

## Leosphere and order intake reflect on W&E estimates

In Q3'18, Weather and Environment (W&E) order intake was y/y lower for the second consecutive quarter, partly due to the absence of large orders. Vaisala maintained its cautious view on the Chinese demand for traditional weather observation solutions during 2018. We have updated our estimates particularly for W&E. On our estimates, the positive net sales and EBIT margin impact of the recently acquired Leosphere is partly offset by more cautious growth estimates for the rest of W&E. We maintain HOLD rating with a TP EUR 19 (21).

### Timing of W&E projects caused some surprises

After the Q2'18 result, Vaisala estimated that the high share of project revenue will negatively affect W&E's profitability during H2'18. However, Q3'18 turned out to be an exception: the timing of W&E projects resulted in weaker net sales but supported gross margin and EBIT margin, as the share of typically low margin project deliveries fell to 25% (37% in Q3'17) in W&E. According to Vaisala, project gross margins also happened to be better y/y.

### Low W&E order intake continued in Q3'18

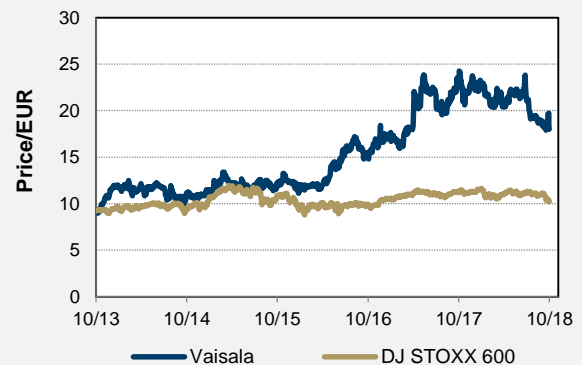
In Q3'18, W&E order intake amounted to 48.7 MEUR (-33% y/y) which was the second consecutive weak quarter, even when we adjust for the 6.3 MEUR Vietnamese contract order in Q3'17. According to Vaisala, the demand for W&E products in China has not changed significantly from Q2'18 to Q3'18. The company repeated its view that the Chinese demand for traditional weather observation equipment is expected to decline moderately y/y in 2018. Vaisala sees that the main Chinese customer for traditional weather stations may have saturated its network, which could explain the weaker demand in 2018. Meanwhile, Vaisala sees that sales to Chinese airports are a growing business.

### HOLD maintained with a TP of EUR 19 (21) per share

We have updated our estimates, which now reflect the acquired Leosphere. In addition, we lower W&E sales growth estimates for other segments due to the continued weak development in order intake and continued cautiousness regarding the Chinese market. In our estimates the weak W&E order intake partly offsets the estimated growth boost from Leosphere. Our 2019E estimates and peer EV/EBIT multiples imply a value of 18.8 EUR per share when we adjust for Vaisala's net debt. We maintain HOLD rating with a target price of EUR 19 (21) per share.

### Rating

HOLD



Share price, EUR (Last trading day's closing price) 18.00

Target price, EUR 19.0

Latest change in recommendation 28-Jun-2018

Latest report on company 23-Jul-2018

Research paid by issuer: YES

No. of shares outstanding, '000's 36,437

No. of shares fully diluted, '000's 36,437

Market cap, EURm 534

Free float, % -

Exchange rate EUR/USD -

Reuters code VAIAS.HE

Bloomberg code VAIAS FH

Average daily volume, EURm -

Next interim report -

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BUY HOLD SELL

### KEY FIGURES

	Sales EURm	EBIT EURm	EBIT %	Ptx profit EURm	EPS EUR	P/E (x)	EV/Sales (x)	P/CF (x)	EV/EBIT (x)	DPS EUR
2016	319	22	7.0%	22	0.52	32.2	1.7	14.3	23.8	0.50
2017	333	41	12.3%	38	0.76	29.3	2.1	15.5	17.2	1.05
2018E	348	36	10.2%	34	0.67	26.8	1.4	20.1	14.1	0.55
2019E	377	47	12.5%	47	0.97	18.5	1.3	15.5	10.8	0.60
2020E	390	48	12.2%	48	0.98	18.4	1.3	13.1	10.7	0.65
Market cap, EURm		534	BV per share 2018E, EUR		4.7	CAGR EPS 2017-20, %		8.9		
Net debt 2018E, EURm		-30	Price/book 2018E		3.1	CAGR sales 2017-20, %		5.4		
Enterprise value, EURm		504	Dividend yield 2018E, %		3.1	ROE 2018E, %		13.7		
Total assets 2018E, EURm		312	Tax rate 2018E, %		28.4	ROCE 2018E, %		17.6		
Goodwill 2018E, EURm		16	Equity ratio 2018E, %		55.4	PEG, P/E 18/CAGR		1.7		

