

Solid quarter, some uncertainty ahead

Vaisala reported its Q2 results which came with little surprises as preliminary figures had been given, although the underlying profitability did exceed expectations. We have made some upwards revisions to our estimates and adjust our target price to EUR 36.0 (35.0) with our HOLD-rating intact.

Solid growth driven by Industrial Measurements

Vaisala reported its Q2 results, which with the preliminary figures given ahead of the quarter did not come as a larger surprise. Revenue growth was at a solid 20% and the operating result also improved clearly y/y to EUR 10.9m (Q2/20: EUR 7.9m). Both BU's posted double-digit growth figures, with IM growth at 31% and W&E at 14%. Orders received grew 25% to EUR 120.1m and the order backlog as a result was up 14% to EUR 165.3m. Vaisala updated its guidance ahead of Q2, expecting revenue of EUR 400-420m and EBIT of EUR 40-50m. Vaisala will hold its Capital Markets Day on September 21st.

Underlying profitability better than expected

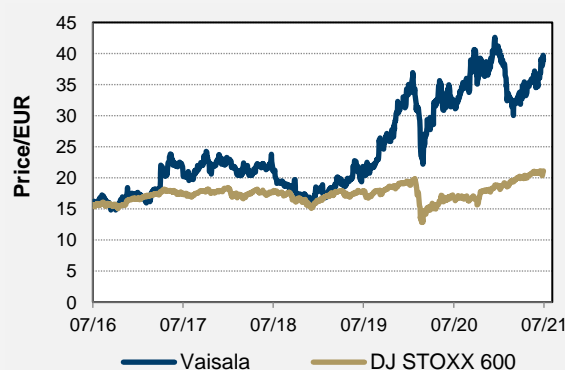
We have raised our estimates slightly, now expecting revenue of EUR 418.4m (prev. EUR 409.9m) and an operating result of EUR 48.2m (prev. EUR 45.0m). Vaisala's Q2 result included an additional of EUR 2.2m relating to an update of the valuation of contingent considerations and the underlying profitability as such was clearly better than the reported operating result figures. The availability and cost of components was highlighted as a potential concern for H2, which we have reflected also in our estimates. Should the impact turn out to be small or negligible, the current guidance would appear to be rather conservative.

HOLD with a target price of EUR 36.0 (35.0)

On our revised estimates we adjust our target price to EUR 36.0 (35.0) and retain our HOLD-rating. Vaisala's performance in Q2 was solid, but the already stretched valuation (30.3x 2022 P/E) and uncertainty relating to component cost and availability is something to consider.

Rating

HOLD



Share price, EUR (Last trading day's closing price) **38.95**

Target price, EUR **36.0**

Latest change in recommendation	29-Apr-21
Latest report on company	21-Jul-21
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	1,419
Free float, %	-
Exchange rate EUR/USD	0.000
Reuters code	VAIAS.HE
Bloomberg code	VAIAS FH
Average daily volume, EURm	0.0
Next interim report	28-Oct-21
Web site	vaisala.com/en/investors

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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	44.2	3.9	32.7	1.2	0.61
2021E	418.4	48.2	11.5%	26.9	1.11	35.1	3.4	29.6	1.9	0.63
2022E	444.3	53.9	12.1%	37.0	1.29	30.3	3.2	26.2	2.6	0.65
2023E	470.2	57.9	12.3%	37.0	1.27	30.6	3.0	24.1	2.6	0.67
Market cap, EURm		1,419	Gearing 2021E, %			1.8	CAGR EPS 2020-23, %			11.6
Net debt 2021E, EURm		4	Price/book 2021E			6.3	CAGR sales 2020-23, %			7.4
Enterprise value, EURm		1,426	Dividend yield 2021E, %			1.6	ROE 2021E, %			18.9
Total assets 2021E, EURm		378	Tax rate 2021E, %			11.7	ROCE 2021E, %			17.9
Goodwill 2021E, EURm		55	Equity ratio 2021E, %			59.3	PEG, P/E 21/CAGR			4.4

