

Q3 EBIT clearly better than expected

Vaisala updated yesterday its business outlook for 2020 and published preliminary net sales and operating result for Q3. With the better than expected profitability development, we raise our TP to 32€ (29), but due to continued share price rally our rating is now SELL (HOLD).

Sales expected to be 370–390 MEUR and EBIT 40–48 MEUR
Vaisala narrowed net sales estimate and increased EBIT estimate, and now expects 2020 sales to be between 370–390 MEUR and EBIT to be between 40–48 MEUR (prev. sales 370–405 MEUR and EBIT 34–46 MEUR). Vaisala also provided preliminary figures for January–September 2020. Preliminary net sales were 273 MEUR (277.2 MEUR Evli) and EBIT was 33 MEUR (25.6 MEUR Evli).

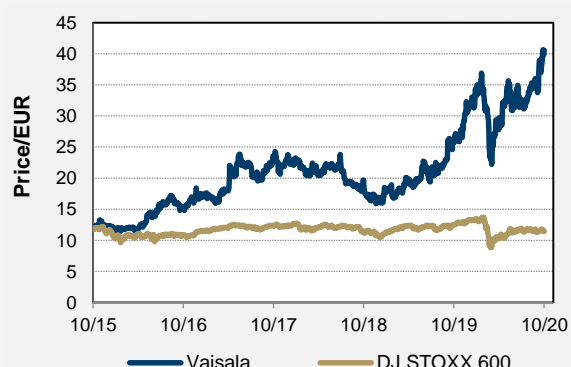
EBIT clearly better than expected despite the decline in sales
Pandemic has affected negatively especially airports customer segment and emerging markets, and W&E has been missing larger project orders. Some project deliveries have also been delayed due to restrictions related to COVID-19. IM's industrial instruments and liquid measurements products has not met growth targets due to volatile market situation during Q2 and Q3. On the other hand, Vaisala's profitability has developed clearly better than expected in Q3 (EBIT 19.9 MEUR vs. 12.6 MEUR Evli). According to Vaisala, W&E's digital services and IM's product and service businesses improved their gross margins. In addition, the decline in operating expenses caused by the prolonged pandemic, has improved EBIT more than expected.

Valuation remains stretched

Based on the update, we have cut our sales estimates and increased EBIT estimates for 2020e. We expect 2020e net sales to decline 5.2% to 382.5 MEUR and EBIT to increase to 46.6 MEUR. We have also revised EBIT estimates slightly upwards for 2021e. Despite the margin improvement, COVID-19 continues to pose significant near-term uncertainties. Vaisala's share price rally has continued and, on our estimates, Vaisala is trading at clear premiums compared to our peer group and we see valuation stretched given the weaker financial performance compared to peer group. We look forward to hearing more about the drivers of margin development in connection with Q3 report next Tuesday. With the better than expected profitability development we raise our TP to 32€ (29), but downgrade to SELL (HOLD).

Rating

SELL



Share price, EUR (Last trading day's closing price) 40.55

Target price, EUR 32.0

Latest change in recommendation 22-Oct-20

Latest report on company 22-Jul-20

Research paid by issuer: YES

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

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

Market cap, EURm 1,460

Free float, % -

Exchange rate EUR/USD -

Reuters code VAIAS.HE

Bloomberg code VAIAS FH

Average daily volume, EURm -

Next interim report 27-Oct-20

Web site vaisala.com/en/investors

Analyst Jonas Forslund

E-mail jonas.forslund@evli.com

Telephone

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	382.5	46.6	12.2%	41.1	1.01	40.3	3.8	30.8	2.8	0.63
2021E	399.6	48.2	12.1%	37.5	1.07	37.9	3.6	29.5	2.6	0.65
2022E	420.2	53.0	12.6%	38.1	1.10	36.7	3.3	26.5	2.6	0.67
Market cap, EURm			1,460	Gearing 2020E, %		-11.3	CAGR EPS 2019-22, %			5.7
Net debt 2020E, EURm			-24	Price/book 2020E		6.9	CAGR sales 2019-22, %			1.4
Enterprise value, EURm			1,436	Dividend yield 2020E, %		1.6	ROE 2020E, %			17.6
Total assets 2020E, EURm			349	Tax rate 2020E, %		19.3	ROCE 2020E, %			18.9
Goodwill 2020E, EURm			55	Equity ratio 2020E, %		60.9	PEG, P/E 20/CAGR			6.9

