

CMD notes: Roadmap for profitable growth

Vaisala held its CMD last Friday, where the company provided insight into its businesses and updated strategy. Based on the CMD and updated financial targets, we see Vaisala's roadmap for profitable growth as attainable and we have made smaller upward adjustments to our sales estimates. We maintain HOLD recommendation with new target price of 20 euros (prev. 18).

Updated financial targets – more emphasis on growth

Vaisala targets an average annual growth exceeding 5% and EBIT margin exceeding 12%. Earlier Vaisala's objective was growth with an average annual growth of 5%, and to achieve 15% EBIT margin. The slightly more ambitious growth target is based on both organic and non-organic opportunities, with key areas of growth being liquid measurements, new industrial instruments, digital solutions, and wind lidars. The recent acquisitions of Leosphere (wind lidars) and K-Patents (liquid measurements), provide growth areas for both W&E and IM segments.

Roadmap for profitable growth

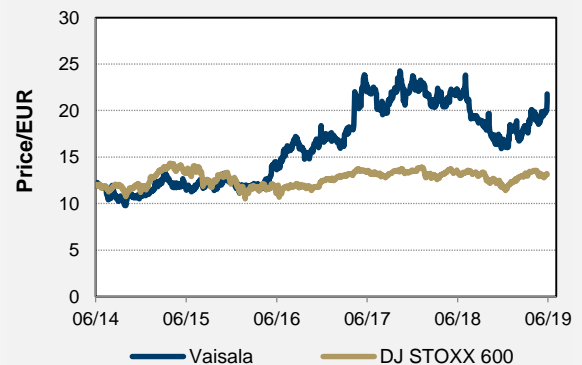
We have made minor upward changes to our sales estimates based on the presented roadmap and new financial targets. We expect 2019E net sales to be 390 MEUR (12% growth yoy, driven by Leosphere and K-Patents acquisitions) and EBIT to be 31 MEUR (43 MEUR adjusted for PPA and one-offs), representing 8% EBIT margin (11% adj. EBIT margin). For 2020-21E, we expect above 4% net sales growth, and we estimate EBIT margin to gradually improve from 8 % 2019E towards 10% 2021E (adjusted EBIT margin from 11% 2019E towards 12% in 2021E). Non-organic growth is very likely (although not reflected in our estimates), hence we see above 5% growth very achievable.

HOLD maintained with TP of 20€ (prev. 18)

On our estimates, Vaisala is trading close to par with our peer group on adjusted EV/EBIT multiples. On EV/Sales multiples, Vaisala is trading below peers, reflecting the potential valuation upside should Vaisala succeed in accelerating its profitable growth. We raise target price to 20 euros (prev. 18) but maintain HOLD recommendation.

Rating

HOLD



Share price, EUR (Last trading day's closing price) 21.80

Target price, EUR 20.0

Latest change in 11-Jun-18

Latest report on company 25-Apr-19

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 794

Free float, % -

Exchange rate EUR/USD -

Reuters code VAIAS.HE

Bloomberg code VAIAS FH

Average daily volume, EURm -

Next interim report 20-Jul-19

 Web site <https://www.vaisala.com/en>

Analyst Jonas Forslund

 E-mail jonas.forslund@evli.com

Telephone

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
2017	333	41	12.3%	38	0.76	29.3	2.1	15.5	17.2	1.05
2018	349	39	11.2%	38	0.83	22.2	1.8	-86.7	16.1	0.58
2019E	390	31	7.9%	30	0.66	33.3	2.0	19.9	25.0	0.60
2020E	407	38	9.3%	38	0.83	26.1	1.9	19.4	20.2	0.65
2021E	424	44	10.4%	44	0.96	22.6	1.8	16.5	17.2	0.70
Market cap, EURm			794	BV per share 2019E, EUR		5.1	CAGR EPS 2018-21, %			5.2
Net debt 2019E, EURm			-24	Price/book 2019E		4.3	CAGR sales 2018-21, %			6.7
Enterprise value, EURm			771	Dividend yield 2019E, %		2.8	ROE 2019E, %			12.9
Total assets 2019E, EURm			365	Tax rate 2019E, %		20.0	ROCE 2019E, %			13.2
Goodwill 2019E, EURm			55	Equity ratio 2019E, %		50.9	PEG, P/E 19/CAGR			1.8

Vaisala's updated strategy and financial targets for 2019-2023

Vaisala published ahead of its CMD an update on its strategy for 2019-2023 as well as updated long-term financial targets. The fundamentals of profitable growth are reliable products and solutions that are based on leading technologies, perform with superb quality, create value for our customers and optimize total cost of ownership.

Vaisala targeting above 5% growth and EBIT above 12%

Vaisala's updated long-term financial targets are profitable growth with an average annual growth exceeding 5% and operating profit margin (EBIT) exceeding 12%. Earlier Vaisala's objective was profitable growth with an average annual growth of 5%, and to achieve 15% operating profit margin (EBIT).

Industrial Measurements – Strong growth and profitability

Industrial Measurements business area focuses on profitable growth through product leadership strategy in gas and liquid measurement technologies. In addition to flagship markets; high-end humidity and high-end carbon dioxide, growth is sought from liquid measurements, continuous monitoring systems and power industry applications. Target is to exceed Vaisala's average growth. Objective is to win by most reliable measurements, best customer experience, fast delivery as well as excellent sales and service capabilities.

