

Valuation running ahead of things

Vaisala ended a solid 2019 with a good Q4 that beat expectations. The outlook for 2020 was rather cautious with current expectations already at upper range of guidance. Both acquired companies contributed significantly in last year's growth, and we see further M&A as key to accelerate growth and maintain current valuation. Our estimates remain broadly unchanged post Q4 and thus we maintain previous TP of EUR 29.5. Due to continued share price rally our recommendation is now SELL (prev. HOLD).

A good finish to a solid year

Vaisala ended a solid 2019 with a good Q4 that beat expectations. Q4 net sales grew 9% y/y to 118.1 MEUR (118 Evli, 116 cons) and EBIT improved +27% to 17.7 MEUR (16 MEUR Evli/cons.). Dividend proposal is 0.61 (0.60 Evli/cons.). Net sales growth was driven by good level of delivery volumes thanks to record high order book during end of last year. Q4 EBIT improvement was driven by gross margin improvement of 170 bps due to net sales growth and scale benefits.

Both business areas fuelled by M&A

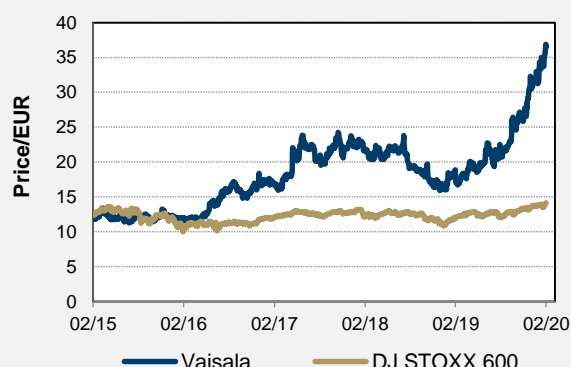
W&E Q4 net sales grew 5% (1% excl. FX and M&A) to 81.9 MEUR (80.0 Evli), with growth in all regions except China. W&E Q4 EBIT was 12.1 MEUR (10 Evli). W&E order intake growth was -3%, -8% growth excl. FX and M&A, due to less larger projects during Q4. IM Q4 net sales grew 18% (5% excl. FX and M&A) to 36.3 MEUR (38.0 Evli) and was strong in all regions. IM Q4 EBIT was 5.5 MEUR (7.6 Evli). IM order intake grew by 19%, 8% excl. FX and M&A. Both acquired companies, i.e. Leosphere (W&E) and K-patents (IM), have been successfully integrated to Vaisala's platform and contributed significantly in FY'19 growth. Half of IM's FY'19 net sales growth came from K-Patents acquisition, while W&E FY'19 net sales growth excluding FX and M&A was 2%. Vaisala has indicated the possibility of further add-on acquisitions in liquid measurements area. With its platform, strong balance sheet and current valuation, Vaisala is in a good position to continue value accretive acquisitions in our view.

2020 outlook slightly soft as expectations already in upper end

Vaisala estimates its 2020 net sales to be in the range of 400–425 MEUR and EBIT in the range of 38–48 MEUR, which practically means 0–5% growth and 9–12% EBIT margins. Given that our previous 2020 estimates, as well as consensus figures (FY'20E net sales 423M, EBIT 48.3 MEUR) were already in the upper end of the outlook, the guidance is cautious. Vaisala expects W&E market segments to be stable or somewhat grow, while industrial and liquid measurement market segments are expected to continue to grow.

