
<i>Sales growth, %</i>	<i>26.8</i>	<i>4.0</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>	<i>2.0</i>
Operating income (EBIT)	184	187	198	212	200	204	208	230	234	221	225	230
<i>Operating income margin, %</i>	<i>6.2</i>	<i>6.0</i>	<i>6.2</i>	<i>6.5</i>	<i>6.0</i>	<i>6.0</i>	<i>6.0</i>	<i>6.5</i>	<i>6.5</i>	<i>6.0</i>	<i>6.0</i>	<i>6.0</i>
+ Depreciation+amort.	346	327	302	319	328	344	360	369	379	387	413	
EBITDA	530	515	501	531	528	548	568	599	613	608	638	
- Paid taxes	-36	-11	-40	-42	-40	-41	-42	-46	-47	-44	-45	
- Change in NWC	64	92	57	7	7	8	8	8	8	8	8	
<i>NWC / Sales, %</i>	<i>-23.7</i>	<i>-25.7</i>	<i>-26.7</i>	<i>-26.4</i>	<i>-26.1</i>	<i>-25.9</i>	<i>-25.6</i>	<i>-25.3</i>	<i>-25.0</i>	<i>-24.8</i>	<i>-24.5</i>	
+ Change in other liabs	-121	0	0	0	0	0	0	0	0	0	0	
- Operative CAPEX	-404	-250	-250	-250	-240	-240	-240	-240	-240	-300	-325	
<i>opCAPEX / Sales, %</i>	<i>13.8</i>	<i>16.1</i>	<i>13.6</i>	<i>12.2</i>	<i>13.5</i>	<i>13.6</i>	<i>12.6</i>	<i>12.5</i>	<i>12.3</i>	<i>15.8</i>	<i>8.7</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	33	336	256	234	243	262	281	309	322	259	264	3,563
= Discounted FCFF		316	219	183	173	171	167	168	159	117	109	1,471
= DFCF min WACC		317	221	185	176	175	172	173	165	122	114	1,646
= DFCF max WACC		315	218	180	170	167	163	162	154	113	104	1,320

## INTERIM FIGURES

EVLI ESTIMATES, EURm	2023Q1	2023Q2	2023Q3	2023Q4	2023	2024Q1	2024Q2E	2024Q3E	2024Q4E	2024E	2025E	2026E
Net sales	694.7	749.2	817.4	727.2	2,988.5	681.5	792.4	863.9	770.0	3,107.9	3,201.1	3,265.1
EBITDA	82.9	149.0	177.8	120.5	530.2	71.2	149.4	181.3	112.7	514.6	500.9	531.2
<i>EBITDA margin (%)</i>	<i>11.9</i>	<i>19.9</i>	<i>21.8</i>	<i>16.6</i>	<i>17.7</i>	<i>10.4</i>	<i>18.9</i>	<i>21.0</i>	<i>14.6</i>	<i>16.6</i>	<i>15.6</i>	<i>16.3</i>
EBIT	0.9	66.2	94.3	22.6	184.0	-11.6	68.0	99.8	31.2	187.4	198.5	212.2
<i>EBIT margin (%)</i>	<i>0.1</i>	<i>8.8</i>	<i>11.5</i>	<i>3.1</i>	<i>6.2</i>	<i>-1.7</i>	<i>8.6</i>	<i>11.6</i>	<i>4.1</i>	<i>6.0</i>	<i>6.2</i>	<i>6.5</i>
Net financial items	-15.7	-22.2	-23.5	-10.9	-72.3	-20.3	-12.0	-13.0	-13.0	-58.3	-58.0	-55.7
Pre-tax profit	-14.8	44.0	70.8	11.7	111.7	-31.9	56.0	86.8	18.2	129.1	140.5	156.5
Tax	10.3	95.1	-14.0	43.8	135.2	7.6	-5.0	-5.0	-5.0	-7.4	-28.1	-31.3
<i>Tax rate (%)</i>	<i>69.6</i>	<i>-216.1</i>	<i>19.8</i>	<i>-374.4</i>	<i>-121.0</i>	<i>23.8</i>	<i>8.9</i>	<i>5.8</i>	<i>27.4</i>	<i>5.7</i>	<i>20.0</i>	<i>20.0</i>
Net profit	-4.5	139.1	56.8	55.5	246.9	-24.3	47.8	78.7	10.1	112.3	99.8	112.6
EPS	-0.02	0.68	0.28	0.27	1.21	-0.12	0.23	0.38	0.05	0.55	0.49	0.55
EPS adjusted (diluted no. of shares)	-0.02	0.68	0.28	0.27	1.21	-0.12	0.23	0.38	0.05	0.55	0.49	0.55
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.10	0.12	0.13
<b>SALES, EURm</b>												
Group total	694.7	749.2	817.4	727.2	2,988.5	681.5	792.4	863.9	770.0	3,107.9	3,201.1	3,265.1
Total	694.7	749.2	817.4	727.2	2,988.5	681.5	792.4	863.9	770.0	3,107.9	3,201.1	3,265.1
<b>SALES GROWTH, Y/Y %</b>												
Group total	73.8	36.1	13.7	5.8	26.8	-1.9	5.8	5.7	5.9	4.0	3.0	2.0
Total	73.8	36.1	13.7	5.8	26.8	-1.9	5.8	5.7	5.9	4.0	3.0	2.0
<b>EBIT, EURm</b>												
Group total	0.9	66.2	94.3	22.6	184.0	-11.6	68.0	99.8	31.2	187.4	198.5	212.2
Total	0.9	66.2	94.3	22.6	184.0	-11.6	68.0	99.8	31.2	187.4	198.5	212.2
<b>EBIT margin, %</b>												
Group total	0.1	8.8	11.5	3.1	6.2	-1.7	8.6	11.6	4.1	6.0	6.2	6.5
Total	0.1	8.8	11.5	3.1	6.2	-1.7	8.6	11.6	4.1	6.0	6.2	6.5