Figure 1: Industrial Measurements markets, source: Vaisala



K-Patents acquisition to support growth

Vaisala entered the liquid measurement market by acquiring the Finnish company K-Patents Group in December 2018. Net sales of K-Patents in 2017 amounted to EUR 11.4 million and it employs 60 people in Finland, the US and China. K-Patents is a global market leader in in-line process refractometers for hundreds of applications in e.g. pulp and paper, food and beverage, pharmaceutical, and semiconductor industries. The applications vary from measuring sugar content of soft drinks and juices, to measuring concentration of paper coating chemicals. According to Vaisala, the liquid measurements market is about 80-100 MEUR market growing at around 5% per annum. Vaisala expects K-Patents to be integrated during Q3/2019.

According to management, Life Science has been growing stronger than the overall IM segment, while sales ramp up in Power Transmission has proved to be more difficult than expected due to slower customer adoption.

Figure 2: Industrial Measurements markets sizes and growth, source: Vaisala

Global Market Sizes and Growth



	Industrial Instruments	Continuous Monitoring Systems	Power / Dissolved Gas Analysis	Liquid Measurements	
MEUR					
Market Size*	600–700	150–200	200–250	80–100	Market share indication: Low <10% Mid 10–25% High >25%
Market Growth p.a.**	5%	10%	10%	5%	
Vaisala Market Share	Mid	Mid	Low	Mid	
Market Size Total	~1,200 / ~10% Market Share				

* Vaisala estimate of the size of market that is addressable currently or with organic development in the roadmap

** Market growth rounded to nearest of 0%, 5%, or 10%

Weather and Environment – Focusing on growth areas

Wind lidars, digital solutions, and ambient air quality as growth areas

Weather and Environment Business Area's strategic intent is to remain the undisputable global leader for weather observations. Business Area's strategy has four pillars: offer industry-leading products for weather observations, strive for excellence in large system project deliveries, exploit digital transformation and develop digital solutions for selected weather critical operations, and expand into environmental measurements with urban air quality as spearhead. Objective is to win by focusing R&D in instrument and weather radar offering renewal, driving growth of wind lidar business, and developing innovative digital solutions targeted to intelligent transportation market.

Leosphere acquisition to support growth in W&E

Vaisala sees wind lidar as a big opportunity within renewable energy (turbine control), aviation applications, and meteorology applications. In October 2018, Vaisala announced the acquisition of Leosphere SAS, a French company specializing in developing, manufacturing and servicing turnkey wind lidar (light detection and ranging) instruments for wind energy, aviation, meteorology, and air quality. Leosphere's net sales in 2017 amounted to EUR 27 million and its operating result (EBIT) was at double-digit level. Deal value was 38 MEUR, representing a 1.4x EV/Sales multiple or 14x EV/EBIT multiple (assuming 10% EBIT margin). The company sells wind lidars in over 40 countries with a global network of distributors and service providers, and it employs about 125 people. Vaisala expects Leosphere to be integrated into Vaisala during Q2/2019E.

Figure 3: Weather & Environment product portfolio, source: Vaisala



Digital solutions ~10% of business today

According to Vaisala, its W&E digital solutions represents some 10% of the business today (roughly 20-25 MEUR), but ambition is to double it in the medium term. An example of digital solutions is the weather data subscription services where Vaisala sells subscription-based access to lighting, wind and solar data. The data is used particularly for estimating road conditions and the need for de-icing at airports.

Figure 4: Weather & Environment market sizes and growth, source: Vaisala

	Meteorology Infrastructure	Transportation	Renewable Energy	Ambient Air Quality	
MEUR					
Market Size*	450–500	300–500	330–380	150–200	Market share indication: Low <10% Mid 10–25% High >25%
Market Growth p.a.	0%	0-5%	>10%	>5%	
Vaisala Market Share 2018	High	High	Mid	Low	
Market Size Total	~1,300 / ~20% Market Share				

*1) Weather and Environment Global Market Sizes and Growth

Updated long term financial targets – more emphasis on growth

Vaisala targeting above 5% growth and EBIT above 12%

Vaisala updated its long-term financial targets in conjunction with the updated strategy. Vaisala targets profitable growth with an average annual growth exceeding 5% and operating profit margin (EBIT) exceeding 12%. Earlier Vaisala's objective was profitable growth with an average annual growth of 5%, and to achieve 15% operating profit margin (EBIT).

Our EBIT margin estimates before the new financial targets, were already below the 15 % target, so therefore the new financial targets do not have an impact on our view on profitability. Vaisala sees net sales growth, i.e. economies of scale, to be biggest factor in reaching the 12% EBIT margin target, as well as keeping opex growth below net sales growth. Gross margin improvement is not seen as significant factor.

Both organic and non-organic growth

The slightly more ambitious growth target is based on both organic and non-organic opportunities, with key areas of growth being liquid measurements, new industrial instruments, digital solutions, and wind lidars. According to Vaisala, one area of M&A could be to strengthen the liquid measurements portfolio. The recent acquisitions of Leosphere (wind lidars) and K-Patents (liquid measurements), provide growth areas for both W&E and IM segments.

Amortizations of intangible assets to burden EBIT

We have made minor upward changes to our sales estimates based on the presented roadmap and the new long-term financial targets. We expect 2019E net sales to be 390 MEUR (12% growth yoy driven by Leosphere and K-Patents acquisitions) and EBIT to be 31 MEUR (43 MEUR adjusted for PPA and one-offs), representing 8% EBIT margin (11% adj. EBIT margin). For 2020-21E, we expect slightly above 4% net sales growth, and we estimate reported EBIT margin to gradually improve from 8 % 2019E towards 10% 2021E (adjusted EBIT margin from 11% 2019E to 12% in 2021E). Non-organic growth is very likely (although not reflected in our estimates), hence we see above 5% growth very achievable.

