

## Eyes on the horizon

Vaisala delivered a decent Q2 result, with improved EBIT despite decrease in net sales and orders received. Vaisala maintained its 2020 guidance although market outlook is still weighed down by COVID. Although there are still short-term risks related to the pandemic, we see Vaisala coming out rather unscathed from the pandemic, and therefore we are ready to emphasize more the coming years and Vaisala's post-COVID performance. Our estimates remain unchanged, and we continue to see Vaisala executing well but valuation is challenging. We maintain HOLD recommendation with target price of 29 euros (prev. 26).

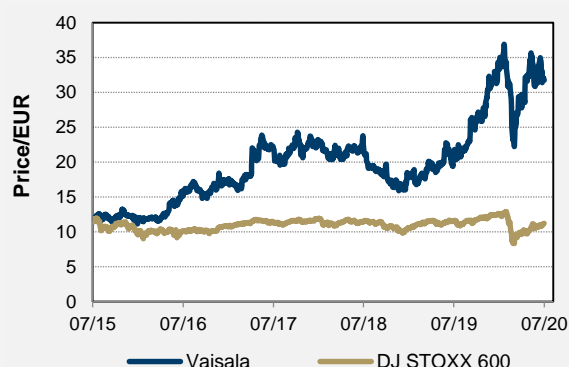
### W&E stronger than expected, while IM soft

On a whole, Vaisala's Q2 result was broadly in line. Q2 net sales decreased -5% to 91,4 MEUR vs. 93,5 MEUR Evli and 94 MEUR consensus. Q2 EBIT improved 9,7% y/y to 7,9 MEUR (8,7% margin) vs. 8,1 MEUR our expectation (cons. 7,9 MEUR). EPS was 0.16 (0.19 Evli, 0.20 consensus). Gross margins held up nicely (54,5% vs. 54,2% last year) despite lower volumes. Orders received decreased -2% to 95,9 MEUR due to weakened order intake in IM and especially in APAC region. Overall, W&E fared slightly better than we expected with Q2 EBIT at 0,7 MEUR (0,2 MEUR Evli) and decent orders received +1% due to strong EMEA. On the other hand, IM was softer than we had expected. IM net sales declined -5% to 33,8 MEUR (37,1 MEUR Evli) and EBIT was 7,1 MEUR (7,9 MEUR Evli), due to lower net sales. IM order intake declined -8% in all regions, especially APAC. According to Vaisala, IM's high-end humidity and high-end carbon dioxide markets were affected by COVID as customers suspended operations and delayed decision making.

### 2020 outlook maintained

Vaisala estimates that lost order intake during H1 was roughly 15–25 MEUR and lost net sales was in range of 5–15 MEUR. Looking forward, it's clear that uncertainties will continue. W&E outlook is weighed by the weakened outlook for aviation and lack of larger infra projects, especially in developed countries. IM is also expected to suffer short term from COVID repercussions. Vaisala maintained its 2020 outlook it issued in April, expecting FY20 net sales of 370–405 MEUR and EBIT of 34–46 MEUR. Our estimates remain broadly unchanged after the report. We believe pulling out of COVID will help IM fare better in H2, and our 20E estimates are at midpoint of guidance. We expect 2020e net sales to decline roughly 4% to 388 MEUR and reported EBIT to decline to 39,5 MEUR. Our 2021–22E estimates remain unchanged and we continue to see Vaisala's targeted above 5% sales growth achievable and road to >12% margins resuming after pandemic resides.