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

**Estimates summary**

	2016	Q1'17	Q2'17	Q3'17	Q4'17	2017	Q1'18	Q2'18	Q3'18	Q4'18E	2018E	2019E	2020E	2021E
<b>Group</b>														
Net sales	319	68	75	87	102	333	76	80	84	108	349	377	390	406
<i>Growth, y/y</i>	<i>0.2%</i>	<i>-0.4%</i>	<i>-1.1%</i>	<i>6.5%</i>	<i>10.0%</i>	<i>4.2%</i>	<i>11.7%</i>	<i>7.1%</i>	<i>-3.4%</i>	<i>5.5%</i>	<i>4.8%</i>	<i>8.2%</i>	<i>3.3 %</i>	<i>4.3 %</i>
Operating profit	22.3	2.6	5.1	14.7	18.5	40.9	5.7	4.7	14.5	10.6	35.5	47.0	47.6	51.0
<i>Operating margin</i>	<i>7.0%</i>	<i>3.8%</i>	<i>6.8%</i>	<i>16.9%</i>	<i>18.1%</i>	<i>12.3%</i>	<i>7.5%</i>	<i>5.9%</i>	<i>17.3%</i>	<i>9.8%</i>	<i>10.2%</i>	<i>12.5%</i>	<i>12.2 %</i>	<i>12.5 %</i>
<b>Weather &amp; Environment</b>														
Net sales	215	40	49	58	74	222	48	52	55	78	233	253	257	266
<i>Growth, y/y</i>	<i>-4.5%</i>	<i>-9.8%</i>	<i>-2.6%</i>	<i>9.2%</i>	<i>11.5%</i>	<i>3.2%</i>	<i>19.4%</i>	<i>5.5%</i>	<i>-6.3%</i>	<i>5.1%</i>	<i>4.8%</i>	<i>8.5%</i>	<i>1.9 %</i>	<i>3.1 %</i>
Operating profit	3.4	-4.0	1.1	7.1	14.0	18.2	0.0	-0.3	7.5	5.2	12.4	23.2	22.0	23.0
<i>Operating margin</i>	<i>1.6%</i>	<i>-9.9%</i>	<i>2.2%</i>	<i>12.2%</i>	<i>18.8%</i>	<i>8.2%</i>	<i>0.0%</i>	<i>-0.6%</i>	<i>13.7%</i>	<i>6.6%</i>	<i>5.3%</i>	<i>9.2%</i>	<i>8.5 %</i>	<i>8.7 %</i>
<b>Industrial Measurements</b>														
Net sales	104	28	26	29	28	110	28	28	30	30	116	124	132	141
<i>Growth, y/y</i>	<i>11.5%</i>	<i>17.1%</i>	<i>2.0%</i>	<i>1.4%</i>	<i>5.7%</i>	<i>6.4%</i>	<i>0.4%</i>	<i>10.2%</i>	<i>2.4%</i>	<i>6.7%</i>	<i>4.8%</i>	<i>7.7%</i>	<i>6.3 %</i>	<i>6.5 %</i>
Operating profit	21.6	6.4	3.7	8.3	4.4	22.8	5.9	4.7	7.8	5.5	23.9	23.8	25.6	28.0
<i>Operating margin</i>	<i>20.8%</i>	<i>22.8%</i>	<i>14.5%</i>	<i>28.8%</i>	<i>15.8%</i>	<i>20.7%</i>	<i>20.9%</i>	<i>16.7%</i>	<i>26.4%</i>	<i>18.3%</i>	<i>20.6%</i>	<i>19.1%</i>	<i>19.4 %</i>	<i>19.9 %</i>
<b>Other operations</b>														
Operating profit	-2.7	0.2	0.3	-0.8	0.1	-0.2	-0.2	0.3	-0.7	0.0	-0.6	0.0	0.0	0.0

Source: Evli Research

VAISALA PEER GROUP	Security identifier	MCAP MEUR	EBIT % 18E	EBIT % 19E	EBIT % 20E	EBITDA % 18E	EBITDA % 19E	EBITDA % 20E	ROCE % 18E	ROCE % 19E	ROCE % 20E
Keysight Technologies	KEYS-US	9620	20.0	21.0	22.1	21.3	24.0	24.1	14.7	15.3	17.1
National Instruments Corp.	NATI-US	4931	15.2	16.3	17.0	18.5	19.5	19.3	14.5	14.7	14.1
Spectris	SXS-GB	2574	14.7	15.6	16.2	17.8	18.4	18.8	15.2	16.2	16.7
Oxford Instruments	OXIG-GB	610	14.9	15.2		18.2	18.3	18.6	18.1	17.9	16.5
Trimble	TRMB-US	7990	19.5	20.1	21.1	21.0	21.9	22.6	12.0	12.8	13.3
Hexagon	HEXA.B-SE	15243	24.7	25.5	26.2	31.6	32.3	32.8	12.1	12.8	13.1
Peer Group Average		<b>6828</b>	<b>18.2</b>	<b>19.0</b>	<b>20.5</b>	<b>21.4</b>	<b>22.4</b>	<b>22.7</b>	<b>14.4</b>	<b>15.0</b>	<b>15.1</b>
Peer Group Median		<b>6460</b>	<b>17.3</b>	<b>18.2</b>	<b>21.1</b>	<b>19.7</b>	<b>20.7</b>	<b>21.0</b>	<b>14.6</b>	<b>15.0</b>	<b>15.3</b>
Vaisala (Evli est.)		<b>644</b>	<b>10.2</b>	<b>12.5</b>	<b>12.2</b>	<b>12.7</b>	<b>16.4</b>	<b>16.2</b>	<b>17.6</b>	<b>20.2</b>	<b>18.8</b>