HOLD maintained with target price of 20€ (prev. 18)

On our adjusted EBIT estimates, Vaisala is trading close to par with our peer group on EV/EBIT multiples. On EV/Sales multiples, Vaisala is trading clearly below peers, reflecting the potential valuation upside should Vaisala succeed in accelerating its profitable growth. We are not ready to put more emphasis on EV/Sales multiples before we see some growth coming through, especially in W&E, from the previously mentioned growth pockets. Based on our valuation summary, we raise our target price to 20 euros (prev. 18) but maintain HOLD recommendation.

Table 1: Valuation summary

Valuation approaches	Implied value	EV/EBIT		
		19	20	21
Peer EV/EBIT (FY20E)	19,9	43	46	52
Peer EV/EBITDA (FY20E)	20,4	17,3x	15,3x	13,5x
Peer EV/Sales (FY20E)	37,5	747	702	699
Target price (EUR)	20,0	-24	-24	-24
		771	726	723
		21,2	19,9	19,8

Source: Evli Research

	EV/EBITDA		
	19	20	21
EBITDA (Evli est.)	50	56	59
Multiple (peer median)	14,5x	12,8x	11,4x
EV	729	718	672
Net debt (Evli est.)	-24	-24	-24
Value of equity	752	742	696
Per share	20,6	20,4	19,1

Source: Factset, Evli Research

	EV/Sales		
	19	20	21
Sales (Evli est.)	390	407	424
Multiple (peer median)	3,6x	3,3x	3,0x
EV	1403	1343	1282
Net debt (Evli est.)	-24	-24	-24
Value of equity	1427	1366	1305
Per share	39,2	37,5	35,8

Source: Factset, Evli Research

Table 2: Peer group summary

VAISALA PEER GROUP	Security identifier	MCAP MEUR	EBIT % 19E	EBIT % 20E	EBIT % 21E	EBITDA % 19E	EBITDA % 20E	EBITDA % 21E	ROCE % 19E	ROCE % 20E	ROCE % 21E
Keysight Technologies	KEYS-US	14053	21,6	22,4	22,4	24,8	25,8	22,8	17,8	16,3	
National Instruments Corp.	NATI-US	4686	16,7	18,0	14,5	21,3	22,3	17,9	14,4	14,4	
Spectris	SXS-GB	3427	15,3	16,1	16,3	18,4	19,1	19,3	15,8	16,8	17,1
Oxford Instruments	OXIG-GB	782	15,5	15,7		18,2	18,6	18,9	19,0	19,0	
Trimble	TRMB-US	9576	20,9	21,9	22,7	22,5	23,5	24,4	14,2	15,1	15,2
Hexagon	HEXA.B-SE	16450	25,3	26,0	26,5	33,4	34,1	34,2	12,1	12,4	12,6
Peer Group Average		8162	19,2	20,0	20,5	23,1	23,9	22,9	15,6	15,7	15,0
Peer Group Median		7131	18,8	19,9	22,4	21,9	22,9	21,0	15,1	15,7	15,2
Vaisala (Evli est.)		783	7,9	9,3	10,4	12,9	13,8	13,9	13,2	15,3	17,1

Premium/discount to peer median

-58 % -53 % -54 % -41 % -40 % -34 % -13 % -3 % 13 %

	Security identifier	MCAP MEUR	ROE % 19E	ROE % 20E	ROE % 21E	DIV % 19E	DIV % 20E	DIV % 21E	P/E 19E	P/E 20E	P/E 21E
Keysight Technologies	KEYS-US	14053	29	26	25	0,0	0,0	0,0	20,1x	18,4x	16,6x
National Instruments Corp.	NATI-US	4686	12	14	14	2,5	2,8	3,0	34,4x	29,8x	28,9x
Spectris	SXS-GB	3427	16	16	15	2,4	2,6	2,7	15,1x	14,1x	13,4x
Oxford Instruments	OXIG-GB	782	18	17	16	1,2	1,2	1,4	18,3x	17,3x	16,3x
Trimble	TRMB-US	9576	17	17	16	0,0	0,0	0,0	20,5x	18,3x	16,7x
Hexagon	HEXA.B-SE	16450	15	14	14	1,4	1,6	1,7	19,9x	18,4x	17,0x
Peer Group Average		8162	17,8	17,3	16,6	1,3	1,4	1,5	21,4x	19,4x	18,1x
Peer Group Median		7131	16,4	16,4	15,6	1,3	1,4	1,5	20,0x	18,3x	16,6x
Vaisala (Evli est.)		783	12,9	15,1	16,7	2,8	3,0	3,2	33,0	27,7	24,0