## Rating

■ HOLD


Share price, EUR (Last trading day's closing price) 31.70

Target price, EUR 29.0

Latest change in recommendation 28-Apr-20

Latest report on company 29-Apr-20

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 1,141

Free float, % -

Exchange rate EUR/USD -

Reuters code VAIAS.HE

Bloomberg code VAIAS FH

Average daily volume, EURm -

Next interim report 27-Oct-20

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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
2018	348.8	39.0	11.2%	-17.7	0.83	22.2	1.8	16.4	-2.7	0.58
2019	403.6	41.1	10.2%	4.6	0.93	34.6	2.9	28.1	0.4	0.61
2020E	388.4	39.5	10.2%	34.5	0.85	37.3	2.9	28.4	3.0	0.63
2021E	405.8	45.6	11.2%	35.4	1.01	31.3	2.7	24.4	3.1	0.65
2022E	427.2	53.0	12.4%	38.0	1.10	28.7	2.6	20.7	3.3	0.67
Market cap, EURm		1,141	Gearing 2020E, %			-8.4	CAGR EPS 2019–22, %			5.7
Net debt 2020E, EURm		-17	Price/book 2020E			5.5	CAGR sales 2019–22, %			1.9
Enterprise value, EURm		1,124	Dividend yield 2020E, %			2.0	ROE 2020E, %			15.1
Total assets 2020E, EURm		352	Tax rate 2020E, %			19.2	ROCE 2020E, %			16.0
Goodwill 2020E, EURm		55	Equity ratio 2020E, %			58.8	PEG, P/E 20/CAGR			3.0

**Valuation remains challenging**

On our estimates, Vaisala is still trading at premiums compared to our peer group, and as noted before, we see valuation stretched given Vaisala's weaker financial performance compared to peer group. Peer group valuation multiples have however risen, and premiums are now more acceptable. Although there are still short-term risks related to the pandemic, we see Vaisala coming out rather unscathed from the pandemic, and therefore we are ready to emphasize more the coming years and Vaisala's post-COVID performance. We raise our target price to 29€ (prev. 26€) and maintain our HOLD recommendation. Our target price values Vaisala at 21-22x EV/EBIT multiples of 22x and 19x which is above peer group, reflecting Vaisala's strong sustainability profile, growing dividend, and especially IM's highly profitable growth with possibility of further add-on acquisitions.

Interim figures	2017	2018	Q1'19	Q2'19	Q3'19	Q4'19	2019	Q1'20	Q2'20E	Q3'20E	Q4'20E	2020E	2021E
<b>Net sales</b>	<b>332,6</b>	<b>348,8</b>	<b>84,2</b>	<b>96,1</b>	<b>105,2</b>	<b>118,1</b>	<b>403,6</b>	<b>87,2</b>	<b>91,4</b>	<b>98,6</b>	<b>111,2</b>	<b>388,4</b>	<b>405,8</b>
Weather & Environment	222,2	232,3	49,6	60,7	69,1	81,9	261,3	51,8	57,6	62,1	73,5	245,0	252,4
Industrial Measurements	110,3	116,5	34,6	35,4	36,1	36,3	142,4	35,4	33,8	36,5	37,7	143,4	153,4
EBITDA	50,6	51,1	6,3	12,9	21,8	23,6	64,6	10,1	13,5	18,1	19,4	61,0	68,4
D&A	9,7	12,1	6,3	5,7	5,4	6,0	23,5	4,9	5,6	5,5	5,5	21,5	22,8
<b>EBIT</b>	<b>40,9</b>	<b>38,9</b>	<b>0,0</b>	<b>7,2</b>	<b>16,3</b>	<b>17,6</b>	<b>41,1</b>	<b>5,2</b>	<b>7,9</b>	<b>12,6</b>	<b>13,9</b>	<b>39,5</b>	<b>45,6</b>
Weather & Environment	18,2	17,7	-4,3	0,6	9,3	12,0	17,7	-2,4	0,7	5,1	6,9	10,3	15,1
Industrial Measurements	22,8	23,9	4,6	7,5	8,5	5,4	26,0	7,6	7,1	7,7	7,3	29,7	33,0
Other operations	-0,2	-2,7	-0,3	-0,9	-1,5	0,1	-2,6	0,0	0,1	-0,3	-0,3	-0,5	-2,5
EBIT excl. IAC	41,7	42,6	3,0	9,4	18,4	19,9	50,7	6,9	9,8	14,6	15,9	47,1	53,6
<i>Sales growth %</i>	<i>4,2 %</i>	<i>4,9 %</i>	<i>10,2 %</i>	<i>20,0 %</i>	<i>25,1 %</i>	<i>9,0 %</i>	<i>15,7 %</i>	<i>3,6 %</i>	<i>-4,9 %</i>	<i>-6,3 %</i>	<i>-5,8 %</i>	<i>-3,8 %</i>	<i>4,5 %</i>
<i>EBITDA margin %</i>	<i>15,2 %</i>	<i>14,7 %</i>	<i>7,4 %</i>	<i>13,4 %</i>	<i>20,7 %</i>	<i>20,0 %</i>	<i>16,0 %</i>	<i>11,6 %</i>	<i>14,8 %</i>	<i>18,3 %</i>	<i>17,4 %</i>	<i>15,7 %</i>	<i>16,9 %</i>
<i>EBIT margin %</i>	<i>12,3 %</i>	<i>11,2 %</i>	<i>0,0 %</i>	<i>7,5 %</i>	<i>15,5 %</i>	<i>14,9 %</i>	<i>10,2 %</i>	<i>6,0 %</i>	<i>8,6 %</i>	<i>12,7 %</i>	<i>12,5 %</i>	<i>10,2 %</i>	<i>11,2 %</i>
<i>Adj. EBIT margin %</i>	<i>12,5 %</i>	<i>12,2 %</i>	<i>3,5 %</i>	<i>9,8 %</i>	<i>17,4 %</i>	<i>16,9 %</i>	<i>12,6 %</i>	<i>7,9 %</i>	<i>10,7 %</i>	<i>14,8 %</i>	<i>14,3 %</i>	<i>12,1 %</i>	<i>13,2 %</i>