Premium/discount to peer median

-41 % -31 % -42 % -36 % -21 % -23 % 21 % 35 % 23 %

	Security identifier	MCAP MEUR	ROE % 18E	ROE % 19E	ROE % 20E	DIV % 18E	DIV % 19E	DIV % 20E	P/E 18E	P/E 19E	P/E 20E
Keysight Technologies	KEYS-US	9620	23	23	22	0.0	0.0	0.0	18.6x	16.1x	14.2x
National Instruments Corp.	NATI-US	4931	12	14	15	2.2	2.4	2.6	39.4x	33.4x	30.4x
Spectris	SXS-GB	2574	15	16	16	3.1	3.3	3.5	12.7x	11.5x	10.7x
Oxford Instruments	OXIG-GB	610	22	23		1.4	1.5	1.6	15.5x	14.5x	13.8x
Trimble	TRMB-US	7990	18	17	18	0.0	0.0	0.0	19.6x	17.6x	14.5x
Hexagon	HEXA.B-SE	15243	15	15	15	1.4	1.5	1.7	20.8x	18.8x	17.2x
Peer Group Average		<b>6828</b>	<b>17.6</b>	<b>17.9</b>	<b>17.2</b>	<b>1.3</b>	<b>1.4</b>	<b>1.6</b>	<b>21.1x</b>	<b>18.7x</b>	<b>16.8x</b>
Peer Group Median		<b>6460</b>	<b>16.6</b>	<b>16.7</b>	<b>16.3</b>	<b>1.4</b>	<b>1.5</b>	<b>1.6</b>	<b>19.1x</b>	<b>16.9x</b>	<b>14.4x</b>
Vaisala (Evli est.)		<b>644</b>	<b>13.7</b>	<b>19.7</b>	<b>18.3</b>	<b>3.1</b>	<b>3.3</b>	<b>3.6</b>	<b>26.8x</b>	<b>18.5x</b>	<b>18.4x</b>

Premium/discount to peer median

-18 % 18 % 13 % 116 % 119 % 120 % 40 % 10 % 28 %

	Security identifier	MCAP MEUR	EV/S 18E	EV/S 19E	EV/S 20E	EV/EBITDA 18E	EV/EBITDA 19E	EV/EBITDA 20E	EV/EBIT 18E	EV/EBIT 19E	EV/EBIT 20E
Keysight Technologies	KEYS-US	9620	3.1x	2.8x	2.6x	14.8x	11.7x	10.8x	15.7x	13.4x	11.8x
National Instruments Corp.	NATI-US	4931	3.9x	3.6x	3.4x	21.2x	18.6x	17.7x	25.9x	22.3x	20.1x
Spectris	SXS-GB	2574	1.5x	1.4x	1.3x	8.6x	7.8x	7.1x	10.4x	9.2x	8.3x
Oxford Instruments	OXIG-GB	610	1.8x	1.7x	1.6x	9.9x	9.2x	8.5x	12.0x	11.1x	10.4x
Trimble	TRMB-US	7990	3.4x	3.0x	2.6x	16.2x	13.5x	11.5x	17.4x	14.7x	12.4x
Hexagon	HEXA.B-SE	15243	4.5x	4.1x	3.8x	14.4x	12.7x	11.4x	18.4x	16.1x	14.3x
Peer Group Average		<b>6828</b>	<b>3.1x</b>	<b>2.8x</b>	<b>2.6x</b>	<b>14.2x</b>	<b>12.2x</b>	<b>11.2x</b>	<b>16.6x</b>	<b>14.5x</b>	<b>12.9x</b>
Peer Group Median		<b>6460</b>	<b>3.3x</b>	<b>2.9x</b>	<b>2.6x</b>	<b>14.6x</b>	<b>12.2x</b>	<b>11.1x</b>	<b>16.5x</b>	<b>14.1x</b>	<b>12.1x</b>
Vaisala (Evli est.)		<b>644</b>	<b>1.8x</b>	<b>1.7x</b>	<b>1.6x</b>	<b>14.1x</b>	<b>10.2x</b>	<b>10.0x</b>	<b>17.6x</b>	<b>13.4x</b>	<b>13.2x</b>