Premium/discount to peer median

-21 % -8 % 7 % 110 % 114 % 110 % 65 % 51 % 44 %

	Security identifier	MCAP MEUR	EV/S 19E	EV/S 20E	EV/S 21E	EV/EBITDA 19E	EV/EBITDA 20E	EV/EBITDA 21E	EV/EBIT 19E	EV/EBIT 20E	EV/EBIT 21E
Keysight Technologies	KEYS-US	14053	3,9x	3,6x	3,2x	15,7x	13,8x	14,1x	18,1x	15,9x	14,4x
National Instruments Corp.	NATI-US	4686	3,6x	3,3x	3,1x	16,9x	14,9x	17,2x	21,6x	18,5x	21,3x
Spectris	SXS-GB	3427	2,0x	1,9x	1,8x	10,8x	9,8x	9,1x	13,0x	11,6x	10,8x
Oxford Instruments	OXIG-GB	782	2,1x	1,9x	1,7x	11,3x	10,3x	9,3x	13,2x	12,2x	11,1x
Trimble	TRMB-US	9576	3,6x	3,3x	3,0x	15,9x	13,9x	12,1x	17,1x	15,0x	13,0x
Hexagon	HEXA.B-SE	16450	4,4x	4,0x	3,7x	13,2x	11,9x	10,8x	17,5x	15,6x	13,9x
Peer Group Average		8162	3,3x	3,0x	2,7x	14,0x	12,4x	12,1x	16,7x	14,8x	14,1x
Peer Group Median		7131	3,6x	3,3x	3,0x	14,5x	12,8x	11,4x	17,3x	15,3x	13,5x
Vaisala (Evli est.)		783	2,0x	1,9x	1,8x	15,2x	13,7x	12,9x	17,9x	16,7x	14,6x

Premium/discount to peer median

-45 % -43 % -41 % 5 % 7 % 13 % 3 % 9 % 8 %

	Security identifier	MCAP MEUR	Sales growth 19E	Sales growth 20E	Sales growth 21E	Net debt / EBITDA 19E	Net debt / EBITDA 20E	Net debt / EBITDA 21E	Equity ratio % 19E	Equity ratio % 20E	Equity ratio % 21E
Keysight Technologies	KEYS-US	14053	8,0%	6,1%	11,4%	0,7x	0,1x	0,3x	47,0	50,4	
National Instruments Corp.	NATI-US	4686	1,4%	6,7%	6,4%	-1,0x	-1,1x	-1,5x	69,9	68,9	
Spectris	SXS-GB	3427	3,8%	3,0%	2,5%	0,8x	0,5x	0,1x	63,2	67,5	72,1
Oxford Instruments	OXIG-GB	782	-0,3%	3,9%		-0,3x	-0,6x	-0,9x	60,0	61,7	66,0
Trimble	TRMB-US	9576	7,8%	5,4%	5,6%	1,8x	1,1x	0,4x	49,2	52,7	54,2
Hexagon	HEXA.B-SE	16450	9,0%	5,8%	5,8%	1,2x	0,7x	0,3x	56,9	58,8	61,0
Peer Group Average		8162	4,9%	5,2%	6,4%	0,5x	0,1x	-0,2x	57,7	60,0	63,3
Peer Group Median		7131	5,8%	5,6%	5,8%	0,7x	0,3x	0,2x	58,5	60,3	63,5
Vaisala (Evli est.)		783	11,8%	4,2%	4,3%	-0,5x	-0,4x	-0,6x	50,9	50,7	51,8

Premium/discount to peer median

105 % -24 % -27 % -163 % -234 % -385 % -13 % -16 % -18 %

	Security identifier	MCAP MEUR	P/B 19E	P/B 20E	P/B 21E
Keysight Technologies	KEYS-US	14053	5,2	4,4	3,9
National Instruments Corp.	NATI-US	4686	4,2	4,0	3,9
Spectris	SXS-GB	3427	2,3	2,2	2,0
Oxford Instruments	OXIG-GB	782	3,1	2,8	2,4
Trimble	TRMB-US	9576	3,3	2,9	2,4
Hexagon	HEXA.B-SE	16450	2,8	2,5	2,3
Peer Group Average		8162	3,5	3,1	2,8
Peer Group Median		7131	3,2	2,8	2,4
Vaisala (Evli est.)		783	4,2	4,2	4,2