VAISALA PEER GROUP							
	Security identifier	EBIT % 20E	EBIT % 21E	EBITDA % 20E	EBITDA % 21E	ROCE % 20E	ROCE % 21E
Keysight Technologies	KEYS-US	22,1	24,5	26,7	28,2	14,3	15,4
National Instruments Corp.	NATI-US	14,2	0,0	19,1	21,7	11,5	13,3
Spectris	SXS-GB	12,1	14,1	16,8	18,7	10,2	11,8
Oxford Instruments	OXIG-GB	12,9		16,6	17,5	13,0	15,0
Trimble	TRMB-US	19,7	20,8	21,9	22,7	10,3	11,3
Hexagon	HEXA.B-SE	23,7	26,1	32,3	35,3	9,6	10,8
Peer Group Average		<b>17,5</b>	<b>21,4</b>	<b>22,2</b>	<b>24,0</b>	<b>11,5</b>	<b>12,9</b>
Peer Group Median		<b>16,9</b>	<b>22,7</b>	<b>20,5</b>	<b>22,2</b>	<b>10,9</b>	<b>12,5</b>
Vaisala (Evli est.)		<b>10,2</b>	<b>11,2</b>	<b>15,7</b>	<b>16,9</b>	<b>16,0</b>	<b>18,6</b>
Premium/discount to peer median		-40 %	-50 %	-23 %	-24 %	47 %	48 %

	Security identifier	ROE % 20E	ROE % 21E	DIV % 20E	DIV % 21E	P/E 20E	P/E 21E
Keysight Technologies	KEYS-US	24	25	0,0	0,3	23,9x	19,3x
National Instruments Corp.	NATI-US	13	11	2,7	2,8	30,1x	33,9x
Spectris	SXS-GB	9	12	1,6	2,4	24,7x	19,1x
Oxford Instruments	OXIG-GB	11	16	0,9	1,1	27,3x	23,3x
Trimble	TRMB-US	13	13	0,0	0,0	25,7x	22,0x
Hexagon	HEXA.B-SE	11	13	0,9	1,2	30,4x	25,0x
Peer Group Average		<b>13,6</b>	<b>14,9</b>	<b>1,0</b>	<b>1,3</b>	<b>27,0x</b>	<b>23,8x</b>
Peer Group Median		<b>11,8</b>	<b>13,1</b>	<b>0,9</b>	<b>1,1</b>	<b>26,5x</b>	<b>22,6x</b>
Vaisala (Evli est.)		<b>15,0</b>	<b>16,8</b>	<b>2,0</b>	<b>2,1</b>	<b>37,3</b>	<b>31,3</b>
Premium/discount to peer median		28 %	29 %	116 %	82 %	41 %	38 %