Rating

SELL



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

Target price, EUR 29.5

Latest change in recommendation 12-Feb-20

Latest report on company 12-Dec-19

Research paid by issuer: YES

No. of shares outstanding, '000's 35,881

No. of shares fully diluted, '000's 35,881

Market cap, EURm 1,310

Free float, % -

Exchange rate EUR/USD -

Reuters code VAIAS.HE

Bloomberg code VAIAS FH

Average daily volume, EURm -

Next interim report 28-Apr-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	422.3	44.4	10.5%	33.5	0.98	37.3	3.1	29.1	2.6	0.63
2021E	443.3	49.0	11.1%	37.6	1.09	33.4	2.9	26.1	2.9	0.65
2022E	465.0	53.0	11.4%	37.9	1.11	32.9	2.7	23.8	2.9	0.68
Market cap, EURm		1,310	Gearing 2020E, %			-7.7	CAGR EPS 2019-22, %			5.8
Net debt 2020E, EURm		-16	Price/book 2020E			6.2	CAGR sales 2019-22, %			4.8
Enterprise value, EURm		1,293	Dividend yield 2020E, %			1.7	ROE 2020E, %			17.2
Total assets 2020E, EURm		370	Tax rate 2020E, %			20.0	ROCE 2020E, %			17.6
Goodwill 2020E, EURm		55	Equity ratio 2020E, %			57.1	PEG, P/E 20/CAGR			3.5

Estimates unchanged, valuation is running ahead of things

Apart from a slight trim to our sales estimates, our estimates are unchanged for the coming years. With the acquired businesses integrated into Vaisala's sales channel and continued stable to good organic momentum in both W&E and IM, we see Vaisala's targeted above 5% sales growth achievable and road to >12% margins progressing well. The underlying main driver for growth is continued good growth in industrial business supported by further bolt-on acquisitions. As a result, we estimate IM share of Vaisala's EBIT to grow to 66% in '21E (vs. 56-57% in '17-'18), driving ~10% EBIT growth in coming years. Vaisala's share has continued to rally, pushing new all-time highs. On our estimates, Vaisala is trading at PPA amortizations adjusted EV/EBIT multiples of 24.7x and 22.4x for '20E and '21E, a ~50% premium to our peer group median despite exhibiting lower profitability profile than our peer group. On our adjusted '20E P/E multiples, premium is roughly 50% as well. Despite Vaisala's strong sustainability profile, growing dividend, and especially IM's highly profitable growth with possibility of further add-on acquisitions, we see current valuation too stretched given our current growth and earnings estimates (which do not account for further M&A). We maintain previous TP of EUR 29.5, which values Vaisala at EV/EBIT 23.5x and 21x. on '20-21E, still at ~40% premium to our peer group. Due to continued share price rally our recommendation is now SELL (prev. HOLD).

Interim figures	2017	2018	Q1'19	Q2'19	Q3'19	Q4'19	2019	Q1'20E	Q2'20E	Q3'20E	Q4'20E	2020E	2021E
Net sales	332,6	348,8	84,2	96,1	105,2	118,1	403,6	87,0	100,7	111,0	123,6	422,3	443,3
Weather & Environment	222,2	232,3	49,6	60,7	69,1	81,9	261,3	50,5	62,3	71,2	83,5	267,5	277,7
Industrial Measurements	110,3	116,5	34,6	35,4	36,1	36,3	142,4	36,5	38,4	39,8	40,1	154,8	165,6
EBITDA	50,6	51,1	6,3	12,9	21,8	23,6	64,6	8,1	13,8	22,9	21,6	66,4	73,0
D&A	9,7	12,1	6,3	5,7	5,4	6,0	23,5	0,0	0,0	0,0	0,0	22,0	24,0
EBIT	40,9	38,9	0,0	7,2	16,3	17,6	41,1	2,6	8,3	17,4	16,1	44,4	49,0
Weather & Environment	18,2	17,7	-4,3	0,6	9,3	12,0	17,7	-1,8	2,8	9,6	11,6	18,3	17,5
Industrial Measurements	22,8	23,9	4,6	7,5	8,5	5,4	26,0	6,9	8,0	10,3	7,0	28,2	34,0
Other operations	-0,2	-2,7	-0,3	-0,9	-1,5	0,1	-2,6	-0,5	-0,5	-0,5	-0,5	-2,0	-2,5
EBIT excl. IAC	41,7	42,6	5,0	9,4	18,4	19,9	52,7	4,6	10,3	19,4	18,1	52,4	57,0
<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>3,3 %</i>	<i>4,8 %</i>	<i>5,5 %</i>	<i>4,7 %</i>	<i>4,6 %</i>	<i>5,0 %</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>9,4 %</i>	<i>13,7 %</i>	<i>20,6 %</i>	<i>17,5 %</i>	<i>15,7 %</i>	<i>16,5 %</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>3,0 %</i>	<i>8,2 %</i>	<i>15,7 %</i>	<i>13,0 %</i>	<i>10,5 %</i>	<i>11,1 %</i>
<i>Adj. EBIT margin %</i>	<i>12,5 %</i>	<i>12,2 %</i>	<i>5,9 %</i>	<i>9,8 %</i>	<i>17,4 %</i>	<i>16,9 %</i>	<i>13,0 %</i>	<i>5,3 %</i>	<i>10,2 %</i>	<i>17,5 %</i>	<i>14,6 %</i>	<i>12,4 %</i>	<i>12,9 %</i>