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

VAISALA PEER GROUP	Security identifier	EBIT %	EBIT %	EBITDA	EBITDA %	ROCE %	ROCE %
		21E	22E	21E	22E	21E	22E
Keysight Technologies	KEYS-US	27,9	29,6	28,9	30,1	19,8	19,5
National Instruments Corp.	NATI-US	15,5		19,3	21,8	13,9	16,2
Spectris	SXS-GB	15,2	16,4	19,7	20,7	11,8	12,6
Oxford Instruments	OXIG-GB	18,5		21,0	20,8	18,6	17,6
Trimble	TRMB-US	22,6	23,5	24,2	24,9	13,1	13,6
Hexagon	HEXA.B-SE	27,4	28,1	37,0	37,2	12,2	12,6
Peer Group Average		21,2	24,4	25,0	25,9	14,9	15,3
Peer Group Median		20,5	25,8	22,6	23,4	13,5	14,9
Vaisala (Evli est.)		11,5	12,1	16,6	17,4	17,9	18,9
<i>Premium/discount to peer median</i>		-44 %	-53 %	-27 %	-25 %	33 %	27 %

	Security identifier	ROE %	ROE %	DIV %	DIV %	P/E	P/E
		21E	22E	21E	22E	21E	22E
Keysight Technologies	KEYS-US	30,5	27,5	0,0	0,0	27,1x	24,7x
National Instruments Corp.	NATI-US	7,0	11,5	2,5	2,6	64,6x	38,6x
Spectris	SXS-GB	13,7	15,4	2,1	2,2	24,0x	21,3x
Oxford Instruments	OXIG-GB	15,8	14,2	0,7	0,8	29,2x	28,8x
Trimble	TRMB-US	16,4	12,7	0,0	0,0	33,9x	29,9x
Hexagon	HEXA.B-SE	15,0	14,6	0,8	0,8	37,5x	35,1x
Peer Group Average		16,4	16,0	1,0	1,1	36,0x	29,7x
Peer Group Median		15,4	14,4	0,7	0,8	31,6x	29,3x
Vaisala (Evli est.)		18,9	19,9	1,6	1,7	35,1x	30,3x
<i>Premium/discount to peer median</i>		23 %	38 %	116 %	111 %	11 %	3 %

	Security identifier	EV/S	EV/S	EV/EBITD	EV/EBITDA	EV/EBIT	EV/EBIT
		21E	22E	21E	22E	21E	22E
Keysight Technologies	KEYS-US	5,9	5,5	20,6x	18,1x	21,3x	18,4x
National Instruments Corp.	NATI-US	3,9	3,6	20,3x	16,4x	25,1x	20,4x
Spectris	SXS-GB	2,9	2,7	14,6x	13,2x	18,9x	16,6x
Oxford Instruments	OXIG-GB	3,9	3,6	18,4x	17,5x	20,9x	20,2x
Trimble	TRMB-US	6,3	5,6	25,9x	22,7x	27,7x	24,0x
Hexagon	HEXA.B-SE	8,8	8,1	23,8x	21,7x	32,1x	28,8x
Peer Group Average		5,3	4,9	20,6x	18,3x	24,3x	21,4x
Peer Group Median		4,9	4,5	20,4x	17,8x	23,2x	20,3x
Vaisala (Evli est.)		3,4	3,2	20,5x	18,2x	29,6x	26,2x
<i>Premium/discount to peer median</i>		-31 %	-30 %	1 %	2 %	27 %	29 %

	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	15,5%	5,7%	-0,3x	-0,9x	47,6	51,8
National Instruments Corp.	NATI-US	7,5%	8,5%	-0,7x	-0,6x	65,4	69,4
Spectris	SXS-GB	-2,2%	3,9%	-0,4x	-0,6x	58,8	60,7
Oxford Instruments	OXIG-GB	4,9%	4,9%	-1,3x	-1,4x	61,4	63,2
Trimble	TRMB-US	10,5%	7,9%	1,0x	0,3x	56,3	59,2
Hexagon	HEXA.B-SE	11,3%	7,0%	1,1x	0,7x	58,0	59,8
Peer Group Average		7,9%	6,3%	-0,1x	-0,4x	57,9	60,7
Peer Group Median		9,0%	6,4%	-0,4x	-0,6x	58,4	60,2
Vaisala (Evli est.)		10,2%	6,2%	0,1x	-0,1x	59,3	62,6

