

## Cautious outlook

Vaisala's Q4 missed expectations, but overall Vaisala managed to perform well in 2020 despite the pandemic affecting especially W&E. IM's performance was once again strong, even in difficult environment. Vaisala's guidance for 2021 was cautious, despite Vaisala seeing market starting to gradually recover and new orders picking up nicely. Based on the report, we've lowered our 2021-23E estimates and continue to see valuation expensive, thus we maintain our TP of 32€ and SELL rating.

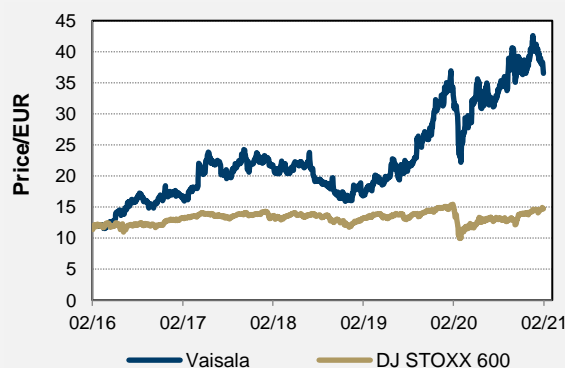
### Q4 orders received picked up nicely in both BU's

Vaisala's Q4 result missed ours and consensus expectations, but strong order intake growth for both BU's surprised positively and order book remains at good level. Q4 net sales decreased by -10% to 106.9 MEUR (109.5 Evli /108 cons). Q4 EBIT came in at 12.2 MEUR (14 Evli / 13.6 cons), resulting in 11,4% EBIT-margin (Q4'19: 17.7 MEUR, 15% EBIT-margin). Orders received grew +8% to 111.9 MEUR vs. 103.3 MEUR last year. Orders received grew +7% in W&E and +11% in IM. Order book was 137.8 MEUR vs. 139 MEUR in Q4'19. W&E fell short of our expectations; net sales decreased by -16% to 67 MEUR vs. 73.5 MEUR our expectation. W&E EBIT was 5.2 MEUR (7.3 MEUR Evli), resulting in 7,8% EBIT-margin (Q4'19: 14,7%). After a few weaker quarters, IM continued its strong performance, beating our estimates; net sales grew 10% to 39.9 MEUR vs. 36 MEUR our expectation. IM EBIT was 8.3 MEUR (6.8 MEUR Evli), resulting in 20,8% EBIT-margin (Q4'19: 15,1%). Dividend proposal is 0.61 (0.63 Evli / 0.63 cons).

### Despite solid performance and expected market recovery, outlook remained cautious

Looking at 2020, Vaisala managed to perform well despite the pandemic affecting especially W&E and creating uncertainties regarding deliveries. IM's performance was once again strong, even in difficult environment. While W&E 2020 net sales and EBIT declined -10% and -17,5% respectively (on high comparison figures), IM 2020 net sales and EBIT grew 1% and 22%. In addition, IM is currently seeing strong growth led by pharmaceutical customer segment which includes COVID-19 vaccine suppliers. Despite continued uncertainties due to the pandemic, Vaisala sees market gradually recovering in 2021, except for meteorology market in developing countries. Vaisala issued 2021 guidance expecting net sales between 370-400 MEUR and EBIT between 30-45 MEUR. Pre-Q4, both we and consensus 2021E expectations were above the EBIT guidance. The outlook was a disappointment, given the decent performance last year, new orders picking up, lower opex level and expected market recovery.