Peer group table

VAISALA PEER GROUP	Security identifier	MCAP MEUR	EBIT %	EBIT %	EBIT %	EBITDA %	EBITDA %	EBITDA %	ROCE %	ROCE %	ROCE %
			19E	20E	21E	19E	20E	21E	19E	20E	21E
Keysight Technologies	KEYS-US	16312	23,5	24,6	25,5	26,7	27,9	28,4	18,1	17,0	16,0
National Instruments Corp.	NATI-US	5315	18,6	18,4	0,0	21,2	21,8	22,9	18,7	17,0	17,5
Spectris	SXS-GB	3838	15,1	15,3	15,6	20,2	19,4	19,4	15,8	14,6	14,4
Oxford Instruments	OXIG-GB	1119	15,6	15,7		18,2	18,8	19,2	21,3	20,7	19,5
Trimble	TRMB-US	9838	20,3	21,0	22,0	22,2	23,0	23,9	13,8	14,2	14,2
Hexagon	HEXA.B-SE	19203	24,5	25,9	26,6	33,6	34,6	35,1	10,8	11,5	11,8
Peer Group Average		9271	19,6	20,1	22,4	23,7	24,2	24,8	16,4	15,8	15,6
Peer Group Median		7577	19,5	19,7	23,8	21,7	22,4	23,4	16,9	15,8	15,2
Vaisala (Evli est.)		1328	10,2	10,5	11,1	16,0	15,7	16,4	17,0	17,6	19,1
Premium/discount to peer median			-48 %	-46 %	-54 %	-26 %	-30 %	-30 %	0 %	12 %	26 %

	Security identifier	MCAP MEUR	ROE %	ROE %	ROE %	DIV %	DIV %	DIV %	P/E	P/E	P/E
			19E	20E	21E	19E	20E	21E	19E	20E	21E
Keysight Technologies	KEYS-US	16312	33	29	26	0,0	0,0	0,0	20,4x	18,7x	16,8x
National Instruments Corp.	NATI-US	5315							36,9x	26,5x	33,6x
Spectris	SXS-GB	3838	15	14	14	2,3	2,4	2,5	16,9x	17,5x	16,5x
Oxford Instruments	OXIG-GB	1119	20	19	17	0,9	0,9	1,0	22,6x	21,5x	20,5x
Trimble	TRMB-US	9838	16	16	16	0,0	0,0	0,0	22,7x	21,0x	18,2x
Hexagon	HEXA.B-SE	19203	14	14	14	1,2	1,3	1,4	24,8x	22,5x	20,7x
Peer Group Average		9271	19,4	18,2	17,2	0,9	0,9	1,0	24,0x	21,3x	21,0x
Peer Group Median		7577	15,8	15,8	15,8	0,9	0,9	1,0	22,6x	21,2x	19,3x
Vaisala (Evli est.)		1328	17,6	17,2	17,8	1,9	1,7	1,8	34,6	37,3	33,4
Premium/discount to peer median			11 %	8 %	13 %	111 %	83 %	77 %	53 %	75 %	73 %