Premium/discount to peer median

-45 % -42 % -38 % -3 % -16 % -10 % 6 % -5 % 9 %

	Security identifier	MCAP MEUR	Sales growth 18E	Sales growth 19E	Sales growth 20E	Net debt / EBITDA 18E	Net debt / EBITDA 19E	Net debt / EBITDA 20E	Equity ratio % 18E	Equity ratio % 19E	Equity ratio % 20E
Keysight Technologies	KEYS-US	9620	19.3%	7.5%	7.0%	1.4x	0.7x	0.6x	43.9	47.9	54.6
National Instruments Corp.	NATI-US	4931	6.1%	7.0%	5.3%	-1.0x	-1.1x	-1.2x	72.7	71.1	69.7
Spectris	SXS-GB	2574	3.3%	4.3%	3.3%	0.5x	0.3x	0.0x	62.8	65.1	65.6
Oxford Instruments	OXIG-GB	610	3.1%	3.6%		0.2x	-0.1x	-0.5x	54.8	59.3	57.3
Trimble	TRMB-US	7990	19.1%	10.2%	8.3%	2.4x	1.6x	0.8x	44.7	46.3	47.6
Hexagon	HEXA.B-SE	15243	8.1%	7.4%	5.7%	1.4x	0.9x	0.5x	55.6	57.7	59.9
Peer Group Average		<b>6828</b>	<b>9.8%</b>	<b>6.7%</b>	<b>5.9%</b>	<b>0.8x</b>	<b>0.4x</b>	<b>0.1x</b>	<b>55.8</b>	<b>57.9</b>	<b>59.1</b>
Peer Group Median		<b>6460</b>	<b>7.1%</b>	<b>7.2%</b>	<b>5.7%</b>	<b>1.0x</b>	<b>0.5x</b>	<b>0.2x</b>	<b>55.2</b>	<b>58.5</b>	<b>58.6</b>
Vaisala (Evli est.)		<b>644</b>	<b>4.8%</b>	<b>8.2%</b>	<b>3.3%</b>	<b>-0.7x</b>	<b>-0.4x</b>	<b>-0.4x</b>	<b>55.4</b>	<b>54.5</b>	<b>55.5</b>

Premium/discount to peer median

-33 % 14 % -41 % -170 % -181 % -276 % 0 % -7 % -5 %

	Security identifier	MCAP MEUR	P/B 18E	P/B 19E	P/B 20E
Keysight Technologies	KEYS-US	9620	4.0	3.4	2.8
National Instruments Corp.	NATI-US	4931	4.7	4.5	4.4
Spectris	SXS-GB	2574	1.9	1.8	1.7
Oxford Instruments	OXIG-GB	610	3.4	3.1	
Trimble	TRMB-US	7990	3.2	2.9	2.4
Hexagon	HEXA.B-SE	15243	3.0	2.7	2.4
Peer Group Average		<b>6828</b>	<b>3.4</b>	<b>3.1</b>	<b>2.8</b>
Peer Group Median		<b>6460</b>	<b>3.3</b>	<b>3.0</b>	<b>2.4</b>
Vaisala (Evli est.)		<b>644</b>	<b>3.8</b>	<b>3.8</b>	<b>3.8</b>

Premium/discount to peer median

15 % 27 % 56 %

	EV/EBIT		
	18	19	20
EBIT (Evli est.)	35.6	47.0	47.6
Multiple (peer median)	16.5x	14.1x	12.1x
EV	588	661	576
Net debt (Evli est.)	-30	-25	-26
Value of equity	618	686	602
Per share	<b>17.0</b>	<b>18.8</b>	<b>16.5</b>

Source: Factset, Evli Research

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC	
Current share price	18.00 PV of Free Cash Flow	246 Long-term growth, %	2.5 Risk-free interest rate, %	2.25
DCF share value	21.72 PV of Horizon value	492 WACC, %	7.4 Market risk premium, %	5.8
Share price potential, %	20.7 Unconsolidated equity	0 Spread, %	0.0 Debt risk premium, %	2.8
Maximum value	21.7 Marketable securities	91 Minimum WACC, %	7.4 Equity beta coefficient	0.80
Minimum value	21.7 Debt - dividend	-37 Maximum WACC, %	7.4 Target debt ratio, %	10
Horizon value, %	66.7 Value of stock	791 Nr of shares, Mn	36.4 Effective tax rate, %	25

DCF valuation, EURm	2017	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	Horizon
Net sales	333	348	377	390	406	423	440	457	473	487	500	512
<i>Sales growth, %</i>	<i>4.2</i>	<i>4.8</i>	<i>8.2</i>	<i>3.3</i>	<i>4.3</i>	<i>4.0</i>	<i>4.0</i>	<i>4.0</i>	<i>3.5</i>	<i>3.0</i>	<i>2.5</i>	<i>2.5</i>
Operating income (EBIT)	41	36	47	48	51	59	62	62	62	63	65	67
<i>EBIT margin, %</i>	<i>12.3</i>	<i>10.2</i>	<i>12.5</i>	<i>12.2</i>	<i>12.5</i>	<i>14.0</i>	<i>14.0</i>	<i>13.5</i>	<i>13.0</i>	<i>13.0</i>	<i>13.0</i>	<i>13.0</i>
+ Depreciation+amort.	10	9	10	16	15	11	10	10	10	10	10	
- Income taxes	-8	-10	-12	-12	-13	-15	-15	-15	-15	-16	-16	
- Change in NWC	7	-2	-3	-1	-2	-2	-2	-2	-2	-1	-1	
<i>NWC / Sales, %</i>	<i>9.5</i>	<i>9.5</i>	<i>9.5</i>	<i>9.5</i>	<i>9.5</i>	<i>9.5</i>	<i>9.5</i>	<i>9.5</i>	<i>9.5</i>	<i>9.5</i>	<i>9.5</i>	
+ Change in other liabs	0	0	0	0	0	0	0	0	0	0	0	
- Capital Expenditure	-10	-56	-27	-27	24	-5	-9	-9	-8	-7	-11	-12
<i>Investments / Sales, %</i>	<i>3.0</i>	<i>16.0</i>	<i>7.2</i>	<i>7.0</i>	<i>-5.8</i>	<i>1.3</i>	<i>2.0</i>	<i>1.9</i>	<i>1.7</i>	<i>1.5</i>	<i>2.3</i>	<i>2.3</i>
- Other items	2	0	0	0	0	0	0	0	0	0	0	
= Unlevered Free CF (FCF)	41	-23	15	23	75	48	46	46	47	49	46	950
= Discounted FCF (DFCF)		-23	14	20	60	36	32	30	28	27	24	492
= DFCF min WACC		-23	14	20	60	36	32	30	28	27	24	492
= DFCF max WACC		-23	14	20	60	36	32	30	28	27	24	492