## Rating



Share price, EUR (Last trading day's closing price) 36.50

Target price, EUR 32.0

Latest change in recommendation 26-Oct-20

Latest report on company 10-Feb-21

Research paid by issuer: YES

No. of shares outstanding, '000's 36,000

No. of shares fully diluted, '000's 36,000

Market cap, EURm 1,314

Free float, % -

Exchange rate EUR/USD -

Reuters code VAIAS.HE

Bloomberg code VAIAS FH

Average daily volume, EURm -

Next interim report 29-Apr-21

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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
2019	403.6	41.1	10.2%	4.6	0.93	34.6	2.9	28.1	0.4	0.61
2020	379.5	44.8	11.8%	16.9	0.91	41.8	3.7	31.0	1.2	0.61
2021E	385.4	41.0	10.6%	29.9	0.87	42.1	3.4	32.1	2.3	0.63
2022E	407.2	51.5	12.6%	34.0	1.07	34.0	3.2	25.4	2.6	0.65
2023E	428.2	55.0	12.8%	36.8	1.15	31.9	3.0	23.5	2.8	0.67
Market cap, EURm	1,314		Gearing 2021E, %		0.5		CAGR EPS 2020-23, %		7.8	
Net debt 2021E, EURm	1		Price/book 2021E		6.1		CAGR sales 2020-23, %		4.1	
Enterprise value, EURm	1,317		Dividend yield 2021E, %		1.7		ROE 2021E, %		14.9	
Total assets 2021E, EURm	355		Tax rate 2021E, %		20.0		ROCE 2021E, %		15.7	
Goodwill 2021E, EURm	55		Equity ratio 2021E, %		60.5		PEG, P/E 21/CAGR		3.5	

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

Electronic Equipment & Instruments/Finland, February 22, 2021  
Company update

**Maintain target price of 32 euros and SELL recommendation**

Based on the report and new guidance, we have lowered our estimates for 2021-23E. In 2021E, we expect +1,6 net sales growth driven by +7% growth in IM, while we expect W&E growth to be slightly negative. We expect EBIT of 41 MEUR (10,6 % margin) which is above guidance mid-point, driven by good performance in IM. On our renewed estimates, Vaisala is still trading at clear premiums compared to our peer group and we continue to see valuation stretched given the weaker financial performance compared to peer group. We maintain our TP of 32€ and SELL rating due to lowered estimates and expensive valuation. Our TP values Vaisala at 21-22e EV/EBIT multiples of 28x and 22x which is still above the peer group, reflecting Vaisala's strong sustainability profile, healthy dividend, and especially IM's highly profitable growth with possibility of further add-on acquisitions.