Source: Factset, Evli Research

Updated on July 26th, 2021

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC
Current share price	38.95 PV of Free Cash Flow	355 Long-term growth, %	2.5 Risk-free interest rate, %
DCF share value	27.01 PV of Horizon value	663 WACC, %	7.4 Market risk premium, %
Share price potential, %	-30.7 Unconsolidated equity	-2 Spread, %	0.0 Debt risk premium, %
Maximum value	27.0 Marketable securities	45 Minimum WACC, %	7.4 Equity beta coefficient
Minimum value	27.0 Debt - dividend	-76 Maximum WACC, %	7.4 Target debt ratio, %
Horizon value, %	65.1 Value of stock	984 Nr of shares, Mn	36.4 Effective tax rate, %

DCF valuation, EURm	2020	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	Horizon
Net sales	380	418	444	470	491	508	524	539	555	572	586	601
<i>Sales growth, %</i>	-6.0	10.2	6.2	5.8	4.4	3.5	3.0	3.0	3.0	3.0	2.5	2.5
Operating income (EBIT)	45	48	54	58	64	66	68	70	72	74	76	78
<i>Operating income margin, %</i>	11.8	11.5	12.1	12.3	13.0	13.0	13.0	13.0	13.0	13.0	13.0	13.0
+ Depreciation+amort.	21	21	23	25	26	27	28	29	29	30	31	
EBITDA	66	69	77	83	90	93	96	99	102	105	107	
- Paid taxes	-7	-6	-7	-12	-13	-13	-14	-14	-14	-15	-15	
- Change in NWC	-6	-6	-4	-4	-3	-3	-2	-3	-3	-3	-2	
<i>NWC / Sales, %</i>	15.2	15.3	15.3	15.4	15.4	15.4	15.4	15.4	15.4	15.5	15.5	
+ Change in other liabs	-5	0	0	0	0	0	0	0	0	0	0	
- Operative CAPEX	-29	-23	-24	-24	-25	-25	-25	-26	-26	-26	-27	
<i>opCAPEX / Sales, %</i>	8.6	6.8	6.6	6.4	6.2	6.1	6.0	5.9	5.8	5.7	5.7	
- Acquisitions	0	0	0	0	0	0	0	0	0	0	0	
+ Divestments	0	0	0	0	0	0	0	0	0	0	0	
- Other items	0	0	0	0	0	0	0	0	0	0	0	
= FCFF	19	34	42	43	49	52	54	56	59	61	63	1,304
= Discounted FCFF		33	38	36	38	38	37	36	34	33	32	663
= DFCF min WACC		33	38	36	38	38	37	36	34	33	32	663
= DFCF max WACC		33	38	36	38	38	37	36	34	33	32	663