	Security identifier	MCAP MEUR	EV/S	EV/S	EV/S	EV/EBITDA	EV/EBITDA	EV/EBITDA	EV/EBIT	EV/EBIT	EV/EBIT
			19E	20E	21E	19E	20E	21E	19E	20E	21E
Keysight Technologies	KEYS-US	16312	4,4x	4,1x	3,7x	17,6x	14,6x	13,1x	20,0x	16,6x	14,6x
National Instruments Corp.	NATI-US	5315									
Spectris	SXS-GB	3838	2,0x	2,1x	1,9x	10,3x	10,6x	10,0x	13,8x	13,4x	12,4x
Oxford Instruments	OXIG-GB	1119	2,6x	2,5x	2,5x	13,5x	13,4x	12,8x	15,7x	16,1x	15,3x
Trimble	TRMB-US	9838	3,9x	3,6x	3,2x	16,7x	15,5x	13,3x	18,2x	17,0x	14,4x
Hexagon	HEXA.B-SE	19203	5,4x	5,0x	4,6x	15,6x	14,6x	13,2x	21,3x	19,5x	17,4x
Peer Group Average		9271	3,7x	3,5x	3,2x	14,7x	13,7x	12,5x	17,8x	16,5x	14,8x
Peer Group Median		7577	3,9x	3,6x	3,2x	15,6x	14,6x	13,1x	18,2x	16,6x	14,6x
Vaisala (Evli est.)		1328	2,9x	3,1x	2,9x	17,8x	19,5x	17,5x	28,1x	29,1x	26,1x
Premium/discount to peer median			-26 %	-14 %	-9 %	15 %	34 %	34 %	54 %	75 %	79 %

	Security identifier	MCAP MEUR	Sales growth	Sales growth	Sales growth	Net debt / EBITDA	Net debt / EBITDA	Net debt / EBITDA	Equity ratio %	Equity ratio %	Equity ratio %
			19E	20E	21E	19E	20E	21E	19E	20E	21E
Keysight Technologies	KEYS-US	16312	10,2%	6,1%	6,7%	0,9x	0,4x	0,1x	45,4	49,7	54,5
National Instruments Corp.	NATI-US	5315	-0,4%	4,9%	0,0%				71,2	73,9	75,3
Spectris	SXS-GB	3838	2,1%	-6,5%	2,9%	0,1x	-0,3x	-0,6x	62,6	66,1	67,8
Oxford Instruments	OXIG-GB	1119	6,6%	2,7%		-0,2x	-0,3x	-0,3x	57,4	62,7	65,4
Trimble	TRMB-US	9838	3,1%	4,1%	7,1%	2,2x	1,4x	0,6x	48,7	52,0	55,3
Hexagon	HEXA.B-SE	19203	3,9%	5,5%	5,5%	1,5x	1,1x	0,6x	57,3	59,1	60,3
Peer Group Average		9271	4,2%	2,8%	5,6%	0,9x	0,5x	0,1x	57,1	60,6	63,1
Peer Group Median		7577	3,5%	4,5%	6,1%	0,9x	0,4x	0,1x	57,3	60,9	62,9
Vaisala (Evli est.)		1328	15,7%	4,6%	5,0%	-0,1x	-0,2x	-0,4x	54,8	57,1	60,1
Premium/discount to peer median			351 %	2 %	-18 %	-109 %	-155 %	-648 %	-4 %	-6 %	-4 %

	Security identifier	MCAP MEUR	P/B	P/B	P/B
			19E	20E	21E
Keysight Technologies	KEYS-US	16312	6,1	4,9	4,0
National Instruments Corp.	NATI-US	5315			
Spectris	SXS-GB	3838	2,5	2,4	2,2
Oxford Instruments	OXIG-GB	1119	4,2	3,8	3,1
Trimble	TRMB-US	9838	3,5	3,2	2,6
Hexagon	HEXA.B-SE	19203	3,2	2,9	2,7
Peer Group Average		9271	3,9	3,4	2,9
Peer Group Median		7577	3,5	3,2	2,7
Vaisala (Evli est.)		1328	6,2	6,2	6,2
Premium/discount to peer median			77 %	96 %	128 %