	Security identifier	EV/S 20E	EV/S 21E	EV/EBITDA 20E	EV/EBITDA 21E	EV/EBIT 20E	EV/EBIT 21E
Keysight Technologies	KEYS-US	4,7x	4,0x	17,4x	14,4x	21,1x	16,5x
National Instruments Corp.	NATI-US	3,7x	3,3x	19,4x	15,4x	26,0x	20,3x
Spectris	SXS-GB	2,2x	2,0x	13,0x	10,6x	18,0x	14,1x
Oxford Instruments	OXIG-GB	2,4x	2,2x	14,6x	12,8x	18,8x	15,2x
Trimble	TRMB-US	4,2x	3,8x	19,4x	16,6x	21,6x	18,1x
Hexagon	HEXA.B-SE	6,2x	5,6x	19,1x	15,8x	25,9x	21,3x
Peer Group Average		<b>3,9x</b>	<b>3,5x</b>	<b>17,1x</b>	<b>14,3x</b>	<b>21,9x</b>	<b>17,6x</b>
Peer Group Median		<b>4,0x</b>	<b>3,6x</b>	<b>18,3x</b>	<b>14,9x</b>	<b>21,3x</b>	<b>17,3x</b>
Vaisala (Evli est.)		<b>2,9x</b>	<b>2,7x</b>	<b>18,4x</b>	<b>16,2x</b>	<b>28,4x</b>	<b>24,3x</b>
Premium/discount to peer median		-27 %	-23 %	1 %	9 %	33 %	40 %

	Security identifier	Sales growth 20E	Sales growth 21E	Net debt / EBITDA 20E	Net debt / EBITDA 21E	Equity ratio % 20E	Equity ratio % 21E
Keysight Technologies	KEYS-US	-7,5%	12,0%	0,3x	-0,1x	47,1	53,6
National Instruments Corp.	NATI-US	-5,9%	0,0%	-1,0x	-1,0x	71,4	74,3
Spectris	SXS-GB	-17,1%	7,7%	-0,3x	-0,5x	67,9	64,6
Oxford Instruments	OXIG-GB	-6,6%		-1,5x	-1,6x	61,0	61,6
Trimble	TRMB-US	-8,7%	8,7%	2,3x	1,5x	48,0	51,3
Hexagon	HEXA.B-SE	-4,8%	7,7%	1,5x	0,9x	58,6	60,0
Peer Group Average		<b>-8,4%</b>	<b>9,0%</b>	<b>0,2x</b>	<b>-0,1x</b>	<b>59,0</b>	<b>60,9</b>
Peer Group Median		<b>-7,1%</b>	<b>8,2%</b>	<b>0,0x</b>	<b>-0,3x</b>	<b>59,8</b>	<b>60,8</b>
Vaisala (Evli est.)		<b>-3,8%</b>	<b>4,5%</b>	<b>-0,3x</b>	<b>-0,5x</b>	<b>59,6</b>	<b>62,2</b>