INTERIM FIGURES

EVLI ESTIMATES, EURm	2020Q1	2020Q2	2020Q3	2020Q4	2020	2021Q1E	2021Q2E	2021Q3E	2021Q4E	2021E	2022E	2023E
Net sales	87.2	91.4	94.0	106.9	379.5	86.5	90.5	98.1	110.3	385.4	407.2	428.2
EBITDA	10.1	13.5	24.7	17.6	65.9	11.4	15.4	16.3	19.9	63.0	73.3	77.5
<i>EBITDA margin (%)</i>	<i>11.6</i>	<i>14.8</i>	<i>26.3</i>	<i>16.5</i>	<i>17.4</i>	<i>13.2</i>	<i>17.0</i>	<i>16.6</i>	<i>18.0</i>	<i>16.3</i>	<i>18.0</i>	<i>18.1</i>
EBIT	5.2	7.9	19.5	12.2	44.8	5.9	9.9	10.8	14.4	41.0	51.5	55.0
<i>EBIT margin (%)</i>	<i>6.0</i>	<i>8.6</i>	<i>20.7</i>	<i>11.4</i>	<i>11.8</i>	<i>6.8</i>	<i>10.9</i>	<i>11.0</i>	<i>13.0</i>	<i>10.6</i>	<i>12.6</i>	<i>12.8</i>
Net financial items	-0.2	-0.9	-1.3	-1.0	-3.4	-0.5	-0.5	-0.5	-0.5	-2.0	0.0	0.0
Pre-tax profit	5.0	7.0	18.2	11.2	41.4	5.4	9.4	10.3	13.9	39.0	51.5	55.0
Tax	-0.9	-1.2	-3.7	-2.7	-8.5	-1.1	-1.9	-2.1	-2.8	-7.8	-12.9	-13.7
<i>Tax rate (%)</i>	<i>18.0</i>	<i>17.1</i>	<i>20.3</i>	<i>24.5</i>	<i>20.6</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>25.0</i>	<i>25.0</i>
Net profit	4.1	5.8	14.5	8.5	32.9	4.3	7.5	8.2	11.1	31.2	38.6	41.3
EPS	0.11	0.16	0.40	0.24	0.91	0.12	0.21	0.23	0.31	0.87	1.07	1.15
EPS adjusted (diluted no. of shares)	0.11	0.16	0.40	0.24	0.91	0.12	0.21	0.23	0.31	0.87	1.07	1.15
Dividend per share	0.00	0.00	0.00	0.00	0.61	0.00	0.00	0.00	0.00	0.63	0.65	0.67
<b>SALES, EURm</b>												
Weather and Environment	51.8	57.6	59.2	67.0	235.6	47.0	52.9	60.9	70.5	231.3	240.4	249.4
Industrial Measurements	35.4	33.8	34.8	39.9	143.9	39.5	37.6	37.2	39.8	154.1	166.8	178.8
Total	87.2	91.4	94.0	106.9	379.5	86.5	90.5	98.1	110.3	385.4	407.2	428.2
<b>SALES GROWTH, Y/Y %</b>												
<i>Weather and Environment</i>	<i>4.4</i>	<i>-5.1</i>	<i>-14.3</i>	<i>-18.1</i>	<i>-9.8</i>	<i>-9.3</i>	<i>-8.2</i>	<i>2.9</i>	<i>5.2</i>	<i>-1.8</i>	<i>3.9</i>	<i>3.7</i>
<i>Industrial Measurements</i>	<i>2.3</i>	<i>-4.5</i>	<i>-3.6</i>	<i>10.1</i>	<i>1.1</i>	<i>11.6</i>	<i>11.2</i>	<i>6.9</i>	<i>-0.3</i>	<i>7.1</i>	<i>8.2</i>	<i>7.2</i>
<i>Total</i>	<i>3.6</i>	<i>-4.9</i>	<i>-10.6</i>	<i>-9.5</i>	<i>-6.0</i>	<i>-0.8</i>	<i>-1.0</i>	<i>4.4</i>	<i>3.2</i>	<i>1.6</i>	<i>5.7</i>	<i>5.2</i>
<b>EBIT, EURm</b>												
Weather and Environment	-2.4	0.7	11.1	5.2	14.6	-2.6	2.0	3.0	6.0	8.4	15.5	16.5
Industrial Measurements	7.6	7.1	8.6	8.3	31.6	8.9	8.3	8.2	8.8	34.1	38.0	40.5
Other	0.0	0.1	-0.2	-1.3	-1.4	-0.4	-0.4	-0.4	-0.4	-1.5	-2.0	-2.0
Total	5.2	7.9	19.5	12.2	44.8	5.9	9.9	10.8	14.4	41.0	51.5	55.0
<b>EBIT margin, %</b>												
<i>Weather and Environment</i>	<i>-4.6</i>	<i>1.2</i>	<i>18.8</i>	<i>7.8</i>	<i>6.2</i>	<i>-5.5</i>	<i>3.8</i>	<i>4.9</i>	<i>8.5</i>	<i>3.6</i>	<i>6.4</i>	<i>6.6</i>
<i>Industrial Measurements</i>	<i>21.4</i>	<i>21.0</i>	<i>24.7</i>	<i>20.8</i>	<i>22.0</i>	<i>22.5</i>	<i>22.0</i>	<i>22.0</i>	<i>22.0</i>	<i>22.1</i>	<i>22.8</i>	<i>22.7</i>
<i>Total</i>	<i>6.0</i>	<i>8.6</i>	<i>20.7</i>	<i>11.4</i>	<i>11.8</i>	<i>6.8</i>	<i>10.9</i>	<i>11.0</i>	<i>13.0</i>	<i>10.6</i>	<i>12.6</i>	<i>12.8</i>

VAISALA PEER GROUP	Security identifier	EBIT %	EBIT %	EBITDA	EBITDA %	ROCE %	ROCE %
		21E	22E	21E	22E	21E	22E
Keysight Technologies	KEYS-US	26,1	27,1	28,8	29,8	18,2	17,3
National Instruments Corp.	NATI-US	16,7		21,4	23,0	14,5	15,1
Spectris	SXS-GB	14,3	15,4	19,0	19,6	13,0	14,5
Oxford Instruments	OXIG-GB	17,1		20,2	20,7	16,2	16,2
Trimble	TRMB-US	22,4	23,2	23,9	24,7	12,7	13,1
Hexagon	HEXA.B-SE	27,3	27,8	36,7	36,8	12,0	12,2
Peer Group Average		20,6	23,4	25,0	25,7	14,4	14,7
Peer Group Median		19,7	25,1	22,6	23,8	13,8	14,8
Vaisala (Evli est.)		10,6	12,6	16,3	18,0	15,7	19,4
<i>Premium/discount to peer median</i>		<i>-46 %</i>	<i>-50 %</i>	<i>-28 %</i>	<i>-24 %</i>	<i>14 %</i>	<i>31 %</i>

