

Uncertainties in W&E outlook

Vaisala delivered a two-fold Q3 result. Despite W&E's strong profitability improvement, sales and orders declined and COVID-19 continues to pose significant near-term risks. IM business remains resilient. We keep our estimates broadly unchanged and maintain TP of 32€ with SELL.

Sales mix boosted profitability, orders and sales decreased

Q3 net sales decreased by 11% to 94 MEUR mainly due to the decline in W&E's project business. Gross margin improved to 57.7% (55.3%) and EBIT to 19.5 MEUR (16.3 MEUR), 20.7% (15.5%) of net sales. W&E's EBIT improved to 11.1 MEUR (9.7 Evli) and IM's was 8.6 MEUR (10.3 Evli) According to Vaisala, lower share of less-profitable project business, improved profitability of digital services in W&E and higher share of IM sales boosted margins. Operating expenses also decreased compared to previous year due to less travelling and some non-recurring positive impacts. Orders received decreased overall by 19% as W&E's order intake was impacted by COVID-19 especially in airports segment and emerging markets. IM's orders received increased 2% supported by strong order intake in APAC (+19%).

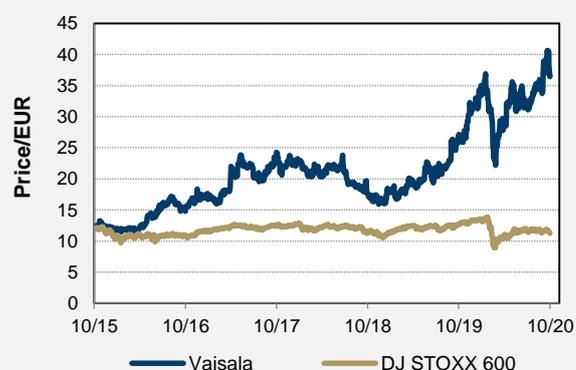
Our estimates broadly unchanged

Vaisala reiterated its 2020 outlook issued last week, as expected, estimating FY20 net sales to be 370-390 MEUR and EBIT to be 40-48 MEUR. Based on the report, we keep our estimates broadly unchanged. We expect 20e sales to decline 5.3% to 382.1 MEUR and EBIT to increase to 46.7 MEUR. W&E outlook is weighed by the weakened outlook for aviation and restrictions will cause delays in project deliveries. Thus, we expect W&E 20e sales to decrease by 7.3% to 242.1 MEUR and EBIT to decrease to 16.7 MEUR. We expect IM to remain relatively resilient with 20e sales down 1.7% to 140 MEUR and EBIT increasing to 30.1 MEUR. In 21e, we expect IM sales to continue growing (+7%), while W&E is expected to recover only slightly (+3%) due to uncertainties and decreased order intake.

Valuation still challenging

On our estimates, Vaisala is still trading at clear premiums compared to our peer group and we see valuation stretched given the weaker financial performance compared to peer group. Based on the report, we retain our TP of 32€ and SELL rating. Our TP values Vaisala at 21-22e EV/EBIT multiples of 22.9x and 20.7x which are above the peer group, reflecting Vaisala's strong sustainability profile, growing dividend, and especially IM's highly profitable growth with possibility of further add-on acquisitions.

Rating

■ SELL


Share price, EUR (Last trading day's closing price) **36.60**

Target price, EUR **32.0**

Latest change in recommendation **22-Oct-20**

Latest report on company **22-Oct-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 **1,318**

Free float, % **-**

Exchange rate EUR/USD **-**

Reuters code **VAIAS.HE**

Bloomberg code **VAIAS FH**

Average daily volume, EURm **-**

Next interim report **19-Feb-21**

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■ BUY ■ HOLD ■ SELL

KEY FIGURES

	Sales EURm	EBIT EURm	EBIT %	FCF EURm	EPS EUR	P/E (x)	EV/Sales (x)	EV/EBIT (x)	FCF yield %	DPS EUR
2018	348.8	39.0	11.2%	-17.7	0.83	22.2	1.8	16.4	-2.7	0.58
2019	403.6	41.1	10.2%	4.6	0.93	34.6	2.9	28.1	0.4	0.61
2020E	382.1	46.7	12.2%	40.2	0.98	37.2	3.4	27.7	3.0	0.63
2021E	399.2	48.5	12.2%	37.5	1.08	34.0	3.2	26.4	2.8	0.65
2022E	420.2	53.0	12.6%	38.1	1.10	33.1	3.0	23.9	2.9	0.67
Market cap, EURm		1,318	Gearing 2020E, %			-10.9	CAGR EPS 2019-22, %			5.7
Net debt 2020E, EURm		-23	Price/book 2020E			6.2	CAGR sales 2019-22, %			1.4
Enterprise value, EURm		1,294	Dividend yield 2020E, %			1.7	ROE 2020E, %			17.3
Total assets 2020E, EURm		349	Tax rate 2020E, %			19.5	ROCE 2020E, %			19.0
Goodwill 2020E, EURm		55	Equity ratio 2020E, %			60.7	PEG, P/E 20/CAGR			5.6