Premium/discount to peer median

34 % 50 % 76 %

Source: Factset, Evli Research

Updated on June 16, 2019

INTERIM FIGURES

EVLI ESTIMATES, EURm	2018Q1	2018Q2	2018Q3	2018Q4	2018	2019Q1	2019Q2E	2019Q3E	2019Q4E	2019E	2020E	2021E
Net sales	76	80	84	108	349	84	94	100	111	390	407	424
EBITDA	8	7	17	20	51	6	9	15	21	50	56	59
<i>EBITDA margin (%)</i>	<i>10.4</i>	<i>8.5</i>	<i>19.9</i>	<i>18.2</i>	<i>14.7</i>	<i>7.5</i>	<i>9.1</i>	<i>14.9</i>	<i>18.5</i>	<i>12.9</i>	<i>13.8</i>	<i>13.9</i>
EBIT	6	5	15	14	39	0	3	11	17	31	38	44
<i>EBIT margin (%)</i>	<i>7.5</i>	<i>5.9</i>	<i>17.4</i>	<i>12.9</i>	<i>11.2</i>	<i>0.0</i>	<i>3.4</i>	<i>10.9</i>	<i>15.0</i>	<i>7.9</i>	<i>9.3</i>	<i>10.4</i>
Net financial items	-1	0	0	0	-1	0	0	0	0	-1	0	0
Pre-tax profit	5	5	14	14	38	0	3	11	16	30	38	44
Tax	-1	-1	-3	-3	-8	0	-1	-2	-3	-6	-8	-9
<i>Tax rate (%)</i>	<i>22.2</i>	<i>22.0</i>	<i>23.6</i>	<i>18.4</i>	<i>21.3</i>	<i>25.0</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>
Net profit	4	4	11	11	30	0	2	8	13	24	30	35
EPS	0.10	0.11	0.30	0.32	0.83	0.00	0.06	0.23	0.36	0.66	0.83	0.96
EPS adjusted (diluted no. of shares)	0.10	0.11	0.30	0.32	0.83	0.00	0.06	0.23	0.36	0.66	0.83	0.96
Dividend per share	0.00	0.00	0.00	0.00	0.58	0.00	0.00	0.00	0.00	0.60	0.65	0.70
SALES, EURm												
Weather and Environment	48	52	55	78	232	50	60	66	76	252	260	267
Industrial Measurements	28	28	30	31	117	35	34	34	35	138	147	157
Total	76	80	84	108	349	84	94	100	111	390	407	424
SALES GROWTH, Y/Y %												
<i>Weather and Environment</i>	<i>19.4</i>	<i>5.5</i>	<i>-6.3</i>	<i>4.3</i>	<i>4.5</i>	<i>3.1</i>	<i>15.8</i>	<i>20.9</i>	<i>-2.1</i>	<i>8.4</i>	<i>3.3</i>	<i>2.7</i>
<i>Industrial Measurements</i>	<i>0.4</i>	<i>10.2</i>	<i>2.4</i>	<i>10.0</i>	<i>5.6</i>	<i>22.7</i>	<i>21.0</i>	<i>16.6</i>	<i>15.0</i>	<i>18.7</i>	<i>6.0</i>	<i>7.1</i>
Total	11.5	7.1	-3.4	5.9	4.9	10.4	17.6	19.4	2.8	11.8	4.2	4.3
EBIT, EURm												
Weather and Environment	0	0	8	11	18	-4	-2	6	11	11	13	16
Industrial Measurements	6	5	8	6	24	5	5	5	6	21	26	28
Other	0	0	-1	-2	-3	0	0	0	0	0	0	0
Total	6	5	15	14	39	0	3	11	17	31	38	44
EBIT margin, %												
<i>Weather and Environment</i>	<i>0.0</i>	<i>-0.6</i>	<i>13.7</i>	<i>13.5</i>	<i>7.6</i>	<i>-8.7</i>	<i>-2.5</i>	<i>8.6</i>	<i>14.2</i>	<i>4.2</i>	<i>4.8</i>	<i>6.0</i>
<i>Industrial Measurements</i>	<i>20.9</i>	<i>16.7</i>	<i>26.4</i>	<i>18.2</i>	<i>20.6</i>	<i>13.3</i>	<i>13.9</i>	<i>15.5</i>	<i>16.7</i>	<i>14.9</i>	<i>17.4</i>	<i>17.8</i>
<i>Other</i>						<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>
Total	7.5	5.9	17.4	12.9	11.2	0.0	3.4	10.9	15.0	7.9	9.3	10.4

Electronic Equipment & Instruments/Finland, June 17, 2019
Company update

INCOME STATEMENT, EURm	2014	2015	2016	2017	2018	2019E	2020E	2021E
Sales	300	319	319	333	349	390	407	424
<i>Sales growth (%)</i>	<i>9.7</i>	<i>6.3</i>	<i>0.2</i>	<i>4.2</i>	<i>4.9</i>	<i>11.8</i>	<i>4.2</i>	<i>4.3</i>
Costs	-258	-274	-273	-282	-298	-340	-356	-365
Reported EBITDA	42	45	46	50	51	50	56	59
Extraordinary items in EBITDA	0	0	0	0	0	0	0	0
<i>EBITDA margin (%)</i>	<i>13.9</i>	<i>14.0</i>	<i>14.5</i>	<i>15.1</i>	<i>14.7</i>	<i>12.9</i>	<i>13.8</i>	<i>13.9</i>
Depreciation	-15	-15	-13	-9	-12	-20	-18	-15
EBITA	27	30	33	41	39	31	38	44
Goodwill amortization / writedown	0	0	-11	0	0	0	0	0
Reported EBIT	26	30	22	41	39	31	38	44
<i>EBIT margin (%)</i>	<i>8.8</i>	<i>9.3</i>	<i>7.0</i>	<i>12.3</i>	<i>11.2</i>	<i>7.9</i>	<i>9.3</i>	<i>10.4</i>
Net financials	3	3	0	-3	-1	-1	0	0
Pre-tax profit	29	33	22	38	38	30	38	44
Extraordinary items	0	0	0	0	0	0	0	0
Taxes	-6	-5	-3	-11	-8	-6	-8	-9
Minority shares	0	0	0	0	0	0	0	0
Net profit	23	27	19	27	30	24	30	35
BALANCE SHEET, EURm								
Assets								
Fixed assets	68	63	46	46	72	79	84	80
<i>% of sales</i>	<i>23</i>	<i>20</i>	<i>14</i>	<i>14</i>	<i>20</i>	<i>20</i>	<i>21</i>	<i>19</i>
Goodwill	14	16	17	16	55	55	55	55
<i>% of sales</i>	<i>5</i>	<i>5</i>	<i>5</i>	<i>5</i>	<i>16</i>	<i>14</i>	<i>14</i>	<i>13</i>
Inventory	34	39	32	29	32	36	37	39
<i>% of sales</i>	<i>11</i>	<i>12</i>	<i>10</i>	<i>9</i>	<i>9</i>	<i>9</i>	<i>9</i>	<i>9</i>
Receivables	72	77	78	84	93	104	109	113
<i>% of sales</i>	<i>24</i>	<i>24</i>	<i>24</i>	<i>25</i>	<i>27</i>	<i>27</i>	<i>27</i>	<i>27</i>
Liquid funds	48	59	72	91	73	81	85	88
<i>% of sales</i>	<i>16</i>	<i>19</i>	<i>23</i>	<i>27</i>	<i>21</i>	<i>21</i>	<i>21</i>	<i>21</i>
Total assets	245	264	255	274	335	365	380	386
Liabilities								
Equity	170	181	179	186	183	186	195	206
<i>% of sales</i>	<i>57</i>	<i>57</i>	<i>56</i>	<i>56</i>	<i>52</i>	<i>48</i>	<i>48</i>	<i>49</i>
Deferred taxes	5	5	0	1	9	9	9	9
<i>% of sales</i>	<i>2</i>	<i>1</i>	<i>0</i>	<i>0</i>	<i>3</i>	<i>2</i>	<i>2</i>	<i>2</i>
Interest bearing debt	0	0	0	0	41	58	60	50
<i>% of sales</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>12</i>	<i>15</i>	<i>15</i>	<i>12</i>
Non-interest bearing current liabilities	64	75	71	81	89	99	104	108
<i>% of sales</i>	<i>21</i>	<i>23</i>	<i>22</i>	<i>24</i>	<i>25</i>	<i>25</i>	<i>25</i>	<i>25</i>
Other interest free debt	4	3	4	5	9	9	9	9
<i>% of sales</i>	<i>1</i>	<i>1</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>2</i>	<i>2</i>	<i>2</i>
Total liabilities	245	264	255	274	335	365	380	386
CASH FLOW, EURm								
+ EBITDA	42	45	46	50	51	50	56	59
- Net financial items	3	3	0	-3	-1	-1	0	0
- Taxes	-4	-7	-9	-7	-1	-6	-8	-9
- Increase in Net Working Capital	-13	2	2	7	-4	-4	-2	-2
+/- Other	-5	-6	3	4	-52	0	0	0
= Cash flow from operations	22	36	42	51	-8	39	41	48
- Capex	-8	-8	-8	-8	-66	-27	-17	-11
- Acquisitions	0	0	0	-2	0	0	0	0
+ Divestments	1	0	1	0	0	0	0	0
= Net cash flow	15	28	36	41	-28	12	24	37
+/- Change in interest-bearing debt	0	0	0	0	41	17	2	-10
+/- New issues/buybacks	4	0	-4	-2	5	0	0	0
- Paid dividend	-16	-16	-17	-18	-37	-21	-22	-24
+/- Change in loan receivables	0	0	0	0	5	0	0	0
Change in cash	3	12	14	21	-15	9	3	4