VAISALA PEER GROUP	Security identifier	ROE %	ROE %	DIV %	DIV %	P/E	P/E
		21E	22E	21E	22E	21E	22E
Keysight Technologies	KEYS-US	28,8	25,2	0,1	0,2	25,4x	23,3x
National Instruments Corp.	NATI-US	8,0	11,8	2,3	2,4	60,2x	39,0x
Spectris	SXS-GB	11,6	12,2	2,2	2,3	23,6x	21,5x
Oxford Instruments	OXIG-GB	13,5	13,3	0,8	0,9	27,4x	25,3x
Trimble	TRMB-US	15,5	15,4	0,0	0,0	31,2x	27,6x
Hexagon	HEXA.B-SE	14,3	14,3	1,0	1,0	29,9x	27,6x
Peer Group Average		15,3	15,4	1,1	1,2	33,0x	27,4x
Peer Group Median		13,9	13,8	0,9	1,0	28,6x	26,4x
Vaisala (Evli est.)		14,9	17,4	1,7	1,8	42,1x	34,0x
<i>Premium/discount to peer median</i>		<i>7 %</i>	<i>26 %</i>	<i>89 %</i>	<i>83 %</i>	<i>47 %</i>	<i>29 %</i>

VAISALA PEER GROUP	Security identifier	EV/S	EV/S	EV/EBITD	EV/EBITDA	EV/EBIT	EV/EBIT
		21E	22E	21E	22E	21E	22E
Keysight Technologies	KEYS-US	5,5	5,1	19,2x	17,1x	21,2x	18,8x
National Instruments Corp.	NATI-US	4,1	3,8	19,2x	16,6x	24,5x	21,5x
Spectris	SXS-GB	2,5	2,4	13,3x	12,1x	17,6x	15,4x
Oxford Instruments	OXIG-GB	3,2	2,9	15,7x	14,2x	18,6x	16,6x
Trimble	TRMB-US	5,7	5,1	23,7x	20,7x	25,3x	22,0x
Hexagon	HEXA.B-SE	6,9	6,4	18,8x	17,4x	25,4x	23,0x
Peer Group Average		4,6	4,3	18,3x	16,4x	22,1x	19,6x
Peer Group Median		4,8	4,5	19,0x	16,9x	22,9x	20,1x
Vaisala (Evli est.)		3,4	3,2	20,9x	17,8x	32,1x	25,4x
<i>Premium/discount to peer median</i>		<i>-29 %</i>	<i>-28 %</i>	<i>10 %</i>	<i>6 %</i>	<i>41 %</i>	<i>26 %</i>

VAISALA PEER GROUP	Security identifier	Sales growth	Sales growth	Net debt / EBITDA	Net debt / EBITDA	Equity ratio %	Equity ratio %
		21E	22E	21E	22E	21E	22E
Keysight Technologies	KEYS-US	13,3%	5,2%	-0,4x	-1,0x	49,4	54,5
National Instruments Corp.	NATI-US	9,7%	6,4%	-0,8x	-0,8x	63,5	68,2
Spectris	SXS-GB	2,5%	4,4%	-0,7x	-0,8x	73,2	75,3
Oxford Instruments	OXIG-GB	5,1%	5,2%	-1,7x	-1,9x	59,5	62,0
Trimble	TRMB-US	7,4%	7,5%	1,1x	0,3x	55,7	58,6
Hexagon	HEXA.B-SE	8,5%	5,8%	1,2x	0,7x	57,7	59,5
Peer Group Average		7,7%	5,7%	-0,2x	-0,6x	59,9	63,0
Peer Group Median		7,9%	5,5%	-0,6x	-0,8x	58,6	60,7
Vaisala (Evli est.)		1,6%	5,7%	0,0x	-0,1x	60,5	62,9