Interim figures	2017	2018	Q1'19	Q2'19	Q3'19	Q4'19	2019	Q1'20	Q2'20	Q3'20E	Q4'20E	2020E	2021E
Net sales	332.6	348.8	84.2	96.1	105.2	118.1	403.6	87.2	91.4	94.4	109.5	382.5	399.6
Weather & Environment	222.2	232.3	49.6	60.7	69.1	81.9	261.3	51.8	57.6	59.9	73.5	242.8	250.1
Industrial Measurements	110.3	116.5	34.6	35.4	36.1	36.3	142.4	35.4	33.8	34.5	36.0	139.7	149.5
EBITDA	50.6	51.1	6.3	12.9	21.8	23.6	64.6	10.1	13.5	24.8	19.0	67.5	70.0
D&A	9.7	12.1	6.3	5.7	5.4	6.0	23.5	4.9	5.6	4.9	5.5	20.9	21.8
EBIT	40.9	38.9	0.0	7.2	16.3	17.6	41.1	5.2	7.9	19.9	13.5	46.6	48.2
Weather & Environment	18.2	17.7	-4.3	0.6	9.3	12.0	17.7	-2.4	0.7	9.7	7.3	15.3	15.2
Industrial Measurements	22.8	23.9	4.6	7.5	8.5	5.4	26.0	7.6	7.1	10.3	6.2	31.2	34.5
Other operations	-0.2	-2.7	-0.3	-0.9	-1.5	0.1	-2.6	0.0	0.1	0.0	0.0	0.1	-1.5
EBIT excl. IAC	41.7	42.6	3.0	9.4	18.4	19.9	50.7	6.9	9.8	21.3	15.5	53.6	55.2
<i>Sales growth %</i>	<i>4.2 %</i>	<i>4.9 %</i>	<i>10.2 %</i>	<i>20.0 %</i>	<i>25.1 %</i>	<i>9.0 %</i>	<i>15.7 %</i>	<i>3.6 %</i>	<i>-4.9 %</i>	<i>-10.3 %</i>	<i>-7.3 %</i>	<i>-5.2 %</i>	<i>4.5 %</i>
<i>EBITDA margin %</i>	<i>15.2 %</i>	<i>14.7 %</i>	<i>7.4 %</i>	<i>13.4 %</i>	<i>20.7 %</i>	<i>20.0 %</i>	<i>16.0 %</i>	<i>11.6 %</i>	<i>14.8 %</i>	<i>26.3 %</i>	<i>17.4 %</i>	<i>17.6 %</i>	<i>17.5 %</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>6.0 %</i>	<i>8.6 %</i>	<i>21.1 %</i>	<i>12.4 %</i>	<i>12.2 %</i>	<i>12.1 %</i>
<i>Adj. EBIT margin %</i>	<i>12.5 %</i>	<i>12.2 %</i>	<i>3.5 %</i>	<i>9.8 %</i>	<i>17.4 %</i>	<i>16.9 %</i>	<i>12.6 %</i>	<i>7.9 %</i>	<i>10.7 %</i>	<i>22.6 %</i>	<i>14.2 %</i>	<i>14.0 %</i>	<i>13.8 %</i>

VAISALA PEER GROUP	Security identifier	EBIT %	EBIT %	EBITDA %	EBITDA %	ROCE %	ROCE %
		20E	21E	20E	21E	20E	21E
Keysight Technologies	KEYS-US	24.2	25.3	26.6	27.9	15.7	15.6
National Instruments Corp.	NATI-US	13.4	0.0	16.7	19.8	11.3	12.9
Spectris	SXS-GB	12.3	13.8	17.8	18.9	10.6	12.2
Oxford Instruments	OXIG-GB	12.2		15.5	17.4		
Trimble	TRMB-US	21.0	21.4	23.3	23.4	11.3	11.9
Hexagon	HEXA.B-SE	24.0	26.6	34.0	36.3	9.8	11.1
Peer Group Average		17.9	21.8	22.3	24.0	11.7	12.7
Peer Group Median		17.2	23.4	20.6	21.6	11.3	12.2
Vaisala (Evli est.)		12.2	12.1	17.6	16.9	18.9	19.8
<i>Premium/discount to peer median</i>		<i>-29 %</i>	<i>-48 %</i>	<i>-14 %</i>	<i>-22 %</i>	<i>68 %</i>	<i>62 %</i>