INCOME STATEMENT, EURm	2019	2020	2021	2022	2023	2024E	2025E	2026E
Sales	3,097.7	829.2	838.4	2,356.6	2,988.5	3,107.9	3,201.1	3,265.1
<i>Sales growth (%)</i>	<i>9.2</i>	<i>-73.2</i>	<i>1.1</i>	<i>181.1</i>	<i>26.8</i>	<i>4.0</i>	<i>3.0</i>	<i>2.0</i>
EBITDA	488.2	-251.5	-149.0	185.9	530.2	514.6	500.9	531.2
<i>EBITDA margin (%)</i>	<i>15.8</i>	<i>-30.3</i>	<i>-17.8</i>	<i>7.9</i>	<i>17.7</i>	<i>16.6</i>	<i>15.6</i>	<i>16.3</i>
Depreciation	-325.4	-343.8	-319.9	-349.8	-346.2	-327.2	-302.4	-319.0
EBITA	162.8	-595.3	-468.9	-163.9	184.0	187.4	198.5	212.2
Goodwill amortization / writedown	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	162.8	-595.3	-468.9	-163.9	184.0	187.4	198.5	212.2
<i>EBIT margin (%)</i>	<i>5.3</i>	<i>-71.8</i>	<i>-55.9</i>	<i>-7.0</i>	<i>6.2</i>	<i>6.0</i>	<i>6.2</i>	<i>6.5</i>
Reported EBIT	160.0	-597.7	-474.7	-163.9	184.0	187.4	198.5	212.2
<i>EBIT margin (reported) (%)</i>	<i>5.2</i>	<i>-72.1</i>	<i>-56.6</i>	<i>-7.0</i>	<i>6.2</i>	<i>6.0</i>	<i>6.2</i>	<i>6.5</i>
Net financials	-67.0	-190.1	-127.5	-170.2	-72.3	-58.3	-58.0	-55.7
Pre-tax profit	95.8	-785.4	-596.4	-334.1	111.7	129.1	140.5	156.5
Taxes	-18.4	131.2	117.6	-105.4	135.2	-7.4	-28.1	-31.3
Minority shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit	61.8	-671.4	-484.6	-439.5	246.9	112.3	99.8	112.6
Cash NRIs	-2.8	-2.4	-5.8	0.0	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
<b>BALANCE SHEET, EURm</b>								
<b>Assets</b>								
Fixed assets	1,751	1,683	1,215	1,165	1,325	1,390	1,492	1,581
Goodwill	0	0	0	0	0	0	0	0
Right of use assets	878	918	1,182	1,083	917	1,026	1,056	1,045
Inventory	80	68	56	122	135	109	80	82
Receivables	217	70	137	158	166	121	108	110
Liquid funds	952	824	1,266	1,524	922	1,243	1,280	1,306
Total assets	3,878	3,646	4,047	4,133	3,698	4,122	4,250	4,357
<b>Liabilities</b>								
Shareholder's equity	966	897	476	411	577	689	768	856
Minority interest	0	0	0	0	0	0	0	0
Convertibles	0	0	0	0	0	0	0	0
Lease liabilities	1,054	1,016	1,381	1,128	951	1,026	1,056	1,045
Deferred taxes	64	0	0	0	0	0	0	0
Interest bearing debt	521	1,182	1,428	1,299	911	1,128	1,130	1,150
Non-interest bearing current liabilities	243	176	291	452	507	527	543	554
Other interest-free debt	873	215	271	658	627	627	627	627
Total liabilities	3,878	3,647	4,047	4,133	3,698	4,122	4,250	4,357
<b>CASH FLOW, EURm</b>								
+ EBITDA	488	-251	-149	186	530	515	501	531
- Net financial items	-67	-190	-127	-170	-72	-58	-58	-56
- Taxes	-2	-18	11	6	-18	-7	-28	-31
- Increase in Net Working Capital	-7	-489	117	274	64	92	57	7
+/- Other	-16	-17	-6	0	0	-9	-13	-13
= Cash flow from operations	397	-966	-155	296	504	531	460	439
- Capex	-409	-315	-484	-149	-412	-502	-435	-397
- Acquisitions	0	0	0	0	0	0	0	0
+ Divestments	0	0	0	0	0	0	0	0
= Free cash flow	-12	-1,281	-639	147	92	29	25	42
+/- New issues/buybacks	21	602	64	374	-81	0	0	0
- Paid dividend	-35	0	0	0	0	0	-20	-25
+/- Other	-89	551	1,018	-262	-614	292	33	8
Change in cash	-116	-128	442	259	-602	321	37	26