Source: Factset, Evli Research

Updated on July 21st, 2020

## INTERIM FIGURES

EVLI ESTIMATES, EURm	2019Q1	2019Q2	2019Q3	2019Q4	2019	2020Q1	2020Q2	2020Q3E	2020Q4E	2020E	2021E	2022E
Net sales	84.2	96.1	105.2	118.1	403.6	87.2	91.4	98.6	111.2	388.4	405.8	427.2
EBITDA	6.3	13.0	21.8	23.6	64.7	10.1	13.5	18.1	19.4	61.0	68.4	74.9
<i>EBITDA margin (%)</i>	<i>7.5</i>	<i>13.5</i>	<i>20.7</i>	<i>20.0</i>	<i>16.0</i>	<i>11.6</i>	<i>14.8</i>	<i>18.3</i>	<i>17.4</i>	<i>15.7</i>	<i>16.9</i>	<i>17.5</i>
EBIT	0.0	7.2	16.3	17.6	41.1	5.2	7.9	12.6	13.9	39.5	45.6	53.0
<i>EBIT margin (%)</i>	<i>0.0</i>	<i>7.5</i>	<i>15.5</i>	<i>14.9</i>	<i>10.2</i>	<i>6.0</i>	<i>8.6</i>	<i>12.7</i>	<i>12.5</i>	<i>10.2</i>	<i>11.2</i>	<i>12.4</i>
Net financial items	0.2	-0.7	0.6	-1.1	-1.0	-0.2	-0.9	-0.2	-0.2	-1.7	0.0	0.0
Pre-tax profit	0.2	6.5	16.9	16.5	40.1	5.0	7.0	12.3	13.6	37.9	45.6	53.0
Tax	0.0	-1.4	-3.6	-1.5	-6.5	-0.9	-1.2	-2.5	-2.7	-7.3	-9.1	-13.2
<i>Tax rate (%)</i>	<i>25.0</i>	<i>21.5</i>	<i>21.3</i>	<i>9.2</i>	<i>16.4</i>	<i>18.0</i>	<i>17.1</i>	<i>20.0</i>	<i>20.0</i>	<i>19.2</i>	<i>20.0</i>	<i>25.0</i>
Net profit	0.2	5.1	13.3	15.0	33.5	4.1	5.8	9.8	10.9	30.6	36.5	39.8
EPS	0.00	0.14	0.37	0.42	0.93	0.11	0.16	0.27	0.30	0.85	1.01	1.10
EPS adjusted (diluted no. of shares)	0.00	0.14	0.37	0.42	0.93	0.11	0.16	0.27	0.30	0.85	1.01	1.10
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	49.6	60.7	69.1	81.9	261.3	51.8	57.6	62.1	73.5	245.0	252.4	259.1
Industrial Measurements	34.6	35.4	36.1	36.3	142.4	35.4	33.8	36.5	37.7	143.4	153.4	168.1
<b>Total</b>	<b>84.2</b>	<b>96.1</b>	<b>105.2</b>	<b>118.1</b>	<b>403.6</b>	<b>87.2</b>	<b>91.4</b>	<b>98.6</b>	<b>111.2</b>	<b>388.4</b>	<b>405.8</b>	<b>427.2</b>
<b>SALES GROWTH, Y/Y %</b>												
<i>Weather and Environment</i>	<i>3.1</i>	<i>16.7</i>	<i>26.6</i>	<i>5.5</i>	<i>12.5</i>	<i>4.4</i>	<i>-5.1</i>	<i>-10.1</i>	<i>-10.2</i>	<i>-6.2</i>	<i>3.0</i>	<i>2.7</i>
<i>Industrial Measurements</i>	<i>22.7</i>	<i>26.0</i>	<i>22.4</i>	<i>18.1</i>	<i>22.2</i>	<i>2.3</i>	<i>-4.5</i>	<i>1.1</i>	<i>4.0</i>	<i>0.7</i>	<i>7.0</i>	<i>9.6</i>
<b>Total</b>	<b>10.4</b>	<b>20.0</b>	<b>25.1</b>	<b>9.0</b>	<b>15.7</b>	<b>3.6</b>	<b>-4.9</b>	<b>-6.3</b>	<b>-5.8</b>	<b>-3.8</b>	<b>4.5</b>	<b>5.3</b>
<b>EBIT, EURm</b>												
Weather and Environment	-4.3	0.6	9.3	12.0	17.7	-2.4	0.7	5.1	6.9	10.3	15.1	18.5
Industrial Measurements	4.6	7.5	8.5	5.4	26.0	7.6	7.1	7.7	7.3	29.7	33.0	37.0
Other	-0.3	-0.9	-1.5	0.1	-2.6	0.0	0.1	-0.3	-0.3	-0.5	-2.5	-2.5
<b>Total</b>	<b>0.0</b>	<b>7.2</b>	<b>16.3</b>	<b>17.6</b>	<b>41.1</b>	<b>5.2</b>	<b>7.9</b>	<b>12.6</b>	<b>13.9</b>	<b>39.5</b>	<b>45.6</b>	<b>53.0</b>
<b>EBIT margin, %</b>												
<i>Weather and Environment</i>	<i>-8.7</i>	<i>1.0</i>	<i>13.5</i>	<i>14.7</i>	<i>6.8</i>	<i>-4.6</i>	<i>1.2</i>	<i>8.3</i>	<i>9.3</i>	<i>4.2</i>	<i>6.0</i>	<i>7.1</i>
<i>Industrial Measurements</i>	<i>13.3</i>	<i>21.2</i>	<i>23.6</i>	<i>15.0</i>	<i>18.3</i>	<i>21.4</i>	<i>21.0</i>	<i>21.2</i>	<i>19.4</i>	<i>20.7</i>	<i>21.5</i>	<i>22.0</i>
<b>Total</b>	<b>0.0</b>	<b>7.5</b>	<b>15.5</b>	<b>14.9</b>	<b>10.2</b>	<b>6.0</b>	<b>8.6</b>	<b>12.7</b>	<b>12.5</b>	<b>10.2</b>	<b>11.2</b>	<b>12.4</b>