	Security identifier	ROE %	ROE %	DIV %	DIV %	P/E	P/E
		20E	21E	20E	21E	20E	21E
Keysight Technologies	KEYS-US	27	25	0.0	0.2	22.5x	19.6x
National Instruments Corp.	NATI-US	14	11	2.9	3.1	27.7x	31.6x
Spectris	SXS-GB	9	12	2.3	2.5	26.1x	20.3x
Oxford Instruments	OXIG-GB	11	12	0.6	0.9	32.5x	27.9x
Trimble	TRMB-US	14	14	0.0	0.0	26.5x	24.0x
Hexagon	HEXA.B-SE	12	13	0.9	1.1	32.3x	27.6x
Peer Group Average		14.4	14.5	1.1	1.3	27.9x	25.2x
Peer Group Median		12.6	12.4	0.8	1.0	27.1x	25.8x
Vaisala (Evli est.)		17.5	17.3	1.6	1.6	40.2x	37.9x
<i>Premium/discount to peer median</i>		<i>39 %</i>	<i>39 %</i>	<i>106 %</i>	<i>64 %</i>	<i>48 %</i>	<i>47 %</i>

	Security identifier	EV/S	EV/S	EV/EBITDA	EV/EBITDA	EV/EBIT	EV/EBIT
		20E	21E	20E	21E	20E	21E
Keysight Technologies	KEYS-US	4.7x	4.1x	17.8x	14.8x	19.5x	16.3x
National Instruments Corp.	NATI-US	3.4x	3.2x	20.4x	16.0x	25.4x	19.1x
Spectris	SXS-GB	2.3x	2.1x	12.7x	10.9x	18.4x	15.0x
Oxford Instruments	OXIG-GB	3.0x	2.7x	19.3x	15.8x	24.5x	19.4x
Trimble	TRMB-US	4.7x	4.2x	20.1x	18.1x	22.3x	19.7x
Hexagon	HEXA.B-SE	6.8x	6.2x	20.0x	17.1x	28.3x	23.3x
Peer Group Average		4.1x	3.8x	18.4x	15.5x	23.1x	18.8x
Peer Group Median		4.1x	3.6x	19.7x	15.9x	23.4x	19.2x
Vaisala (Evli est.)		3.7x	3.5x	21.2x	20.0x	30.8x	29.4x
<i>Premium/discount to peer median</i>		<i>-8 %</i>	<i>-3 %</i>	<i>8 %</i>	<i>26 %</i>	<i>31 %</i>	<i>53 %</i>

	Security identifier	Sales growth	Sales growth	Net debt /	Net debt /	Equity ratio %	Equity ratio %
		20E	21E	EBITDA	EBITDA	20E	21E
Keysight Technologies	KEYS-US	-3.0%	9.9%	0.0x	-0.7x	47.8	53.2
National Instruments Corp.	NATI-US	-7.0%	8.6%	-1.6x	-1.1x	68.3	71.9
Spectris	SXS-GB	-18.9%	7.6%	-0.4x	-0.5x	67.4	65.5
Oxford Instruments	OXIG-GB	-6.8%		-1.6x	-1.7x		
Trimble	TRMB-US	-7.7%	7.9%	2.1x	1.4x	49.4	52.7
Hexagon	HEXA.B-SE	-4.0%	6.9%	1.4x	0.8x	59.0	60.6
Peer Group Average		-7.9%	8.0%	0.0x	-0.3x	58.4	60.8
Peer Group Median		-6.9%	7.8%	-0.2x	-0.6x	59.0	60.6
Vaisala (Evli est.)		-5.2%	4.5%	-0.4x	-0.6x	61.8	65.0

Source: Factset, Evli Research

Updated on October 22th, 2020

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC	
Current share price	40.55 PV of Free Cash Flow	349 Long-term growth, %	2.5 Risk-free interest rate, %	2.25
DCF share value	25.83 PV of Horizon value	598 WACC, %	7.4 Market risk premium, %	5.8
Share price potential, %	-36.3 Unconsolidated equity	0 Spread, %	0.0 Debt risk premium, %	2.8
Maximum value	25.8 Marketable securities	56 Minimum WACC, %	7.4 Equity beta coefficient	0.80
Minimum value	25.8 Debt - dividend	-73 Maximum WACC, %	7.4 Target debt ratio, %	10
Horizon value, %	63.1 Value of stock	930 Nr of shares, Mn	36.0 Effective tax rate, %	25