Source: Factset, Evli Research

Updated on February 10, 2020

INTERIM FIGURES

EVLI ESTIMATES, EURm	2019Q1	2019Q2	2019Q3	2019Q4	2019	2020Q1E	2020Q2E	2020Q3E	2020Q4E	2020E	2021E	2022E
Net sales	84.2	96.1	105.2	118.1	403.6	87.0	100.7	111.0	123.6	422.3	443.3	465.0
EBITDA	6.3	13.0	21.8	23.6	64.7	8.1	13.8	22.9	21.6	66.4	72.9	75.8
<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>9.4</i>	<i>13.7</i>	<i>20.6</i>	<i>17.5</i>	<i>15.7</i>	<i>16.4</i>	<i>16.3</i>
EBIT	0.0	7.2	16.3	17.6	41.1	2.6	8.3	17.4	16.1	44.4	49.0	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>3.0</i>	<i>8.2</i>	<i>15.7</i>	<i>13.0</i>	<i>10.5</i>	<i>11.1</i>	<i>11.4</i>
Net financial items	0.2	-0.7	0.6	-1.1	-1.0	-0.2	0.3	-0.2	-0.2	-0.5	0.0	0.0
Pre-tax profit	0.2	6.5	16.9	16.5	40.1	2.4	8.6	17.2	15.8	43.9	49.0	53.0
Tax	0.0	-1.4	-3.6	-1.5	-6.5	-0.5	-1.7	-3.4	-3.2	-8.8	-9.8	-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>20.0</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>
Net profit	0.2	5.1	13.3	15.0	33.5	1.9	6.8	13.7	12.7	35.2	39.2	39.8
EPS	0.00	0.14	0.37	0.42	0.93	0.05	0.19	0.38	0.35	0.98	1.09	1.11
EPS adjusted (diluted no. of shares)	0.00	0.14	0.37	0.42	0.93	0.05	0.19	0.38	0.35	0.98	1.09	1.11
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	0.68
SALES, EURm												
Weather and Environment	49.6	60.7	69.1	81.9	261.3	50.5	62.3	71.2	83.5	267.5	277.7	286.5
Industrial Measurements	34.6	35.4	36.1	36.3	142.4	36.5	38.4	39.8	40.1	154.8	165.6	178.5
Total	84.2	96.1	105.2	118.1	403.6	87.0	100.7	111.0	123.6	422.3	443.3	465.0
SALES GROWTH, Y/Y %												
<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>1.8</i>	<i>2.6</i>	<i>3.0</i>	<i>2.0</i>	<i>2.4</i>	<i>3.8</i>	<i>3.2</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>5.5</i>	<i>8.5</i>	<i>10.2</i>	<i>10.6</i>	<i>8.7</i>	<i>7.0</i>	<i>7.8</i>
Total	10.4	20.0	25.1	9.0	15.7	3.3	4.8	5.5	4.7	4.6	5.0	4.9
EBIT, EURm												
Weather and Environment	-4.3	0.6	9.3	12.0	17.7	-2.8	1.8	8.6	10.6	18.3	17.5	18.5
Industrial Measurements	4.6	7.5	8.5	5.4	26.0	5.9	7.0	9.3	6.0	28.2	34.0	37.0
Other	-0.3	-0.9	-1.5	0.1	-2.6	-0.5	-0.5	-0.5	-0.5	-2.0	-2.5	-2.5
Total	0.0	7.2	16.3	17.6	41.1	2.6	8.3	17.4	16.1	44.4	49.0	53.0
EBIT margin, %												
<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>-5.5</i>	<i>2.9</i>	<i>12.1</i>	<i>12.6</i>	<i>6.8</i>	<i>6.3</i>	<i>6.5</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>16.2</i>	<i>18.1</i>	<i>23.3</i>	<i>15.1</i>	<i>18.2</i>	<i>20.5</i>	<i>20.7</i>
Total	0.0	7.5	15.5	14.9	10.2	3.0	8.2	15.7	13.0	10.5	11.1	11.4