Electronic Equipment & Instruments/Finland, June 17, 2019
Company update

KEY FIGURES	2015	2016	2017	2018	2019E	2020E	2021E
M-cap	431	602	794	659	794	794	794
Net debt	-59	-72	-91	-32	-24	-25	-39
Enterprise value	372	529	703	626	771	769	756
Sales	319	319	333	349	390	407	424
EBITDA	45	46	50	51	50	56	59
EBIT	30	22	41	39	31	38	44
Pre-tax	33	22	38	38	30	38	44
Earnings	27	19	27	30	24	30	35
Book value	181	179	186	183	186	195	206
Valuation multiples							
EV/sales	1.2	1.7	2.1	1.8	2.0	1.9	1.8
EV/EBITDA	8.3	11.4	14.0	12.3	15.3	13.7	12.9
EV/EBITA	12.4	16.1	17.2	16.1	25.0	20.2	17.2
EV/EBIT	12.6	23.8	17.2	16.1	25.0	20.2	17.2
EV/operating cash flow	10.4	12.6	13.7	-82.4	19.3	18.8	15.7
EV/cash earnings	9.2	14.0	17.4	12.9	17.7	18.1	15.1
P/E	15.8	32.2	29.3	22.2	33.3	26.1	22.6
P/E excl. goodwill	15.5	20.5	29.3	22.2	33.3	26.1	22.6
P/B	2.4	3.4	4.3	3.6	4.3	4.1	3.9
P/sales	1.4	1.9	2.4	1.9	2.0	2.0	1.9
P/CF	12.0	14.3	15.5	-86.7	19.9	19.4	16.5
Target EV/EBIT	0.0	0.0	0.0	0.0	22.8	18.5	15.7
Target P/E	0.0	0.0	0.0	0.0	30.5	24.0	20.7
Target P/B	0.0	0.0	0.0	0.0	3.9	3.7	3.5
Per share measures							
Number of shares	36,054	35,703	35,692	35,790	36,437	36,437	36,437
Number of shares (diluted)	36,054	35,703	35,692	35,790	36,437	36,437	36,437
EPS	0.76	0.52	0.76	0.83	0.66	0.83	0.96
EPS excl. goodwill	0.77	0.82	0.76	0.83	0.66	0.83	0.96
Cash EPS	1.12	1.06	1.13	1.35	1.19	1.17	1.37
Operating cash flow per share	1.00	1.18	1.43	-0.21	1.10	1.12	1.32
Capital employed per share	3.36	2.95	2.61	4.18	4.43	4.62	4.56
Book value per share	5.03	5.00	5.20	5.11	5.11	5.34	5.65
Book value excl. goodwill	4.58	4.54	4.74	3.57	3.59	3.82	4.14
Dividend per share	0.48	0.50	1.05	0.58	0.60	0.65	0.70
Dividend payout ratio, %	62.5	95.5	138.3	70.1	91.6	77.9	72.6
Dividend yield, %	4.0	3.0	4.7	3.2	2.8	3.0	3.2
Efficiency measures							
ROE	15.6	10.4	14.9	16.1	12.9	16.0	17.5
ROCE	16.7	12.4	22.4	19.1	13.2	15.3	17.2
Financial ratios							
Capex/sales, %	2.5	2.0	3.0	18.9	6.9	4.3	2.6
Capex/depreciation excl. goodwill,%	40.1	-34.1	109.5	223.1	138.1	142.4	74.1
Net debt/EBITDA, book-weighted	-1.3	-1.6	-1.8	-0.6	-0.5	-0.5	-0.7
Debt/equity, market-weighted	0.0	0.0	0.0	0.1	0.1	0.1	0.1
Equity ratio, book-weighted	68.6	70.0	67.7	54.7	50.9	51.2	53.4
Gearing	-0.33	-0.41	-0.49	-0.18	-0.13	-0.13	-0.19
Number of employees, average	1,611	1,590	1,592	1,592	1,592	1,592	1,592
Sales per employee, EUR	197,765	200,755	208,920	219,096	245,038	255,402	266,332
EBIT per employee, EUR	18,312	13,962	25,628	24,498	19,386	23,869	27,575