## INTERIM FIGURES

EVLI ESTIMATES, EURm	2017Q1	2017Q2	2017Q3	2017Q4	2017	2018Q1	2018Q2	2018Q3	2018Q4E	2018E	2019E	2020E
Net sales	68	75	87	102	333	76	80	84	108	348	377	390
EBITDA	6	8	17	21	50	8	7	17	13	44	57	63
<i>EBITDA margin (%)</i>	<i>8.0</i>	<i>10.0</i>	<i>19.3</i>	<i>20.0</i>	<i>15.1</i>	<i>10.4</i>	<i>8.5</i>	<i>19.9</i>	<i>12.0</i>	<i>12.7</i>	<i>15.1</i>	<i>16.2</i>
EBIT	3	5	15	19	41	6	5	15	11	36	47	48
<i>EBIT margin (%)</i>	<i>3.8</i>	<i>6.8</i>	<i>16.8</i>	<i>18.1</i>	<i>12.3</i>	<i>7.5</i>	<i>5.9</i>	<i>17.4</i>	<i>9.8</i>	<i>10.2</i>	<i>12.5</i>	<i>12.2</i>
Net financial items	0	-1	-1	0	-3	-1	0	0	0	-1	0	0
Pre-tax profit	2	4	14	18	38	5	5	14	11	34	47	48
Tax	0	-1	-3	-6	-11	-1	-1	-3	-4	-10	-12	-12
<i>Tax rate (%)</i>	<i>19.0</i>	<i>23.8</i>	<i>23.4</i>	<i>35.0</i>	<i>28.7</i>	<i>22.2</i>	<i>22.0</i>	<i>23.6</i>	<i>40.5</i>	<i>28.4</i>	<i>24.7</i>	<i>25.0</i>
Net profit	2	3	11	12	27	4	4	11	6	24	35	36
EPS	0.05	0.09	0.29	0.33	0.76	0.10	0.11	0.30	0.17	0.67	0.97	0.98
EPS adjusted (diluted no. of shares)	0.05	0.09	0.29	0.33	0.76	0.10	0.11	0.30	0.17	0.67	0.97	0.98
Dividend per share	0.00	0.00	0.00	0.00	1.05	0.00	0.00	0.00	0.00	0.55	0.60	0.65
<b>SALES, EURm</b>												
Weather and Environment	40	49	58	74	222	48	52	55	78	233	253	257
Industrial Measurements	28	26	29	28	110	28	28	30	30	116	124	132
<b>Total</b>	<b>68</b>	<b>75</b>	<b>87</b>	<b>102</b>	<b>333</b>	<b>76</b>	<b>80</b>	<b>84</b>	<b>108</b>	<b>348</b>	<b>377</b>	<b>390</b>
<b>SALES GROWTH, Y/Y %</b>												
<i>Weather and Environment</i>	<i>-9.8</i>	<i>-2.6</i>	<i>9.2</i>	<i>11.5</i>	<i>3.2</i>	<i>19.4</i>	<i>5.5</i>	<i>-6.3</i>	<i>5.1</i>	<i>4.8</i>	<i>8.5</i>	<i>1.9</i>
<i>Industrial Measurements</i>	<i>17.1</i>	<i>2.0</i>	<i>1.4</i>	<i>5.7</i>	<i>6.3</i>	<i>0.4</i>	<i>10.2</i>	<i>2.4</i>	<i>6.7</i>	<i>4.8</i>	<i>7.7</i>	<i>6.3</i>
<b>Total</b>	<b>-0.4</b>	<b>-1.1</b>	<b>6.5</b>	<b>9.9</b>	<b>4.2</b>	<b>11.5</b>	<b>7.1</b>	<b>-3.4</b>	<b>5.5</b>	<b>4.8</b>	<b>8.2</b>	<b>3.3</b>
<b>EBIT, EURm</b>												
Weather and Environment	-4	1	7	14	18	0	0	8	5	12	23	22
Industrial Measurements	6	4	8	4	23	6	5	8	5	24	24	26
Other	0	0	-1	0	0	0	0	-1	0	-1	0	0
<b>Total</b>	<b>3</b>	<b>5</b>	<b>15</b>	<b>19</b>	<b>41</b>	<b>6</b>	<b>5</b>	<b>15</b>	<b>11</b>	<b>36</b>	<b>47</b>	<b>48</b>
<b>EBIT margin, %</b>												
<i>Weather and Environment</i>	<i>-9.9</i>	<i>2.2</i>	<i>12.2</i>	<i>18.8</i>	<i>8.2</i>	<i>0.0</i>	<i>-0.6</i>	<i>13.7</i>	<i>6.6</i>	<i>5.3</i>	<i>9.2</i>	<i>8.5</i>
<i>Industrial Measurements</i>	<i>22.8</i>	<i>14.5</i>	<i>28.8</i>	<i>15.8</i>	<i>20.7</i>	<i>20.9</i>	<i>16.7</i>	<i>26.4</i>	<i>18.3</i>	<i>20.6</i>	<i>19.1</i>	<i>19.4</i>
<i>Other</i>					<i>-50,000.0</i>				<i>0.0</i>		<i>0.0</i>	<i>0.0</i>
<b>Total</b>	<b>3.8</b>	<b>6.8</b>	<b>16.8</b>	<b>18.1</b>	<b>12.3</b>	<b>7.5</b>	<b>5.9</b>	<b>17.4</b>	<b>9.8</b>	<b>10.2</b>	<b>12.5</b>	<b>12.2</b>