DCF valuation, EURm	2019	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	Horizon
Net sales	404	383	400	420	441	458	474	489	503	518	531	545
<i>Sales growth, %</i>	<i>15.7</i>	<i>-5.2</i>	<i>4.5</i>	<i>5.2</i>	<i>4.9</i>	<i>4.0</i>	<i>3.5</i>	<i>3.0</i>	<i>3.0</i>	<i>3.0</i>	<i>2.5</i>	<i>2.5</i>
Operating income (EBIT)	41	47	48	53	57	60	62	64	65	67	69	71
<i>Operating income margin, %</i>	<i>10.2</i>	<i>12.2</i>	<i>12.1</i>	<i>12.6</i>	<i>13.0</i>	<i>13.0</i>	<i>13.0</i>	<i>13.0</i>	<i>13.0</i>	<i>13.0</i>	<i>13.0</i>	<i>13.0</i>
+ Depreciation+amort.	24	21	23	22	22	22	22	23	23	23	23	
EBITDA	65	67	71	75	79	82	84	86	88	91	93	
- Paid taxes	-8	-9	-10	-13	-14	-15	-15	-16	-16	-17	-17	
- Change in NWC	-16	3	-2	-3	-3	-2	-2	-2	-2	-2	-2	
<i>NWC / Sales, %</i>	<i>12.7</i>	<i>12.7</i>	<i>12.7</i>	<i>12.7</i>	<i>12.7</i>	<i>12.7</i>	<i>12.7</i>	<i>12.7</i>	<i>12.7</i>	<i>12.7</i>	<i>12.7</i>	
+ Change in other liabs	-2	0	0	0	0	0	0	0	0	0	0	
- Operative CAPEX	-31	-15	-17	-16	-17	-17	-17	-17	-17	-18	-18	
<i>opCAPEX / Sales, %</i>	<i>8.7</i>	<i>4.9</i>	<i>5.4</i>	<i>4.9</i>	<i>4.8</i>	<i>4.7</i>	<i>4.7</i>	<i>4.6</i>	<i>4.5</i>	<i>4.5</i>	<i>4.4</i>	
- 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	8	46	42	43	46	48	50	51	53	54	56	1,156
= Discounted FCFF		45	38	36	36	35	34	33	31	30	29	598
= DFCF min WACC		45	38	36	36	35	34	33	31	30	29	598
= DFCF max WACC		45	38	36	36	35	34	33	31	30	29	598