Source: Factset, Evli Research

Updated on February 22th, 2021

Electronic Equipment & Instruments/Finland, February 22, 2021  
Company update

INCOME STATEMENT, EURm	2016	2017	2018	2019	2020	2021E	2022E	2023E
Sales	319.2	332.6	348.8	403.6	379.5	385.4	407.2	428.2
<i>Sales growth (%)</i>	<i>0.2</i>	<i>4.2</i>	<i>4.9</i>	<i>15.7</i>	<i>-6.0</i>	<i>1.6</i>	<i>5.7</i>	<i>5.2</i>
EBITDA	46.3	50.3	51.1	64.7	65.9	63.0	73.3	77.5
<i>EBITDA margin (%)</i>	<i>14.5</i>	<i>15.1</i>	<i>14.7</i>	<i>16.0</i>	<i>17.4</i>	<i>16.3</i>	<i>18.0</i>	<i>18.1</i>
Depreciation	-13.5	-9.5	-12.1	-23.6	-21.1	-22.0	-21.8	-22.5
EBITA	32.8	40.8	39.0	41.1	44.8	41.0	51.5	55.0
Goodwill amortization / writedown	-10.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	22.2	40.8	39.0	41.1	44.8	41.0	51.5	55.0
<i>EBIT margin (%)</i>	<i>7.0</i>	<i>12.3</i>	<i>11.2</i>	<i>10.2</i>	<i>11.8</i>	<i>10.6</i>	<i>12.6</i>	<i>12.8</i>
Reported EBIT	22.2	40.8	39.0	41.1	44.8	41.0	51.5	55.0
<i>EBIT margin (reported) (%)</i>	<i>7.0</i>	<i>12.3</i>	<i>11.2</i>	<i>10.2</i>	<i>11.8</i>	<i>10.6</i>	<i>12.6</i>	<i>12.8</i>
Net financials	-0.2	-2.8	-1.4	-1.0	-3.4	-2.0	0.0	0.0
Pre-tax profit	22.0	38.0	37.6	40.1	41.4	39.0	51.5	55.0
Taxes	-3.3	-10.9	-8.0	-6.5	-8.5	-7.8	-12.9	-13.7
Minority shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit	18.7	27.1	29.6	33.5	32.9	31.2	38.6	41.3
Cash NRIs	0.0	0.0	0.0	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	46	46	72	83	94	95	95	95
Goodwill	17	16	55	55	55	55	55	55
Right of use assets	0	0	12	12	13	13	13	14
Inventory	32	29	32	40	45	45	48	50
Receivables	78	84	93	105	93	94	99	104
Liquid funds	72	91	73	56	45	46	49	51
Total assets	255	274	347	361	352	355	367	378
<b>Liabilities</b>								
Shareholder's equity	179	186	183	198	205	214	230	248
Minority interest	0	0	0	0	0	0	0	0
Convertibles	0	0	0	0	0	0	0	0
Lease liabilities	0	0	12	11	9	13	13	14
Deferred taxes	0	1	9	8	8	8	8	8
Interest bearing debt	0	0	41	40	45	34	25	13
Non-interest bearing current liabilities	71	81	89	94	76	78	82	86
Other interest-free debt	4	5	9	7	8	8	8	8
Total liabilities	255	274	347	361	352	355	367	378
<b>CASH FLOW, EURm</b>								
+ EBITDA	46	50	51	65	66	63	73	77
- Net financial items	0	-3	-1	-1	-3	-2	0	0
- Taxes	-9	-7	-9	-8	-6	-8	-13	-14
- Increase in Net Working Capital	2	7	-4	-16	-6	-1	-3	-3
+/- Other	3	2	11	0	0	0	0	0
= Cash flow from operations	42	49	48	40	50	52	57	60
- Capex	-8	-8	-14	-35	-33	-22	-23	-24
- Acquisitions	0	-2	-52	0	0	0	0	0
+ Divestments	1	0	0	0	0	0	0	0
= Free cash flow	35	39	-18	5	17	30	34	37
+/- New issues/buybacks	-4	-2	5	3	-4	0	0	0
- Paid dividend	-17	-18	-37	-21	-22	-22	-23	-23
+/- Other	-1	0	31	-3	-2	-7	-9	-11
Change in cash	13	19	-19	-16	-11	1	3	3