INTERIM FIGURES

EVLI ESTIMATES, EURm	2020Q1	2020Q2	2020Q3	2020Q4	2020	2021Q1	2021Q2	2021Q3E	2021Q4E	2021E	2022E	2023E
Net sales	87.2	91.4	94.0	106.9	379.5	92.0	109.5	103.4	113.5	418.4	444.3	470.2
EBITDA	10.1	13.5	24.7	17.6	65.9	13.4	16.1	20.4	19.5	69.5	77.3	82.6
<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>14.6</i>	<i>14.7</i>	<i>19.8</i>	<i>17.2</i>	<i>16.6</i>	<i>17.4</i>	<i>17.6</i>
EBIT	5.2	7.9	19.5	12.2	44.8	8.1	10.9	15.0	14.1	48.2	53.9	57.9
<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>8.8</i>	<i>10.0</i>	<i>14.5</i>	<i>12.4</i>	<i>11.5</i>	<i>12.1</i>	<i>12.3</i>
Net financial items	-0.2	-0.9	-1.3	-1.0	-3.4	-0.2	-0.8	-0.5	-0.5	-2.0	0.0	0.0
Pre-tax profit	5.0	7.0	18.2	11.2	41.4	7.9	10.1	14.5	13.6	46.2	53.9	57.9
Tax	-0.9	-1.2	-3.7	-2.7	-8.5	-1.6	-0.7	-1.6	-1.5	-5.4	-7.0	-11.6
<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>7.1</i>	<i>11.0</i>	<i>11.0</i>	<i>11.7</i>	<i>13.0</i>	<i>20.0</i>
Net profit	4.1	5.8	14.5	8.5	32.9	6.2	9.2	12.9	12.1	40.5	46.9	46.3
EPS	0.11	0.16	0.40	0.24	0.91	0.17	0.25	0.35	0.33	1.11	1.29	1.27
EPS adjusted (diluted no. of shares)	0.11	0.16	0.40	0.24	0.91	0.17	0.25	0.35	0.33	1.11	1.29	1.27
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
SALES, EURm												
Weather and Environment	51.8	57.6	59.2	67.0	235.6	52.2	65.4	62.4	70.0	250.0	262.5	275.7
Industrial Measurements	35.4	33.8	34.8	39.9	143.9	39.7	44.1	41.0	43.5	168.3	181.8	194.5
Total	87.2	91.4	94.0	106.9	379.5	92.0	109.5	103.4	113.5	418.4	444.3	470.2
SALES GROWTH, Y/Y %												
<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>0.8</i>	<i>13.5</i>	<i>5.4</i>	<i>4.5</i>	<i>6.1</i>	<i>5.0</i>	<i>5.0</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>12.3</i>	<i>30.5</i>	<i>17.8</i>	<i>9.0</i>	<i>17.0</i>	<i>8.0</i>	<i>7.0</i>
Total	3.6	-4.9	-10.6	-9.5	-6.0	5.5	19.8	10.0	6.2	10.2	6.2	5.8
EBIT, EURm												
Weather and Environment	-2.4	0.7	11.1	5.2	14.6	-0.9	1.0	7.0	5.0	12.1	15.5	16.5
Industrial Measurements	7.6	7.1	8.6	8.3	31.6	9.4	10.5	8.4	9.5	37.8	40.4	43.4
Other	0.0	0.1	-0.2	-1.3	-1.4	-0.4	-0.6	-0.4	-0.4	-1.7	-2.0	-2.0
Total	5.2	7.9	19.5	12.2	44.8	8.1	10.9	15.0	14.1	48.2	53.9	57.9
EBIT margin, %												
<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>-1.7</i>	<i>1.5</i>	<i>11.2</i>	<i>7.1</i>	<i>4.8</i>	<i>5.9</i>	<i>6.0</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>23.7</i>	<i>23.8</i>	<i>20.5</i>	<i>21.8</i>	<i>22.5</i>	<i>22.2</i>	<i>22.3</i>
Total	6.0	8.6	20.7	11.4	11.8	8.8	10.0	14.5	12.4	11.5	12.1	12.3