Electronic Equipment & Instruments/Finland, October 25, 2018  
Spot comment

INCOME STATEMENT, EURm	2013	2014	2015	2016	2017	2018E	2019E	2020E
Sales	273	300	319	319	333	348	377	390
<i>Sales growth (%)</i>	-6.9	9.7	6.3	0.2	4.2	4.8	8.2	3.3
Costs	-236	-258	-274	-273	-282	-304	-320	-327
Reported EBITDA	37	42	45	46	50	44	57	63
Extraordinary items in EBITDA	0	0	0	0	0	0	0	0
<i>EBITDA margin (%)</i>	13.6	13.9	14.0	14.5	15.1	12.7	15.1	16.2
Depreciation	-15	-15	-15	-13	-9	-9	-10	-16
EBITA	22	27	30	33	41	36	47	48
Goodwill amortization / writedown	-4	0	0	-11	0	0	0	0
Reported EBIT	18	26	30	22	41	36	47	48
<i>EBIT margin (%)</i>	6.6	8.8	9.3	7.0	12.3	10.2	12.5	12.2
Net financials	-1	3	3	0	-3	-1	0	0
Pre-tax profit	17	29	33	22	38	34	47	48
Extraordinary items	0	0	0	0	0	0	0	0
Taxes	-6	-6	-5	-3	-11	-10	-12	-12
Minority shares	0	0	0	0	0	0	0	0
Net profit	11	23	27	19	27	24	35	36
<b>BALANCE SHEET, EURm</b>								
Assets								
Fixed assets	71	68	63	46	46	93	110	122
<i>% of sales</i>	26	23	20	14	14	27	29	31
Goodwill	13	14	16	17	16	16	16	16
<i>% of sales</i>	5	5	5	5	5	5	4	4
Inventory	29	34	39	32	29	30	32	34
<i>% of sales</i>	10	11	12	10	9	9	9	9
Receivables	60	72	77	78	84	88	95	99
<i>% of sales</i>	22	24	24	24	25	25	25	25
Liquid funds	46	48	59	72	91	77	83	86
<i>% of sales</i>	17	16	19	23	27	22	22	22
Total assets	226	245	264	255	274	312	345	364
Liabilities								
Equity	159	170	181	179	186	173	188	202
<i>% of sales</i>	58	57	57	56	56	50	50	52
Deferred taxes	5	5	5	0	1	1	1	1
<i>% of sales</i>	2	2	1	0	0	0	0	0
Interest bearing debt	0	0	0	0	0	47	58	60
<i>% of sales</i>	0	0	0	0	0	13	15	15
Non-interest bearing current liabilities	59	64	75	71	81	85	92	95
<i>% of sales</i>	22	21	23	22	24	24	24	24
Other interest free debt	3	4	3	4	5	5	5	5
<i>% of sales</i>	1	1	1	1	2	1	1	1
Total liabilities	226	245	264	255	274	312	345	364
<b>CASH FLOW, EURm</b>								
+ EBITDA	37	42	45	46	50	44	57	63
- Net financial items	-1	3	3	0	-3	-1	0	0
- Taxes	-8	-4	-7	-9	-7	-10	-12	-12
- Increase in Net Working Capital	2	-13	2	2	7	-2	-3	-1
+/- Other	-2	-5	-6	3	4	0	0	0
= Cash flow from operations	29	22	36	42	51	32	42	50
- Capex	-7	-8	-8	-8	-8	-56	-27	-27
- Acquisitions	-12	0	0	0	-2	0	0	0
+ Divestments	3	1	0	1	0	0	0	0
= Net cash flow	12	15	28	36	41	-24	15	23
+/- Change in interest-bearing debt	-1	0	0	0	0	47	11	2
+/- New issues/buybacks	-25	4	0	-4	-2	0	0	0
- Paid dividend	-16	-16	-16	-17	-18	-37	-20	-22
+/- Change in loan receivables	0	0	0	0	0	0	0	0
Change in cash	-30	3	12	14	21	-15	6	3