Electronic Equipment & Instruments/Finland, July 22, 2020  
Company update

INCOME STATEMENT, EURm	2015	2016	2017	2018	2019	2020E	2021E	2022E
Sales	318.6	319.2	332.6	348.8	403.6	388.4	405.8	427.2
<i>Sales growth (%)</i>	<i>6.3</i>	<i>0.2</i>	<i>4.2</i>	<i>4.9</i>	<i>15.7</i>	<i>-3.8</i>	<i>4.5</i>	<i>5.3</i>
EBITDA	44.6	46.3	50.3	51.1	64.7	61.0	68.4	74.9
<i>EBITDA margin (%)</i>	<i>14.0</i>	<i>14.5</i>	<i>15.1</i>	<i>14.7</i>	<i>16.0</i>	<i>15.7</i>	<i>16.9</i>	<i>17.5</i>
Depreciation	-14.7	-13.5	-9.5	-12.1	-23.6	-21.5	-22.8	-21.9
EBITA	29.9	32.8	40.8	39.0	41.1	39.5	45.6	53.0
Goodwill amortization / writedown	-0.4	-10.6	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	29.5	22.2	40.8	39.0	41.1	39.5	45.6	53.0
<i>EBIT margin (%)</i>	<i>9.3</i>	<i>7.0</i>	<i>12.3</i>	<i>11.2</i>	<i>10.2</i>	<i>10.2</i>	<i>11.2</i>	<i>12.4</i>
Reported EBIT	29.5	22.2	40.8	39.0	41.1	39.5	45.6	53.0
<i>EBIT margin (reported) (%)</i>	<i>9.3</i>	<i>7.0</i>	<i>12.3</i>	<i>11.2</i>	<i>10.2</i>	<i>10.2</i>	<i>11.2</i>	<i>12.4</i>
Net financials	3.4	-0.2	-2.8	-1.4	-1.0	-1.7	0.0	0.0
Pre-tax profit	32.9	22.0	38.0	37.6	40.1	37.9	45.6	53.0
Taxes	-5.5	-3.3	-10.9	-8.0	-6.5	-7.3	-9.1	-13.2
Minority shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit	27.4	18.7	27.1	29.6	33.5	30.6	36.5	39.8
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	63	46	46	72	83	81	80	78
Goodwill	16	17	16	55	55	55	55	55
Right of use assets	0	0	0	12	12	12	12	13
Inventory	39	32	29	32	40	38	40	42
Receivables	77	78	84	93	105	101	106	111
Liquid funds	59	72	91	73	56	54	57	60
Total assets	264	255	274	347	361	352	359	369
<b>Liabilities</b>								
Shareholder's equity	181	179	186	183	198	207	221	237
Minority interest	0	0	0	0	0	0	0	0
Convertibles	0	0	0	0	0	0	0	0
Lease liabilities	0	0	0	12	11	12	12	13
Deferred taxes	5	0	1	9	8	8	8	8
Interest bearing debt	0	0	0	41	40	25	14	2
Non-interest bearing current liabilities	75	71	81	89	94	90	94	99
Other interest-free debt	3	4	5	9	7	7	7	7
Total liabilities	264	255	274	347	361	352	359	369
<b>CASH FLOW, EURm</b>								
+ EBITDA	45	46	50	51	65	61	68	75
- Net financial items	59	0	-3	-1	-1	-2	0	0
- Taxes	-7	-9	-7	-9	-8	-7	-9	-13
- Increase in Net Working Capital	2	2	7	-4	-16	2	-2	-3
+/- Other	-59	3	2	11	0	0	0	0
= Cash flow from operations	39	42	49	48	40	54	57	59
- Capex	-8	-8	-8	-14	-35	-20	-22	-21
- Acquisitions	0	0	-2	-52	0	0	0	0
+ Divestments	0	1	0	0	0	0	0	0
= Free cash flow	31	35	39	-18	5	34	35	38
+/- New issues/buybacks	0	-4	-2	5	3	0	0	0
- Paid dividend	-16	-17	-18	-37	-21	-22	-23	-23
+/- Other	-3	-1	0	31	-3	-15	-10	-12
Change in cash	12	13	19	-19	-16	-2	2	3