KEY FIGURES	2020	2021	2022	2023	2024E	2025E	2026E
M-cap	1,069	837	546	817	604	604	604
Net debt (excl. convertibles)	1,374	1,543	902	940	910	906	888
Enterprise value	2,443	2,380	1,448	1,756	1,514	1,510	1,493
Sales	829	838	2,357	2,989	3,108	3,201	3,265
EBITDA	-251	-149	186	530	515	501	531
EBIT	-595	-469	-164	184	187	198	212
Pre-tax	-785	-596	-334	112	129	140	157
Earnings	-669	-479	-439	247	112	100	113
Equity book value (excl. minorities)	897	476	411	577	689	768	856
<b>Valuation multiples</b>							
EV/sales	2.9	2.8	0.6	0.6	0.5	0.5	0.5
EV/EBITDA	-9.7	-16.0	7.8	3.3	2.9	3.0	2.8
EV/EBITA	-4.1	-5.1	-8.8	9.5	8.1	7.6	7.0
EV/EBIT	-4.1	-5.1	-8.8	9.5	8.1	7.6	7.0
EV/OCF	-2.5	-15.4	4.9	3.5	2.9	3.3	3.4
EV/FCFF	-2.4	-26.4	2.4	53.0	4.5	5.9	6.4
P/FCFE	0.0	-0.1	0.2	0.1	20.6	24.3	14.4
P/E	-1.6	-1.7	-1.2	3.3	5.4	6.1	5.4
P/B	1.2	1.8	1.3	1.4	0.9	0.8	0.7
Target EV/EBITDA	0.0	0.0	0.0	0.0	3.2	3.2	3.0
Target EV/EBIT	0.0	0.0	0.0	0.0	8.7	8.2	7.6
Target EV/FCF	0.0	0.0	0.0	0.0	55.5	65.2	38.2
Target P/B	0.0	0.0	0.0	0.0	1.0	0.9	0.8
Target P/E	0.0	0.0	0.0	0.0	6.4	7.2	6.4
<b>Per share measures</b>							
Number of shares	83,825	83,749	83,749	204,210	204,811	204,811	204,811
Number of shares (diluted)	83,825	83,749	83,749	204,210	204,811	204,811	204,811
EPS	-7.98	-5.72	-5.25	1.21	0.55	0.49	0.55
Operating cash flow per share	-11.52	-1.85	3.53	2.47	2.59	2.24	2.14
Free cash flow per share	-15.28	-7.63	1.75	0.45	0.14	0.12	0.21
Book value per share	10.70	5.68	4.90	2.83	3.36	3.75	4.18
Dividend per share	0.00	0.00	0.00	0.00	0.10	0.12	0.13
Dividend payout ratio, %	0.0	0.0	0.0	0.0	18.2	24.6	23.6
Dividend yield, %	0.0	0.0	0.0	0.0	3.4	4.1	4.4
FCF yield, %	-119.8	-76.4	26.9	11.3	4.9	4.1	7.0
<b>Efficiency measures</b>							
ROE	-71.8	-69.8	-99.2	50.0	17.7	13.7	13.9
ROCE	-21.1	-17.9	-8.9	3.2	3.5	4.6	3.5
<b>Financial ratios</b>							
Inventories as % of sales	8.2	6.7	5.2	4.5	3.5	2.5	2.5
Receivables as % of sales	8.4	16.3	6.7	5.6	3.9	3.4	3.4
Non-interest bearing liabilities as % of sales	21.2	34.7	19.2	17.0	17.0	17.0	17.0
NWC/sales, %	-30.3	-43.9	-27.3	-23.7	-25.7	-26.7	-26.4
Operative CAPEX/sales, %	38.0	57.8	6.3	13.8	16.1	13.6	12.2
CAPEX/sales (incl. acquisitions), %	38.0	57.8	6.3	13.8	16.1	13.6	12.2
FCFF/EBITDA	4.0	0.6	3.2	0.1	0.7	0.5	0.4
Net debt/EBITDA, book-weighted	-5.5	-10.4	4.9	1.8	1.8	1.8	1.7
Debt/equity, market-weighted	1.1	1.7	2.4	1.1	1.9	1.9	1.9
Equity ratio, book-weighted	25.5	12.2	10.9	17.9	19.0	20.6	22.4
Gearing, %	153.3	324.4	219.7	162.9	132.1	117.9	103.7