Electronic Equipment & Instruments/Finland, February 22, 2021  
Company update

KEY FIGURES	2017	2018	2019	2020	2021E	2022E	2023E
M-cap	794	659	1,159	1,375	1,314	1,314	1,314
Net debt (excl. convertibles)	-91	-20	-5	9	1	-10	-24
Enterprise value	703	638	1,154	1,387	1,317	1,306	1,292
Sales	333	349	404	380	385	407	428
EBITDA	50	51	65	66	63	73	77
EBIT	41	39	41	45	41	52	55
Pre-tax	38	38	40	41	39	52	55
Earnings	27	30	34	33	31	39	41
Equity book value (excl. minorities)	186	183	198	205	214	230	248
<b>Valuation multiples</b>							
EV/sales	2.1	1.8	2.9	3.7	3.4	3.2	3.0
EV/EBITDA	14.0	12.5	17.8	21.0	20.9	17.8	16.7
EV/EBITA	17.2	16.4	28.1	31.0	32.1	25.4	23.5
EV/EBIT	17.2	16.4	28.1	31.0	32.1	25.4	23.5
EV/OCF	14.3	13.2	28.9	27.9	25.2	22.9	21.4
EV/FCFF	17.1	-38.5	141.1	74.0	36.9	33.7	30.9
P/FCFE	40.6	-37.2	250.6	81.4	43.9	38.6	35.7
P/E	29.3	22.2	34.6	41.8	42.1	34.0	31.9
P/B	4.3	3.6	5.8	6.7	6.1	5.7	5.3
Target EV/EBITDA	0.0	0.0	0.0	0.0	18.3	15.6	14.6
Target EV/EBIT	0.0	0.0	0.0	0.0	28.1	22.2	20.5
Target EV/FCF	0.0	0.0	0.0	0.0	38.5	33.6	30.7
Target P/B	0.0	0.0	0.0	0.0	5.4	5.0	4.6
Target P/E	0.0	0.0	0.0	0.0	36.9	29.8	27.9
<b>Per share measures</b>							
Number of shares	35,692	35,790	35,881	36,000	36,000	36,000	36,000
Number of shares (diluted)	35,692	35,790	35,881	36,000	36,000	36,000	36,000
EPS	0.76	0.83	0.93	0.91	0.87	1.07	1.15
Operating cash flow per share	1.38	1.35	1.11	1.38	1.45	1.58	1.68
Free cash flow per share	1.10	-0.49	0.13	0.47	0.83	0.94	1.02
Book value per share	5.20	5.11	5.52	5.69	5.95	6.39	6.89
Dividend per share	1.05	0.58	0.61	0.61	0.63	0.65	0.67
Dividend payout ratio, %	138.3	70.1	65.3	66.8	72.7	60.6	58.5
Dividend yield, %	4.7	3.2	1.9	1.7	1.7	1.8	1.8
FCF yield, %	4.9	-2.7	0.4	1.2	2.3	2.6	2.8
<b>Efficiency measures</b>							
ROE	14.9	16.1	17.6	16.3	14.9	17.4	17.3
ROCE	22.4	18.5	17.0	17.7	15.7	19.4	20.2
<b>Financial ratios</b>							
Inventories as % of sales	8.6	9.2	9.8	11.7	11.7	11.7	11.7
Receivables as % of sales	25.3	26.7	26.0	24.4	24.4	24.4	24.4
Non-interest bearing liabilities as % of sales	24.4	25.5	23.2	20.1	20.1	20.1	20.1
NWC/sales, %	9.5	10.1	12.7	15.2	15.2	15.3	15.3
Operative CAPEX/sales, %	2.5	4.1	8.7	8.6	5.8	5.6	5.5
CAPEX/sales (incl. acquisitions), %	1.9	-10.7	8.7	8.6	5.8	5.6	5.5
FCFF/EBITDA	0.8	-0.3	0.1	0.3	0.6	0.5	0.5
Net debt/EBITDA, book-weighted	-1.8	-0.4	-0.1	0.1	0.0	-0.1	-0.3
Debt/equity, market-weighted	0.0	0.1	0.0	0.0	0.0	0.0	0.0
Equity ratio, book-weighted	67.7	52.8	54.9	58.4	60.5	62.9	65.8
Gearing, %	-49.2	-11.0	-2.5	4.4	0.5	-4.5	-9.5