Electronic Equipment & Instruments/Finland, February 13, 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	422.3	443.3	465.0
<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>4.6</i>	<i>5.0</i>	<i>4.9</i>
EBITDA	44.6	46.3	50.3	51.1	64.7	66.4	72.9	75.8
<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>16.4</i>	<i>16.3</i>
Depreciation	-14.7	-13.5	-9.5	-12.1	-23.6	-22.0	-23.9	-22.8
EBITA	29.9	32.8	40.8	39.0	41.1	44.4	49.0	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	44.4	49.0	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>10.5</i>	<i>11.1</i>	<i>11.4</i>
Reported EBIT	29.5	22.2	40.8	39.0	41.1	44.4	49.0	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>10.5</i>	<i>11.1</i>	<i>11.4</i>
Net financials	3.4	-0.2	-2.8	-1.4	-1.0	-0.5	0.0	0.0
Pre-tax profit	32.9	22.0	38.0	37.6	40.1	43.9	49.0	53.0
Taxes	-5.5	-3.3	-10.9	-8.0	-6.5	-8.8	-9.8	-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	35.2	39.2	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
BALANCE SHEET, EURm								
Assets								
Fixed assets	63	46	46	72	83	82	80	78
Goodwill	16	17	16	55	55	55	55	55
Right of use assets	0	0	0	12	12	13	14	14
Inventory	39	32	29	32	40	41	43	46
Receivables	77	78	84	93	105	110	115	121
Liquid funds	59	72	91	73	56	59	62	65
Total assets	264	255	274	347	361	370	379	389
Liabilities								
Shareholder's equity	181	179	186	183	198	211	228	244
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	13	14	14
Deferred taxes	5	0	1	9	8	8	8	8
Interest bearing debt	0	0	0	41	40	30	17	5
Non-interest bearing current liabilities	75	71	81	89	94	98	103	108
Other interest-free debt	3	4	5	9	7	7	7	7
Total liabilities	264	255	274	347	361	370	379	389
CASH FLOW, EURm								
+ EBITDA	45	46	50	51	65	66	73	76
- Net financial items	59	0	-3	-1	-1	0	0	0
- Taxes	-7	-9	-7	-9	-8	-9	-10	-13
- Increase in Net Working Capital	2	2	7	-4	-16	-2	-3	-3
+/- Other	-59	3	2	11	0	0	0	0
= Cash flow from operations	39	42	49	48	40	55	60	60
- Capex	-8	-8	-8	-14	-35	-21	-23	-22
- 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	33	38	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	-9	-12	-12
Change in cash	12	13	19	-19	-16	3	3	3