INTERIM FIGURES

EVLI ESTIMATES, EURm	2019Q1	2019Q2	2019Q3	2019Q4	2019	2020Q1	2020Q2	2020Q3E	2020Q4E	2020E	2021E	2022E
Net sales	84.2	96.1	105.2	118.1	403.6	87.2	91.4	94.4	109.5	382.5	399.6	420.2
EBITDA	6.3	13.0	21.8	23.6	64.7	10.1	13.5	24.8	19.0	67.5	70.9	74.7
<i>EBITDA margin (%)</i>	<i>7.5</i>	<i>13.5</i>	<i>20.7</i>	<i>20.0</i>	<i>16.0</i>	<i>11.6</i>	<i>14.8</i>	<i>26.3</i>	<i>17.4</i>	<i>17.6</i>	<i>17.7</i>	<i>17.8</i>
EBIT	0.0	7.2	16.3	17.6	41.1	5.2	7.9	19.9	13.5	46.6	48.2	53.0
<i>EBIT margin (%)</i>	<i>0.0</i>	<i>7.5</i>	<i>15.5</i>	<i>14.9</i>	<i>10.2</i>	<i>6.0</i>	<i>8.6</i>	<i>21.1</i>	<i>12.4</i>	<i>12.2</i>	<i>12.1</i>	<i>12.6</i>
Net financial items	0.2	-0.7	0.6	-1.1	-1.0	-0.2	-0.9	-0.2	-0.2	-1.7	0.0	0.0
Pre-tax profit	0.2	6.5	16.9	16.5	40.1	5.0	7.0	19.7	13.3	44.9	48.2	53.0
Tax	0.0	-1.4	-3.6	-1.5	-6.5	-0.9	-1.2	-3.9	-2.7	-8.7	-9.6	-13.2
<i>Tax rate (%)</i>	<i>25.0</i>	<i>21.5</i>	<i>21.3</i>	<i>9.2</i>	<i>16.4</i>	<i>18.0</i>	<i>17.1</i>	<i>20.0</i>	<i>20.0</i>	<i>19.3</i>	<i>20.0</i>	<i>25.0</i>
Net profit	0.2	5.1	13.3	15.0	33.5	4.1	5.8	15.8	10.6	36.2	38.6	39.8
EPS	0.00	0.14	0.37	0.42	0.93	0.11	0.16	0.44	0.30	1.01	1.07	1.10
EPS adjusted (diluted no. of shares)	0.00	0.14	0.37	0.42	0.93	0.11	0.16	0.44	0.30	1.01	1.07	1.10
Dividend per share	0.00	0.00	0.00	0.00	0.61	0.00	0.00	0.00	0.00	0.63	0.65	0.67
SALES, EURm												
Weather and Environment	49.6	60.7	69.1	81.9	261.3	51.8	57.6	59.9	73.5	242.8	250.1	256.4
Industrial Measurements	34.6	35.4	36.1	36.3	142.4	35.4	33.8	34.5	36.0	139.7	149.5	163.8
Total	84.2	96.1	105.2	118.1	403.6	87.2	91.4	94.4	109.5	382.5	399.6	420.2
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>4.4</i>	<i>-5.1</i>	<i>-13.3</i>	<i>-10.2</i>	<i>-7.1</i>	<i>3.0</i>	<i>2.5</i>
<i>Industrial Measurements</i>	<i>22.7</i>	<i>26.0</i>	<i>22.4</i>	<i>18.1</i>	<i>22.2</i>	<i>2.3</i>	<i>-4.5</i>	<i>-4.4</i>	<i>-0.7</i>	<i>-1.9</i>	<i>7.0</i>	<i>9.6</i>
Total	10.4	20.0	25.1	9.0	15.7	3.6	-4.9	-10.3	-7.3	-5.2	4.5	5.2
EBIT, EURm												
Weather and Environment	-4.3	0.6	9.3	12.0	17.7	-2.4	0.7	9.7	7.3	15.3	15.2	18.5
Industrial Measurements	4.6	7.5	8.5	5.4	26.0	7.6	7.1	10.3	6.2	31.2	34.5	37.0
Other	-0.3	-0.9	-1.5	0.1	-2.6	0.0	0.1	0.0	0.0	0.1	-1.5	-2.5
Total	0.0	7.2	16.3	17.6	41.1	5.2	7.9	19.9	13.5	46.6	48.2	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>-4.6</i>	<i>1.2</i>	<i>16.1</i>	<i>10.0</i>	<i>6.3</i>	<i>6.1</i>	<i>7.2</i>
<i>Industrial Measurements</i>	<i>13.3</i>	<i>21.2</i>	<i>23.6</i>	<i>15.0</i>	<i>18.3</i>	<i>21.4</i>	<i>21.0</i>	<i>29.8</i>	<i>17.3</i>	<i>22.3</i>	<i>23.1</i>	<i>22.6</i>
<i>Other</i>						<i>0.0</i>		<i>0.0</i>	<i>0.0</i>	<i>25,000.0</i>		
Total	0.0	7.5	15.5	14.9	10.2	6.0	8.6	21.1	12.4	12.2	12.1	12.6