Electronic Equipment & Instruments/Finland, July 26, 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	418.4	444.3	470.2
<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>10.2</i>	<i>6.2</i>	<i>5.8</i>
EBITDA	46.3	50.3	51.1	64.7	65.9	69.5	77.3	82.6
<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>16.6</i>	<i>17.4</i>	<i>17.6</i>
Depreciation	-13.5	-9.5	-12.1	-23.6	-21.1	-21.3	-23.4	-24.7
EBITA	32.8	40.8	39.0	41.1	44.8	48.2	53.9	57.9
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	48.2	53.9	57.9
<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>11.5</i>	<i>12.1</i>	<i>12.3</i>
Reported EBIT	22.2	40.8	39.0	41.1	44.8	48.2	53.9	57.9
<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>11.5</i>	<i>12.1</i>	<i>12.3</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	46.2	53.9	57.9
Taxes	-3.3	-10.9	-8.0	-6.5	-8.5	-5.4	-7.0	-11.6
Minority shares	0.0	0.0	0.0	0.0	0.0	-0.3	0.0	0.0
Net profit	18.7	27.1	29.6	33.5	32.9	40.5	46.9	46.3
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
BALANCE SHEET, EURm								
Assets								
Fixed assets	46	46	72	83	94	100	105	110
Goodwill	17	16	55	55	55	55	55	55
Right of use assets	0	0	12	12	13	14	15	15
Inventory	32	29	32	40	45	49	52	55
Receivables	78	84	93	105	93	102	108	115
Liquid funds	72	91	73	56	45	50	53	56
Total assets	255	274	347	361	352	378	396	414
Liabilities								
Shareholder's equity	179	186	183	198	205	224	247	270
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	14	15	15
Deferred taxes	0	1	9	8	8	8	8	8
Interest bearing debt	0	0	41	40	45	40	28	17
Non-interest bearing current liabilities	71	81	89	94	76	84	89	95
Other interest-free debt	4	5	9	7	8	8	8	8
Total liabilities	255	274	347	361	352	378	396	414
CASH FLOW, EURm								
+ EBITDA	46	50	51	65	66	69	77	83
- Net financial items	0	-3	-1	-1	-3	-2	0	0
- Taxes	-9	-7	-9	-8	-6	-5	-7	-12
- Increase in Net Working Capital	2	7	-4	-16	-6	-6	-4	-4
+/- Other	3	2	11	0	0	0	0	0
= Cash flow from operations	42	49	48	40	50	56	66	67
- Capex	-8	-8	-14	-35	-33	-29	-29	-30
- 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	27	37	37
+/- New issues/buybacks	-4	-2	5	3	-4	0	0	0
- Paid dividend	-17	-18	-37	-21	-22	-22	-23	-24
+/- Other	-1	0	31	-3	-2	0	-11	-10
Change in cash	13	19	-19	-16	-11	5	3	3

Electronic Equipment & Instruments/Finland, July 26, 2021
Company update

KEY FIGURES	2017	2018	2019	2020	2021E	2022E	2023E
M-cap	794	659	1,159	1,453	1,419	1,419	1,419
Net debt (excl. convertibles)	-91	-20	-5	9	4	-10	-23
Enterprise value	703	638	1,154	1,464	1,426	1,411	1,398
Sales	333	349	404	380	418	444	470
EBITDA	50	51	65	66	69	77	83
EBIT	41	39	41	45	48	54	58
Pre-tax	38	38	40	41	46	54	58
Earnings	27	30	34	33	40	47	46
Equity book value (excl. minorities)	186	183	198	205	224	247	270
Valuation multiples							
EV/sales	2.1	1.8	2.9	3.9	3.4	3.2	3.0
EV/EBITDA	14.0	12.5	17.8	22.2	20.5	18.2	16.9
EV/EBITA	17.2	16.4	28.1	32.7	29.6	26.2	24.1
EV/EBIT	17.2	16.4	28.1	32.7	29.6	26.2	24.1
EV/OCF	14.3	13.2	28.9	29.5	25.7	21.3	20.9
EV/FCFF	17.1	-38.5	141.1	78.1	41.6	33.4	32.9
P/FCFE	40.6	-37.2	250.6	86.0	52.7	38.3	38.4
P/E	29.3	22.2	34.6	44.2	35.1	30.3	30.6
P/B	4.3	3.6	5.8	7.1	6.3	5.7	5.3
Target EV/EBITDA	0.0	0.0	0.0	0.0	18.9	16.8	15.6
Target EV/EBIT	0.0	0.0	0.0	0.0	27.3	24.2	22.3
Target EV/FCF	0.0	0.0	0.0	0.0	48.9	35.2	34.9
Target P/B	0.0	0.0	0.0	0.0	5.9	5.3	4.9
Target P/E	0.0	0.0	0.0	0.0	32.4	28.0	28.3
Per share measures							
Number of shares	35,692	35,790	35,881	36,000	36,437	36,437	36,437
Number of shares (diluted)	35,692	35,790	35,881	36,000	36,437	36,437	36,437
EPS	0.76	0.83	0.93	0.91	1.11	1.29	1.27
Operating cash flow per share	1.38	1.35	1.11	1.38	1.53	1.82	1.84
Free cash flow per share	1.10	-0.49	0.13	0.47	0.74	1.02	1.01
Book value per share	5.20	5.11	5.52	5.69	6.13	6.79	7.41
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	56.7	50.5	52.7
Dividend yield, %	4.7	3.2	1.9	1.5	1.6	1.7	1.7
FCF yield, %	4.9	-2.7	0.4	1.2	1.9	2.6	2.6
Efficiency measures							
ROE	14.9	16.1	17.6	16.3	18.9	19.9	17.9
ROCE	22.4	18.5	17.0	17.7	17.9	18.9	19.5
Financial ratios							
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	15.3	15.3	15.4
Operative CAPEX/sales, %	2.5	4.1	8.7	8.6	6.8	6.6	6.4
CAPEX/sales (incl. acquisitions), %	1.9	-10.7	8.7	8.6	6.8	6.6	6.4
FCFF/EBITDA	0.8	-0.3	0.1	0.3	0.5	0.5	0.5
Net debt/EBITDA, book-weighted	-1.8	-0.4	-0.1	0.1	0.1	-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	59.3	62.6	65.4
Gearing, %	-49.2	-11.0	-2.5	4.4	1.8	-4.0	-8.6