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	82.290	10.4%
Nordea Bank Ab (publ), Finnish Branch	3,186,914	69.475	8.7%
Skandinaviska Enskilda Banken Ab (publ) Helsinki Branch	2,247,215	48.989	6.2%
Finnish Academy of Science and Letters	2,130,832	46.452	5.8%
Mandatum Life Insurance Company Ltd.	1,533,300	33.426	4.2%
Nordea Nordic Small Cap Fund	1,475,832	32.173	4.1%
Ilmarinen Mutual Pension Insurance Company	1,470,628	32.060	4.0%
Weisell-Säätiö Sr	1,440,000	31.392	4.0%
Voipio Mikko	1,268,312	27.649	3.5%
Caspers Anja	969,496	21.135	2.7%
Ten largest	19,497,321	425.042	54%
Residual	16,939,407	369.279	46%
Total	36,436,728	794.321	100%

EARNINGS CALENDAR

July 20, 2019 Q2 report
October 24, 2019 Q3 report

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

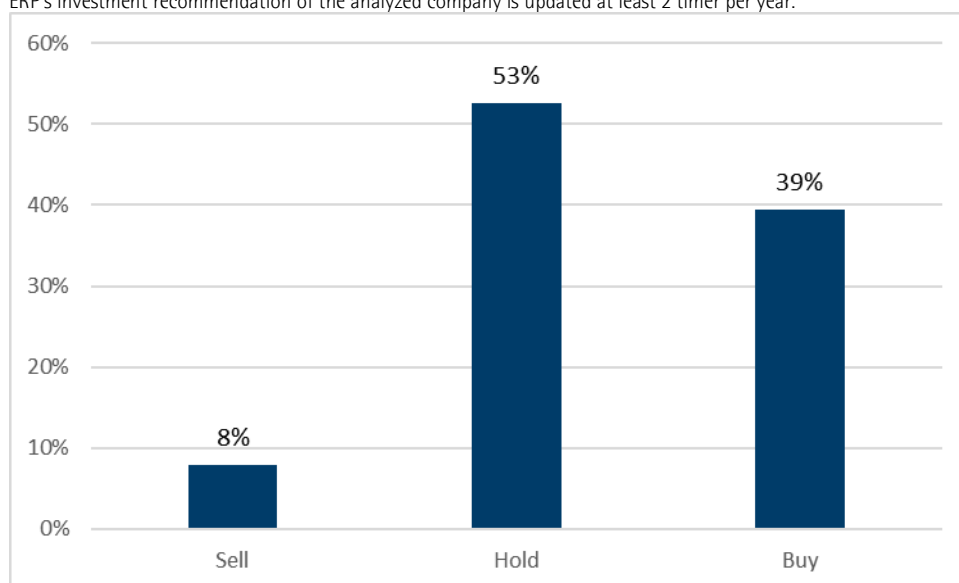
Important Disclosures

Evli Research Partners Plc ("ERP") uses 12-month target prices. Target prices are defined by utilizing analytical techniques based on financial theory including (but not limited to) discounted cash flow analysis and comparative valuation. The selection of valuation methods depends on different circumstances. Target prices may be altered on the basis of new information coming to light in the underlying company or changes in interest rates, changes in foreign exchange rates, other securities prices or market indices or outlook for the aforementioned factors or other factors that may change the conditions of financial markets. Recommendations and changes by analysts are available at <https://research.evli.com/JasperAllModels.action?authParam=key;461&authParam=x;G3rNagWrtf7K&authType=3>

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 updated at least 2 timer per year.



The graph above shows the distribution of ERP's recommendations of companies under coverage in 1st of February 2019. If recommendation is not given, it is not mentioned here.

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

This research report has been prepared by Evli Research Partners Plc ("ERP" or "Evli Research"). ERP is a subsidiary of Evli Bank Plc. Production of the investment recommendation has been concluded on 17.6.2019. 8:45. This report has been published on 17.6.2019. 8:45.

None of the analysts contributing to this report, persons under their guardianship or corporations under their control have a position in the shares of the company or related securities.

The date and time for any price of financial instruments mentioned in the recommendation refer to the previous trading day's closing price(s) unless otherwise stated in the report.