Electronic Equipment & Instruments/Finland, October 25, 2018  
Spot comment

KEY FIGURES	2014	2015	2016	2017	2018E	2019E	2020E
M-cap	395	431	602	794	534	534	534
Net debt	-48	-59	-72	-91	-30	-25	-26
Enterprise value	348	372	529	703	504	509	508
Sales	300	319	319	333	348	377	390
EBITDA	42	45	46	50	44	57	63
EBIT	26	30	22	41	36	47	48
Pre-tax	29	33	22	38	34	47	48
Earnings	23	27	19	27	24	35	36
Book value	170	181	179	186	173	188	202
<b>Valuation multiples</b>							
EV/sales	1.2	1.2	1.7	2.1	1.4	1.3	1.3
EV/EBITDA	8.4	8.3	11.4	14.0	11.4	9.0	8.0
EV/EBITA	13.1	12.4	16.1	17.2	14.1	10.8	10.7
EV/EBIT	13.2	12.6	23.8	17.2	14.1	10.8	10.7
EV/operating cash flow	16.0	10.4	12.6	13.7	15.4	12.0	10.1
EV/cash earnings	9.2	9.2	14.0	17.4	15.2	11.3	9.9
P/E	17.0	15.8	32.2	29.3	26.8	18.5	18.4
P/E excl. goodwill	16.8	15.5	20.5	29.3	26.8	18.5	18.4
P/B	2.3	2.4	3.4	4.3	3.1	2.8	2.6
P/sales	1.3	1.4	1.9	2.4	1.9	1.7	1.7
P/CF	18.2	12.0	14.3	15.5	20.1	15.5	13.1
Target EV/EBIT	0.0	0.0	0.0	0.0	18.6	14.2	14.0
Target P/E	0.0	0.0	0.0	0.0	28.3	19.5	19.4
Target P/B	0.0	0.0	0.0	0.0	4.0	3.7	3.4
<b>Per share measures</b>							
Number of shares	36,118	36,054	35,703	35,692	36,437	36,437	36,437
Number of shares (diluted)	36,118	36,054	35,703	35,692	36,437	36,437	36,437
EPS	0.65	0.76	0.52	0.76	0.67	0.97	0.98
EPS excl. goodwill	0.65	0.77	0.82	0.76	0.67	0.97	0.98
Cash EPS	1.04	1.12	1.06	1.13	0.91	1.24	1.41
Operating cash flow per share	0.60	1.00	1.18	1.43	0.90	1.16	1.37
Capital employed per share	3.37	3.36	2.95	2.61	3.89	4.44	4.79
Book value per share	4.71	5.03	5.00	5.20	4.73	5.16	5.54
Book value excl. goodwill	4.31	4.58	4.54	4.74	4.29	4.71	5.09
Dividend per share	0.45	0.48	0.50	1.05	0.55	0.60	0.65
Dividend payout ratio, %	69.8	62.5	95.5	138.3	81.8	61.7	66.3
Dividend yield, %	4.1	4.0	3.0	4.7	3.1	3.3	3.6
<b>Efficiency measures</b>							
ROE	14.2	15.6	10.4	14.9	13.7	19.7	18.3
ROCE	16.0	16.7	12.4	22.4	17.6	20.2	18.8
<b>Financial ratios</b>							
Capex/sales, %	2.2	2.5	2.0	3.0	16.0	7.2	7.0
Capex/depreciation excl. goodwill,%	31.3	40.1	-34.1	109.5	641.5	279.4	174.5
Net debt/EBITDA, book-weighted	-1.1	-1.3	-1.6	-1.8	-0.7	-0.4	-0.4
Debt/equity, market-weighted	0.0	0.0	0.0	0.0	0.1	0.1	0.1
Equity ratio, book-weighted	69.5	68.6	70.0	67.7	55.4	54.5	55.5
Gearing	-0.28	-0.33	-0.41	-0.49	-0.17	-0.13	-0.13
Number of employees, average	1,617	1,611	1,590	1,592	1,592	1,592	1,592
Sales per employee, EUR	185,281	197,765	200,755	208,920	218,884	236,889	244,819
EBIT per employee, EUR	16,265	18,312	13,962	25,628	22,373	29,533	29,913

**COMPANY DESCRIPTION:** Vaisala offers a comprehensive range of observation and measurement products and services for environmental and industrial applications. Headquartered in Finland, Vaisala employs approximately 1,600 professionals worldwide and is listed on the Nasdaq Helsinki stock exchange.