**COMPANY DESCRIPTION:** Vaisala develops, manufactures and markets products and services for environmental and industrial measurement. Vaisala's strategy relies on R&D and focusing on technology leadership in its selected segments. Vaisala has two segments: Weather & Environment (W&E), and Industrial Measurement (IM). The W&E customers include meteorological institutes, airports, roads and railroad, defense, and energy industry. IM serves industrial customers in life science, power transmission, and targeted industrial applications offering a broad range of measurement instruments to ensure operational quality and productivity. Headquartered in Finland, Vaisala employs around 1,850 professionals worldwide.

**INVESTMENT CASE:** Vaisala should continue to profitably grow due to continued good growth in IM, with possible additional organic and non-organic opportunities in other niche areas supporting growth, and a more stable outlook for W&E. Vaisala benefits from its strong R&D based market leadership in both segments, with main profitability drivers being economies of scale and increasing share of IM sales. The healthy business and strong net cash position support ability to pay an increasing dividend.

OWNERSHIP STRUCTURE	SHARES	EURm	%
Novamator Oy	3,774,792	137.780	10.5%
Nordea Bank Ab (publ), Finnish Branch	3,186,914	116.322	8.9%
Skandinaviska Enskilda Banken Ab (publ) Helsinki Branch	2,247,215	82.023	6.2%
Finnish Academy of Science and Letters	2,130,832	77.775	5.9%
Mandatum Life Insurance Company Ltd.	1,533,300	55.965	4.3%
Nordea Nordic Small Cap Fund	1,475,832	53.868	4.1%
Ilmarinen Mutual Pension Insurance Company	1,470,628	53.678	4.1%
Weisell-Säätiö Sr	1,440,000	52.560	4.0%
Voipio Mikko	1,268,312	46.293	3.5%
Caspers Anja	969,496	35.387	2.7%
Ten largest	19,497,321	711.652	54%
Residual	16,502,679	602.348	46%
Total	36,000,000	1,314.000	100%

#### EARNINGS CALENDAR

#### OTHER EVENTS

#### COMPANY MISCELLANEOUS

CEO: Kai Öistämö

CFO: Kaarina Muurinen

IR: Paula Liimatta

Vanha Nurmijärventie 21, 01670 Vantaa

Tel:

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

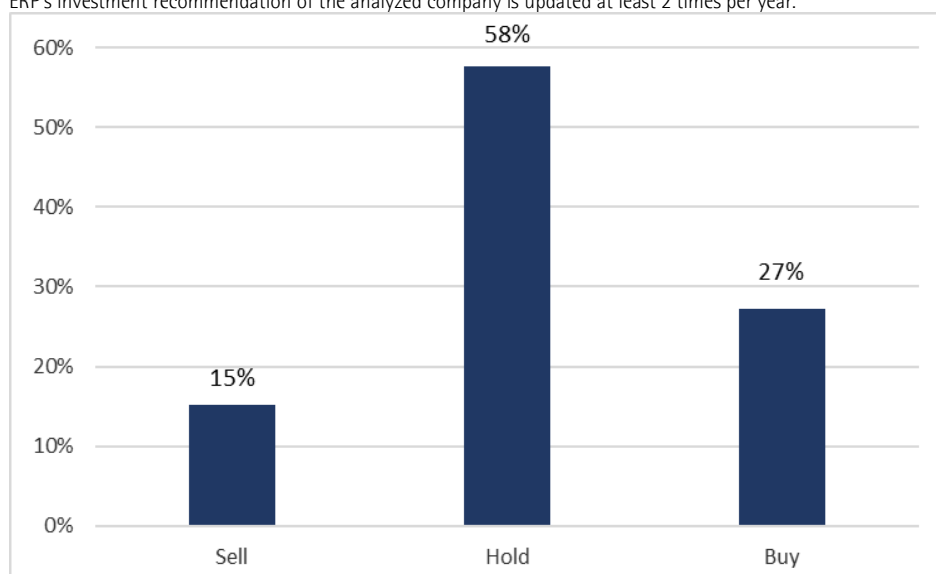
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Investment recommendations are defined as follows:

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

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

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