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

INCOME STATEMENT, EURm	2015	2016	2017	2018	2019	2020E	2021E	2022E
Sales	318.6	319.2	332.6	348.8	403.6	382.5	399.6	420.2
<i>Sales growth (%)</i>	<i>6.3</i>	<i>0.2</i>	<i>4.2</i>	<i>4.9</i>	<i>15.7</i>	<i>-5.2</i>	<i>4.5</i>	<i>5.2</i>
EBITDA	44.6	46.3	50.3	51.1	64.7	67.5	70.9	74.7
<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>17.6</i>	<i>17.7</i>	<i>17.8</i>
Depreciation	-14.7	-13.5	-9.5	-12.1	-23.6	-20.9	-22.7	-21.7
EBITA	29.9	32.8	40.8	39.0	41.1	46.6	48.2	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	46.6	48.2	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>12.2</i>	<i>12.1</i>	<i>12.6</i>
Reported EBIT	29.5	22.2	40.8	39.0	41.1	46.6	48.2	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>12.2</i>	<i>12.1</i>	<i>12.6</i>
Net financials	3.4	-0.2	-2.8	-1.4	-1.0	-1.7	0.0	0.0
Pre-tax profit	32.9	22.0	38.0	37.6	40.1	44.9	48.2	53.0
Taxes	-5.5	-3.3	-10.9	-8.0	-6.5	-8.7	-9.6	-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	36.2	38.6	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	81	80	78
Goodwill	16	17	16	55	55	55	55	55
Right of use assets	0	0	0	12	12	12	12	13
Inventory	39	32	29	32	40	38	39	41
Receivables	77	78	84	93	105	100	104	109
Liquid funds	59	72	91	73	56	53	56	66
Total assets	264	255	274	347	361	349	356	373
Liabilities								
Shareholder's equity	181	179	186	183	198	213	228	245
Minority interest	0	0	0	0	0	0	0	0
Convertibles	0	0	0	0	0	0	0	0
Lease liabilities	0	0	0	12	11	12	12	13
Deferred taxes	5	0	1	9	8	8	8	8
Interest bearing debt	0	0	0	41	40	18	5	0
Non-interest bearing current liabilities	75	71	81	89	94	89	93	97
Other interest-free debt	3	4	5	9	7	7	7	7
Total liabilities	264	255	274	347	361	349	356	373
CASH FLOW, EURm								
+ EBITDA	45	46	50	51	65	67	71	75
- Net financial items	59	0	-3	-1	-1	-2	0	0
- Taxes	-7	-9	-7	-9	-8	-9	-10	-13
- Increase in Net Working Capital	2	2	7	-4	-16	3	-2	-3
+/- Other	-59	3	2	11	0	0	0	0
= Cash flow from operations	39	42	49	48	40	60	59	59
- Capex	-8	-8	-8	-14	-35	-19	-22	-21
- Acquisitions	0	0	-2	-52	0	0	0	0
+ Divestments	0	1	0	0	0	0	0	0
= Free cash flow	31	35	39	-18	5	41	37	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	-22	-12	-4
Change in cash	12	13	19	-19	-16	-3	2	10

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

KEY FIGURES	2016	2017	2018	2019	2020E	2021E	2022E
M-cap	602	794	659	1,159	1,460	1,460	1,460
Net debt (excl. convertibles)	-72	-91	-20	-5	-24	-39	-54
Enterprise value	529	703	638	1,154	1,436	1,421	1,406
Sales	319	333	349	404	383	400	420
EBITDA	46	50	51	65	67	71	75
EBIT	22	41	39	41	47	48	53
Pre-tax	22	38	38	40	45	48	53
Earnings	19	27	30	34	36	39	40
Equity book value (excl. minorities)	179	186	183	198	213	228	245
Valuation multiples							
EV/sales	1.7	2.1	1.8	2.9	3.8	3.6	3.3
EV/EBITDA	11.4	14.0	12.5	17.8	21.3	20.1	18.8
EV/EBITA	16.1	17.2	16.4	28.1	30.8	29.5	26.5
EV/EBIT	23.8	17.2	16.4	28.1	30.8	29.5	26.5
EV/OCF	12.7	14.3	13.2	28.9	24.0	24.1	23.9
EV/FCFF	14.9	17.1	-38.5	141.1	31.3	34.0	32.9
P/FCFE	34.0	40.6	-37.2	250.6	35.5	38.9	38.3
P/E	32.2	29.3	22.2	34.6	40.3	37.9	36.7
P/B	3.4	4.3	3.6	5.8	6.9	6.4	6.0
Target EV/EBITDA	0.0	0.0	0.0	0.0	16.7	15.7	14.7
Target EV/EBIT	0.0	0.0	0.0	0.0	24.2	23.1	20.7
Target EV/FCF	0.0	0.0	0.0	0.0	27.4	29.7	28.8
Target P/B	0.0	0.0	0.0	0.0	5.4	5.0	4.7
Target P/E	0.0	0.0	0.0	0.0	31.8	29.9	29.0
Per share measures							
Number of shares	35,703	35,692	35,790	35,881	36,000	36,000	36,000
Number of shares (diluted)	35,703	35,692	35,790	35,881	36,000	36,000	36,000
EPS	0.52	0.76	0.83	0.93	1.01	1.07	1.10
Operating cash flow per share	1.17	1.38	1.35	1.11	1.66	1.64	1.64
Free cash flow per share	0.99	1.10	-0.49	0.13	1.14	1.04	1.06
Book value per share	5.00	5.20	5.11	5.52	5.90	6.34	6.80
Dividend per share	0.50	1.05	0.58	0.61	0.63	0.65	0.67
Dividend payout ratio, %	95.5	138.3	70.1	65.3	62.6	60.7	61.0
Dividend yield, %	3.0	4.7	3.2	1.9	1.6	1.6	1.7
FCF yield, %	5.9	4.9	-2.7	0.4	2.8	2.6	2.6
Efficiency measures							
ROE	10.4	14.9	16.1	17.6	17.6	17.5	16.8
ROCE	12.4	22.4	18.5	17.0	18.9	19.8	21.1
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	4.9	5.4	4.9
CAPEX/sales (incl. acquisitions), %	2.4	1.9	-10.7	8.7	4.9	5.4	4.9
FCFF/EBITDA	0.8	0.8	-0.3	0.1	0.7	0.6	0.6
Net debt/EBITDA, book-weighted	-1.6	-1.8	-0.4	-0.1	-0.4	-0.5	-0.7
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	60.9	64.1	65.6
Gearing, %	-40.5	-49.2	-11.0	-2.5	-11.3	-17.0	-21.9