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	3,776,358	147.089	10.4%
Skandinaviska Enskilda Banken Ab (publ) Helsinki Branch	3,198,961	124.600	8.8%
Nordea Bank Ab (publ), Finnish Branch	2,352,727	91.639	6.5%
Finnish Academy of Science and Letters	2,041,605	79.521	5.6%
Nordea Nordic Small Cap Fund	1,795,568	69.937	4.9%
Weisell-Säätiö Sr	1,440,000	56.088	4.0%
Citybank Europe	1,339,526	52.175	3.7%
Voipio Mikko	1,268,312	49.401	3.5%
Mandatum Life Insurance Company Ltd.	1,196,100	46.588	3.3%
Caspers Anja	969,496	37.762	2.7%
Ten largest	19,378,653	754.799	53%
Residual	17,058,075	664.412	47%
Total	36,436,728	1,419.211	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, %	$\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes}}{\text{Shareholder's equity} + \text{minority interest} + \text{taxed provisions (average)}}$		

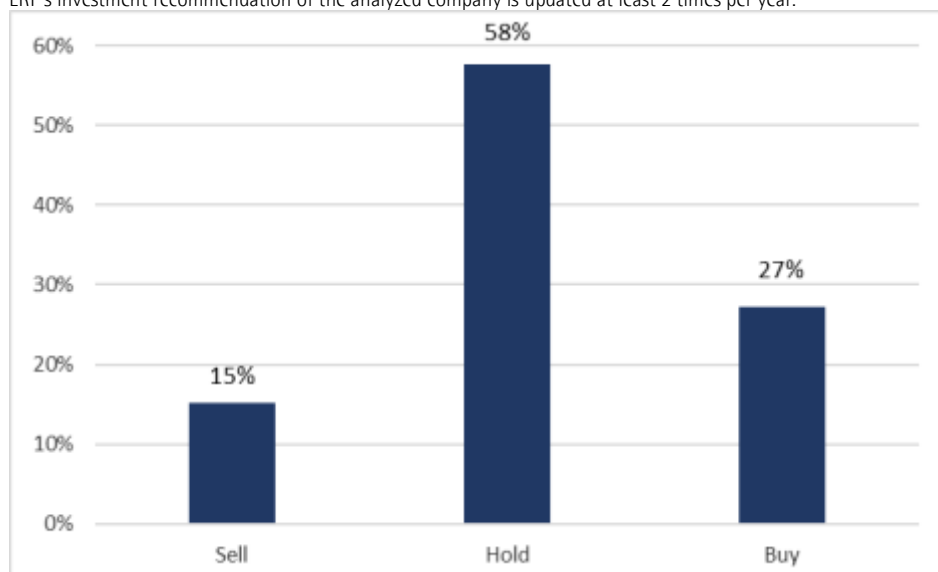
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Investment recommendations are defined as follows:

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

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The graph above shows the distribution of ERP's recommendations of companies under coverage in 11th of May 2020. If recommendation is not given, it is not mentioned here.

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

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