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	114,067,105	336.498	55.7%
Varma Mutual Pension Insurance Company	5,827,783	17.192	2.8%
Ilmarinen Mutual Pension Insurance Company	2,788,500	8.226	1.4%
Elo Mutual Pension Insurance Company	1,974,505	5.825	1.0%
The State Pension Fund	1,795,000	5.295	0.9%
Sijoitusrahasto Danske Invest Suomi Osake	1,447,328	4.270	0.7%
Sijoitusrahasto Säästöpankki Pienyhtiöt	729,000	2.151	0.4%
Sijoitusrahasto Nordea Pro Suomi	589,326	1.739	0.3%
Nordea Bank ABP	372,241	1.098	0.2%
Finnair Oyj	354,315	1.045	0.2%
Ten largest	129,945,103	383.338	63%
Residual	74,865,897	220.854	37%
Total	204,811,000	604.192	100%

## EARNINGS CALENDAR

July 19, 2024	Q2 report
October 29, 2024	Q3 report

## OTHER EVENTS

## COMPANY MISCELLANEOUS

CEO: Jaakko Schildt	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

<p>ROE, %</p> $\frac{\text{Profit before extraordinary items and taxes - income taxes}}{\text{Shareholder's equity + minority interest + taxed provisions (average)}}$	
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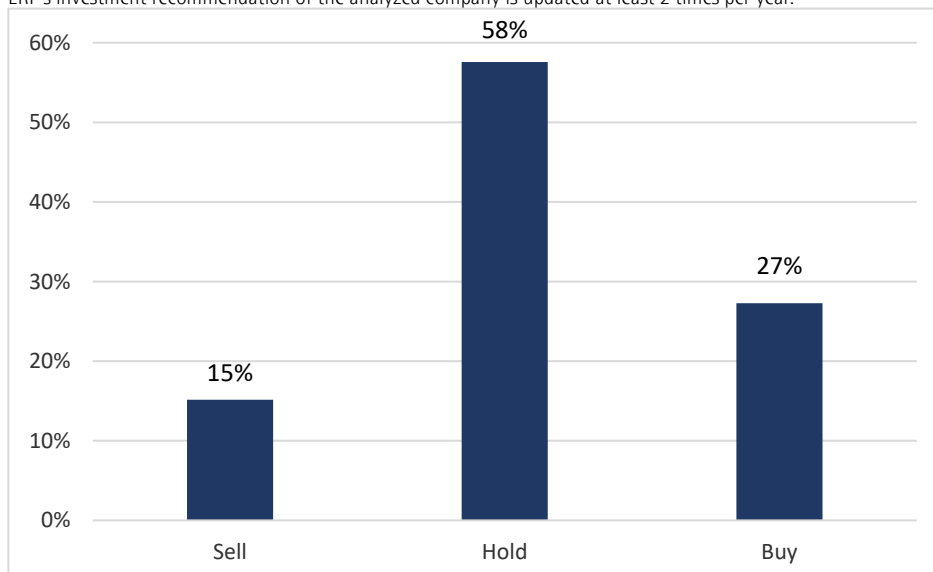
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Investment recommendations are defined as follows:

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

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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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