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	153.068	10.5%
Nordea Bank Ab (publ), Finnish Branch	3,186,914	129.229	8.9%
Skandinaviska Enskilda Banken Ab (publ) Helsinki Branch	2,247,215	91.125	6.2%
Finnish Academy of Science and Letters	2,130,832	86.405	5.9%
Mandatum Life Insurance Company Ltd.	1,533,300	62.175	4.3%
Nordea Nordic Small Cap Fund	1,475,832	59.845	4.1%
Ilmarinen Mutual Pension Insurance Company	1,470,628	59.634	4.1%
Weisell-Säätiö Sr	1,440,000	58.392	4.0%
Voipio Mikko	1,268,312	51.430	3.5%
Caspers Anja	969,496	39.313	2.7%
Ten largest	19,497,321	790.616	54%
Residual	16,502,679	669.184	46%
Total	36,000,000	1,459.800	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, %	$\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes}}{\text{Shareholder's equity} + \text{minority interest} + \text{taxed provisions (average)}}$		

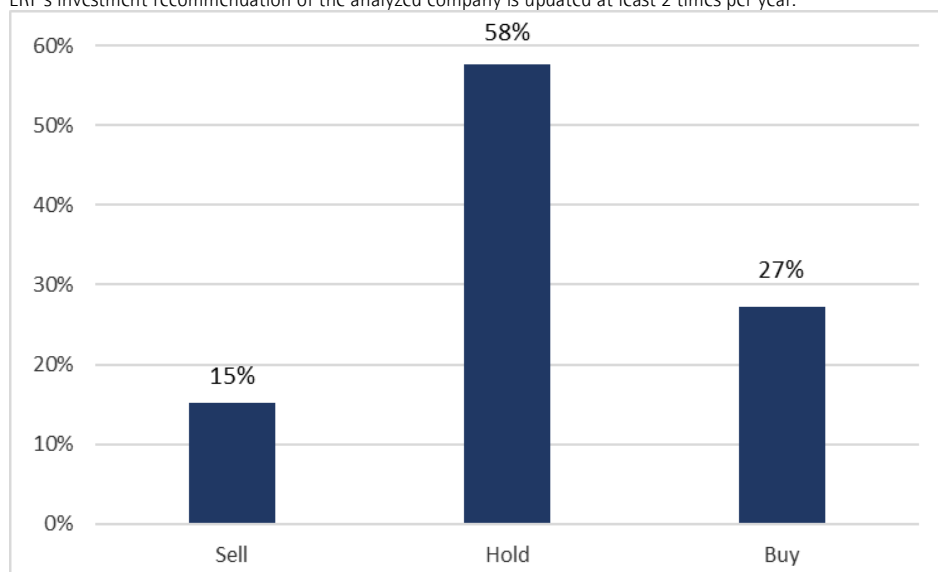
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Investment recommendations are defined as follows:

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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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 9120
Pasi Väisänen +358 9 4766 9120
Antti Kässi +358 9 4766 9120
Miika Ronkanen +358 9 4766 9120

ETFs and Derivatives

Joachim Dannberg +358 9 4766 9123
Kimmo Lijja +358 9 4766 9130

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