Electronic Equipment & Instruments/Finland, July 22, 2020  
Company update

KEY FIGURES	2016	2017	2018	2019	2020E	2021E	2022E
M-cap	602	794	659	1,159	1,141	1,141	1,141
Net debt (excl. convertibles)	-72	-91	-20	-5	-17	-30	-45
Enterprise value	529	703	638	1,154	1,124	1,111	1,096
Sales	319	333	349	404	388	406	427
EBITDA	46	50	51	65	61	68	75
EBIT	22	41	39	41	40	46	53
Pre-tax	22	38	38	40	38	46	53
Earnings	19	27	30	34	31	36	40
Equity book value (excl. minorities)	179	186	183	198	207	221	237
<b>Valuation multiples</b>							
EV/sales	1.7	2.1	1.8	2.9	2.9	2.7	2.6
EV/EBITDA	11.4	14.0	12.5	17.8	18.4	16.2	14.6
EV/EBITA	16.1	17.2	16.4	28.1	28.4	24.4	20.7
EV/EBIT	23.8	17.2	16.4	28.1	28.4	24.4	20.7
EV/OCF	12.7	14.3	13.2	28.9	20.8	19.5	18.6
EV/FCFF	14.9	17.1	-38.5	141.1	28.5	28.0	25.7
P/FCFE	34.0	40.6	-37.2	250.6	33.1	32.3	30.1
P/E	32.2	29.3	22.2	34.6	37.3	31.3	28.7
P/B	3.4	4.3	3.6	5.8	5.5	5.2	4.8
Target EV/EBITDA	0.0	0.0	0.0	0.0	16.8	14.8	13.3
Target EV/EBIT	0.0	0.0	0.0	0.0	26.0	22.2	18.9
Target EV/FCF	0.0	0.0	0.0	0.0	29.8	28.7	26.3
Target P/B	0.0	0.0	0.0	0.0	5.0	4.7	4.4
Target P/E	0.0	0.0	0.0	0.0	34.1	28.6	26.3
<b>Per share measures</b>							
Number of shares	35,703	35,692	35,790	35,881	36,000	36,000	36,000
Number of shares (diluted)	35,703	35,692	35,790	35,881	36,000	36,000	36,000
EPS	0.52	0.76	0.83	0.93	0.85	1.01	1.10
Operating cash flow per share	1.17	1.38	1.35	1.11	1.50	1.59	1.64
Free cash flow per share	0.99	1.10	-0.49	0.13	0.96	0.98	1.05
Book value per share	5.00	5.20	5.11	5.52	5.75	6.13	6.58
Dividend per share	0.50	1.05	0.58	0.61	0.63	0.65	0.67
Dividend payout ratio, %	95.5	138.3	70.1	65.3	74.1	64.1	61.0
Dividend yield, %	3.0	4.7	3.2	1.9	2.0	2.1	2.1
FCF yield, %	5.9	4.9	-2.7	0.4	3.0	3.1	3.3
<b>Efficiency measures</b>							
ROE	10.4	14.9	16.1	17.6	15.1	17.1	17.4
ROCE	12.4	22.4	18.5	17.0	16.0	18.6	21.2
<b>Financial ratios</b>							
Inventories as % of sales	10.1	8.6	9.2	9.8	9.8	9.8	9.8
Receivables as % of sales	24.3	25.3	26.7	26.0	26.0	26.0	26.0
Non-interest bearing liabilities as % of sales	22.2	24.4	25.5	23.2	23.2	23.2	23.2
NWC/sales, %	12.1	9.5	10.1	12.7	12.7	12.7	12.7
Operative CAPEX/sales, %	2.4	2.5	4.1	8.7	5.0	5.4	4.9
CAPEX/sales (incl. acquisitions), %	2.4	1.9	-10.7	8.7	5.0	5.4	4.9
FCFF/EBITDA	0.8	0.8	-0.3	0.1	0.6	0.6	0.6
Net debt/EBITDA, book-weighted	-1.6	-1.8	-0.4	-0.1	-0.3	-0.4	-0.6
Debt/equity, market-weighted	0.0	0.0	0.1	0.0	0.0	0.0	0.0
Equity ratio, book-weighted	70.0	67.7	52.8	54.9	58.8	61.4	64.2
Gearing, %	-40.5	-49.2	-11.0	-2.5	-8.4	-13.6	-18.8