Each analyst responsible for the content of this report assures that the expressed views accurately reflect the personal views of each analyst on the covered companies and securities. Each analyst assures that (s)he has not been, nor are or will be, receiving direct or indirect compensation related to the specific recommendations or views contained in this report.

Companies in the Evli Group, affiliates or staff of companies in the Evli Group, may perform services for, solicit business from, hold long or short positions in, or otherwise be interested in the investments (including derivatives) of any company mentioned in the publication or report.

Neither ERP nor any company within the Evli Group have managed or co-managed a public offering of the company's securities during the last 12 months prior to, received compensation for investment banking services from the company during the last 12 months prior to the publication of the research report.

ERP has signed an agreement with the issuer of the financial instruments mentioned in the recommendation, which includes production of research reports. This assignment has a limited economic and financial impact on ERP and/or Evli. Under the assignment ERP performs services including, but not limited to, arranging investor meetings or –events, investor relations communication advisory and production of research material.

ERP or another company within the Evli Group DOES not have an agreement with the company to perform market making or liquidity providing services.

For the prevention and avoidance of conflicts of interests with respect to this report, there is an information barrier (Chinese wall) between Investment Research and Corporate Finance units concerning unpublished investment banking services to the company. The remuneration of the analyst(s) is not tied directly or indirectly to investment banking transactions or other services performed by Evli Bank Plc or any company within Evli Group.

This report has not been disclosed to the company prior to its dissemination.

This report is provided and intended for informational purposes only and may not be used or considered under any circumstances as an offer to sell or buy any securities or as advice to trade any securities.

This report is based on sources ERP considers to be correct and reliable. The sources include information providers Reuters and Bloomberg, stock-exchange releases from the companies and other company news, Statistics Finland and articles in newspapers and magazines. However, ERP does not guarantee the materialization, correctness, accuracy or completeness of the information, opinions, estimates or forecasts expressed or implied in the report. In addition, circumstantial changes may have an influence on opinions and estimates presented in this report. The opinions and estimates presented are valid at the moment of their publication and they can be changed without a separate announcement. Neither ERP nor any company within the Evli Group are responsible for amending, correcting or updating any information, opinions or estimates contained in this report. Neither ERP nor any company within the Evli Group will compensate any direct or consequential loss caused by or derived from the use of the information represented in this publication.

All information published in this report is for the original recipient's private and internal use only. ERP reserves all rights to the report. No part of this publication may be reproduced or transmitted in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, or stored in any retrieval system of any nature, without the written permission of ERP.

This report or its copy may not be published or distributed in Australia, Canada, Hong Kong, Japan, New Zealand, Singapore or South Africa. The publication or distribution of this report in certain other jurisdictions may also be restricted by law. Persons into whose possession this report comes are required to inform themselves about and to observe any such restrictions.

Evli Bank Plc is not registered as a broker-dealer with the U. S. Securities and Exchange Commission ("SEC"), and it and its analysts are not subject to SEC rules on securities analysts' certification as to the currency of their views reflected in the research report. Evli Bank is not a member of the Financial Industry Regulatory Authority ("FINRA"). It and its securities analysts are not subject to FINRA's rules on Communications with the Public and Research Analysts and Research Reports and the attendant requirements for fairness, balance and disclosure of potential conflicts of interest. This research report is only being offered in U.S. by Auerbach Grayson & Company, LLC (Auerbach Grayson) to Major U.S. Institutional Investors and is not available to, and should not be used by, any U.S. person or entity that is not a Major U.S. Institutional Investor. Auerbach Grayson is a broker-dealer registered with the U.S. Securities and Exchange Commission and is a member of the FINRA. U.S. entities seeking more information about any of the issuers or securities discussed in this report should contact Auerbach Grayson. The securities of non-U.S. issuers may not be registered with or subject to SEC reporting and other requirements.

ERP is not a supervised entity but its parent company Evli Bank Plc is supervised by the Finnish Financial Supervision Authority.

Contact information**SALES, TRADING AND RESEARCH****Equity Sales**

Ari Laine +358 9 4766 9115
Lauri Ahokanto +358 9 4766 9117
Niclas Henelius +358 9 4766 9116

Trading

Lauri Vehkaluoto (Head) +358 9 4766 9130
Pasi Väisänen +358 9 4766 9120
Antti Kässi +358 9 4766 9120

ETFs and Derivatives

Tobias Björk (Head) +358 9 4766 9130
Joachim Dannberg +358 9 4766 9123
Kimmo Lijja +358 9 4766 9130
Sami Järvinen +358 9 4766 9110

Structured Investments

Heikki Savijoki +358 9 4766 9726
Aki Lakkisto +358 9 4766 9123

Equity Research

Jonas Forslund +358 9 4766 9314
Joonas Ilvonen +358 44 430 9071
Jerker Salokivi +358 9 4766 9149
Anna-Liisa Rissanen +358 40 157 9919

Evli Investment Solutions

Johannes Asuja +358 9 4766 9205
Markku Reinikainen +358 9 4766 9669



EVLI BANK PLC
Aleksanterinkatu 19 A
P.O. Box 1081
FIN-00101 Helsinki, FINLAND
Phone +358 9 476 690
Fax +358 9 634 382
Internet www.evli.com
E-mail firstname.lastname@evli.com

**EVLI BANK PLC,
STOCKHOLMSFILIAL**
Regeringsgatan 67 P.O. Box 16354
SE-103 26 Stockholm
Sverige
stockholm@evli.com
Tel +46 (0)8 407 8000
Fax +46 (0)8 407 8001