**INVESTMENT CASE:**

OWNERSHIP STRUCTURE	SHARES	EURm	%
Novamator Oy	3,774,792	55.306	10.4%
Nordea Bank Ab (publ), Finnish Branch	3,183,214	46.638	8.7%
Skandinaviska Enskilda Banken Ab (publ) Helsinki Branch	2,448,093	35.868	6.7%
Finnish Academy of Science and Letters	2,130,832	31.219	5.8%
Mandatum Life Insurance Company Ltd.	1,533,300	22.465	4.2%
Ilmarinen Mutual Pension Insurance Company	1,470,628	21.547	4.0%
Weisell-Säätiö	1,440,000	21.098	4.0%
Nordea Nordic Small Cap Fund	1,425,832	20.890	3.9%
Voipio Mikko	1,268,312	18.582	3.5%
Caspers Anja	969,496	14.204	2.7%
Ten largest	19,644,499	287.817	54%
Residual	16,792,163	246.027	46%
Total	36,436,662	533.844	100%

**EARNINGS CALENDAR**

**OTHER EVENTS**

**COMPANY MISCELLANEOUS**

CEO: Kjell Forsén

Vanha Nurmijärventie 21, 01670 Vantaa

CFO: Kaarina Muurinen

Tel:

IR: Paula Liimatta



## DEFINITIONS

P/E	$\frac{\text{Price per share}}{\text{Earnings per share}}$	EPS	$\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes} + \text{minority interest}}{\text{Number of shares}}$
P/Sales	$\frac{\text{Market cap}}{\text{Sales}}$	DPS	Dividend for the financial period per share
P/BV	$\frac{\text{Price per share}}{\text{Shareholders' equity} + \text{taxed provisions per share}}$	CEPS	$\frac{\text{Gross cash flow from operations}}{\text{Number of shares}}$
P/CF	$\frac{\text{Price per share}}{\text{Operating cash flow per share}}$	EV/Share	$\frac{\text{Enterprise value}}{\text{Number of shares}}$
EV (Enterprise value)	Market cap + net debt + minority interest at market value – share of associated companies at market value	Sales/Share	$\frac{\text{Sales}}{\text{Number of shares}}$
Net debt	Interest bearing debt – financial assets	EBITDA/Share	$\frac{\text{Earnings before interest, tax, depreciation and amortisation}}{\text{Number of shares}}$
EV/Sales	$\frac{\text{Enterprise value}}{\text{Sales}}$	EBIT/Share	$\frac{\text{Operating profit}}{\text{Number of shares}}$
EV/EBITDA	$\frac{\text{Enterprise value}}{\text{Earnings before interest, tax, depreciation and amortisation}}$	EAFI/Share	$\frac{\text{Pretax profit}}{\text{Number of shares}}$
EV/EBIT	$\frac{\text{Enterprise value}}{\text{Operating profit}}$	Capital employed/Share	$\frac{\text{Total assets} - \text{non interest bearing debt}}{\text{Number of shares}}$
Div yield, %	$\frac{\text{Dividend per share}}{\text{Price per share}}$	Total assets	Balance sheet total
Payout ratio, %	$\frac{\text{Total dividends}}{\text{Earnings before extraordinary items and taxes} - \text{income taxes} + \text{minority interest}}$	Interest coverage (x)	$\frac{\text{Operating profit}}{\text{Financial items}}$
Net cash/Share	$\frac{\text{Financial assets} - \text{interest bearing debt}}{\text{Number of shares}}$	Asset turnover (x)	$\frac{\text{Turnover}}{\text{Balance sheet total (average)}}$
ROA, %	$\frac{\text{Operating profit} + \text{financial income} + \text{extraordinary items}}{\text{Balance sheet total} - \text{interest free short term debt} - \text{long term advances received and accounts payable (average)}}$	Debt/Equity, %	$\frac{\text{Interest bearing debt}}{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions}}$
ROCE, %	$\frac{\text{Profit before extraordinary items} + \text{interest expenses} + \text{other financial costs}}{\text{Balance sheet total} - \text{non interest bearing debt (average)}}$	Equity ratio, %	$\frac{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions}}{\text{Total assets} - \text{interest free loans}}$
ROE, %	$\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes}}{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions (average)}}$	CAGR, %	Cumulative annual growth rate = Average growth per year

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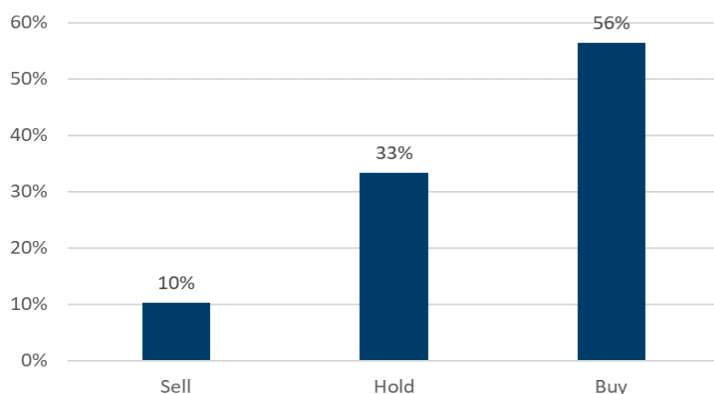
Detailed information about the valuation or methodology and the underlying assumptions is accessible via ERP:

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Investment recommendations are defined as follows:

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

ERP's investment recommendation of the analyzed company is in general updated 2 – 4 per year.



The graph above shows the distribution of ERP's recommendations of companies under coverage in 16th of April 2018. If recommendation is not given, it is not mentioned here.

Name(s) of the analyst(s): Pöyhönen

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