**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	119.661	10.5%
Nordea Bank Ab (publ), Finnish Branch	3,186,914	101.025	8.9%
Skandinaviska Enskilda Banken Ab (publ) Helsinki Branch	2,247,215	71.237	6.2%
Finnish Academy of Science and Letters	2,130,832	67.547	5.9%
Mandatum Life Insurance Company Ltd.	1,533,300	48.606	4.3%
Nordea Nordic Small Cap Fund	1,475,832	46.784	4.1%
Ilmarinen Mutual Pension Insurance Company	1,470,628	46.619	4.1%
Weisell-Säätiö Sr	1,440,000	45.648	4.0%
Voipio Mikko	1,268,312	40.205	3.5%
Caspers Anja	969,496	30.733	2.7%
Ten largest	19,497,321	618.065	54%
Residual	16,502,679	523.135	46%
Total	36,000,000	1,141.200	100%

#### EARNINGS CALENDAR

#### OTHER EVENTS

#### COMPANY MISCELLANEOUS

CEO: Kjell Forsén

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



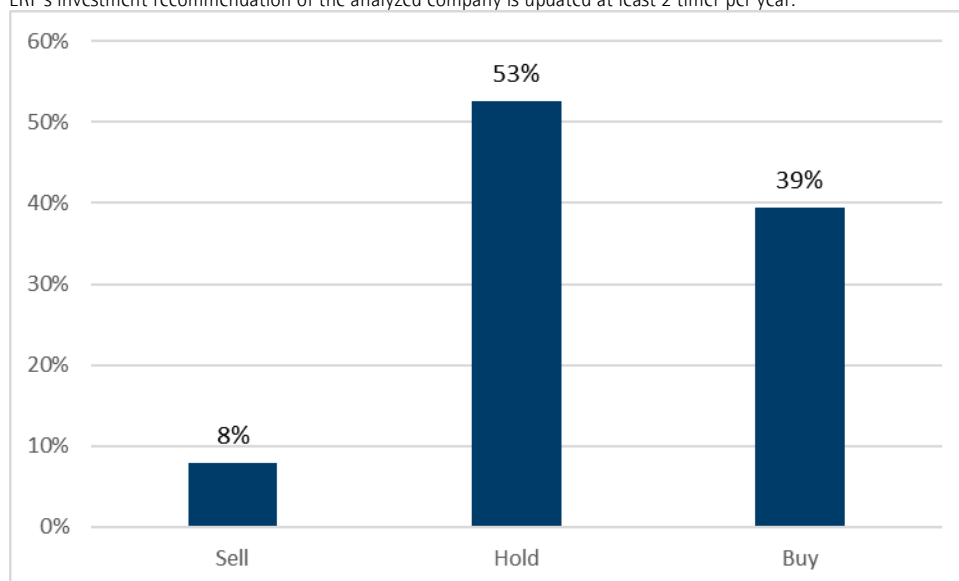
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Target price compared to share price	Recommendation
< -10 %	SELL
-10 – (+10) %	HOLD
> 10 %	BUY

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

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