Electronic Equipment & Instruments/Finland, February 13, 2020
Company update

KEY FIGURES	2016	2017	2018	2019	2020E	2021E	2022E
M-cap	602	794	659	1,159	1,310	1,310	1,310
Net debt (excl. convertibles)	-72	-91	-20	-5	-16	-31	-46
Enterprise value	529	703	638	1,154	1,293	1,278	1,264
Sales	319	333	349	404	422	443	465
EBITDA	46	50	51	65	66	73	76
EBIT	22	41	39	41	44	49	53
Pre-tax	22	38	38	40	44	49	53
Earnings	19	27	30	34	35	39	40
Equity book value (excl. minorities)	179	186	183	198	211	228	244
Valuation multiples							
EV/sales	1.7	2.1	1.8	2.9	3.1	2.9	2.7
EV/EBITDA	11.4	14.0	12.5	17.8	19.5	17.5	16.7
EV/EBITA	16.1	17.2	16.4	28.1	29.1	26.1	23.8
EV/EBIT	23.8	17.2	16.4	28.1	29.1	26.1	23.8
EV/OCF	12.7	14.3	13.2	28.9	23.6	21.2	21.1
EV/FCFF	14.9	17.1	-38.5	141.1	33.6	30.1	29.4
P/FCFE	34.0	40.6	-37.2	250.6	39.1	34.9	34.6
P/E	32.2	29.3	22.2	34.6	37.3	33.4	32.9
P/B	3.4	4.3	3.6	5.8	6.2	5.7	5.4
Target EV/EBITDA	0.0	0.0	0.0	0.0	15.7	14.1	13.4
Target EV/EBIT	0.0	0.0	0.0	0.0	23.5	21.0	19.1
Target EV/FCF	0.0	0.0	0.0	0.0	31.1	27.3	26.7
Target P/B	0.0	0.0	0.0	0.0	5.0	4.6	4.3
Target P/E	0.0	0.0	0.0	0.0	30.1	27.0	26.6
Per share measures							
Number of shares	35,703	35,692	35,790	35,881	35,881	35,881	35,881
Number of shares (diluted)	35,703	35,692	35,790	35,881	35,881	35,881	35,881
EPS	0.52	0.76	0.83	0.93	0.98	1.09	1.11
Operating cash flow per share	1.17	1.38	1.35	1.11	1.53	1.68	1.67
Free cash flow per share	0.99	1.10	-0.49	0.13	0.93	1.05	1.06
Book value per share	5.00	5.20	5.11	5.52	5.89	6.36	6.81
Dividend per share	0.50	1.05	0.58	0.61	0.63	0.65	0.68
Dividend payout ratio, %	95.5	138.3	70.1	65.3	64.3	59.5	61.0
Dividend yield, %	3.0	4.7	3.2	1.7	1.7	1.8	1.9
FCF yield, %	5.9	4.9	-2.7	0.4	2.6	2.9	2.9
Efficiency measures							
ROE	10.4	14.9	16.1	17.6	17.2	17.8	16.8
ROCE	12.4	22.4	18.5	17.0	17.6	19.1	20.3
Financial ratios							
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	5.2	4.7
CAPEX/sales (incl. acquisitions), %	2.4	1.9	-10.7	8.7	5.0	5.2	4.7
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	-0.2	-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	57.1	60.1	62.8
Gearing, %	-40.5	-49.2	-11.0	-2.5	-7.7	-13.7	-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	%
Novameter 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	6.3%
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	16,383,679	598.004	46%
Total	35,881,000	1,309.657	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, %	$\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes}}{\text{Shareholder's equity} + \text{minority interest} + \text{taxed provisions (average)}}$		

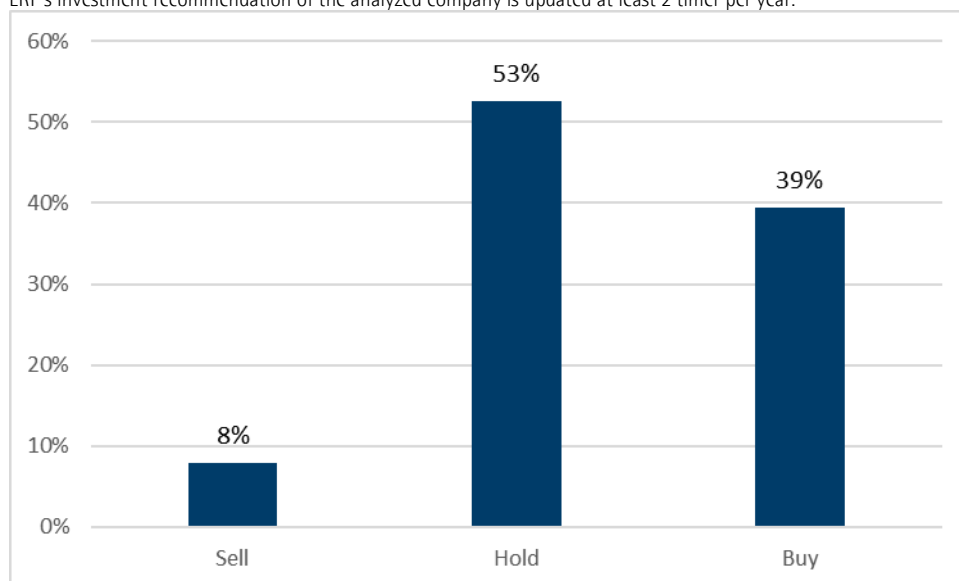
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Investment recommendations are defined as follows:

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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