Interim figures	2017	2018	Q1'19	Q2'19	Q3'19	Q4'19	2019	Q1'20	Q2'20	Q3'20	Q4'20E	2020E	2021E
Net sales	332.6	348.8	84.2	96.1	105.2	118.1	403.6	87.2	91.4	94.0	109.5	382.1	399.2
Weather & Environment	222.2	232.3	49.6	60.7	69.1	81.9	261.3	51.8	57.6	59.2	73.5	242.1	249.4
Industrial Measurements	110.3	116.5	34.6	35.4	36.1	36.3	142.4	35.4	33.8	34.8	36.0	140.0	149.8
EBITDA	50.6	51.1	6.3	12.9	21.8	23.6	64.6	10.1	13.5	24.7	19.5	67.8	70.3
D&A	9.7	12.1	6.3	5.7	5.4	6.0	23.5	4.9	5.6	5.2	5.4	21.1	21.8
EBIT	40.9	38.9	0.0	7.2	16.3	17.6	41.1	5.2	7.9	19.5	14.1	46.7	48.5
Weather & Environment	18.2	17.7	-4.3	0.6	9.3	12.0	17.7	-2.4	0.7	11.1	7.3	16.7	17.0
Industrial Measurements	22.8	23.9	4.6	7.5	8.5	5.4	26.0	7.6	7.1	8.6	6.8	30.1	33.0
Other operations	-0.2	-2.7	-0.3	-0.9	-1.5	0.1	-2.6	0.0	0.1	-0.2	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	21.4	16.0	54.1	55.5
<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>-10.6 %</i>	<i>-7.3 %</i>	<i>-5.3 %</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>17.8 %</i>	<i>17.7 %</i>	<i>17.6 %</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>20.7 %</i>	<i>12.9 %</i>	<i>12.2 %</i>	<i>12.2 %</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>22.8 %</i>	<i>14.6 %</i>	<i>14.2 %</i>	<i>13.9 %</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	13.6	17.5	18.7	10.5	12.1
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	23.9	11.7	12.7
Peer Group Median		17.2	23.4	20.4	21.6	11.3	12.1
Vaisala (Evli est.)		12.2	12.2	17.7	16.9	19.0	19.9
Premium/discount to peer median		-29 %	-48 %	-13 %	-22 %	68 %	65 %

	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	22.7x	19.9x
National Instruments Corp.	NATI-US	14	11	3.0	3.2	26.8x	30.6x
Spectris	SXS-GB	9	12	2.5	2.6	24.1x	19.2x
Oxford Instruments	OXIG-GB	11	12	0.7	1.0	30.6x	26.3x
Trimble	TRMB-US	14	14	0.0	0.0	26.4x	23.9x
Hexagon	HEXA.B-SE	12	13	0.9	1.1	31.6x	27.0x
Peer Group Average		14.4	14.5	1.2	1.3	27.0x	24.5x
Peer Group Median		12.6	12.4	0.8	1.0	26.6x	25.1x
Vaisala (Evli est.)		17.2	17.4	1.7	1.8	37.1x	34.0x
Premium/discount to peer median		36 %	40 %	120 %	74 %	39 %	35 %

	Security identifier	EV/S	EV/S	EV/EBITDA	EV/EBITDA	EV/EBIT	EV/EBIT
		20E	21E	20E	21E	20E	21E
Keysight Technologies	KEYS-US	4.8x	4.2x	18.0x	14.9x	19.7x	16.5x
National Instruments Corp.	NATI-US	3.3x	3.1x	19.7x	15.5x	24.5x	18.4x
Spectris	SXS-GB	2.1x	2.0x	12.2x	10.5x	17.3x	14.4x
Oxford Instruments	OXIG-GB	2.8x	2.6x	18.1x	14.8x	22.9x	18.1x
Trimble	TRMB-US	4.7x	4.2x	20.1x	18.1x	22.3x	19.7x
Hexagon	HEXA.B-SE	6.7x	6.1x	19.6x	16.7x	27.7x	22.8x
Peer Group Average		4.1x	3.7x	17.9x	15.1x	22.4x	18.3x
Peer Group Median		4.0x	3.6x	18.8x	15.2x	22.6x	18.3x
Vaisala (Evli est.)		3.4x	3.2x	19.0x	18.0x	27.7x	26.3x
Premium/discount to peer median		-15 %	-11 %	1 %	18 %	22 %	44 %

	Security identifier	Sales growth	Sales growth	Net debt / EBITDA	Net debt / EBITDA	Equity ratio %	Equity ratio %
		20E	21E	20E	21E	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	-18.8%	7.0%	-0.4x	-0.5x	67.0	65.3
Oxford Instruments	OXIG-GB	-6.8%		-1.7x	-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%	7.9%	0.0x	-0.3x	58.3	60.7
Peer Group Median		-6.9%	7.4%	-0.2x	-0.6x	59.0	60.6
Vaisala (Evli est.)		-5.3%	4.5%	-0.4x	-0.6x	61.6	64.8

Source: Factset, Evli Research

Updated on October 28th, 2020

INTERIM FIGURES

EVLI ESTIMATES, EURm	2019Q1	2019Q2	2019Q3	2019Q4	2019	2020Q1	2020Q2	2020Q3	2020Q4E	2020E	2021E	2022E
Net sales	84.2	96.1	105.2	118.1	403.6	87.2	91.4	94.0	109.5	382.1	399.2	420.2
EBITDA	6.3	13.0	21.8	23.6	64.7	10.1	13.5	24.7	19.5	67.8	70.9	74.8
<i>EBITDA margin (%)</i>	<i>7.5</i>	<i>13.5</i>	<i>20.7</i>	<i>20.0</i>	<i>16.0</i>	<i>11.6</i>	<i>14.8</i>	<i>26.3</i>	<i>17.8</i>	<i>17.7</i>	<i>17.8</i>	<i>17.8</i>
EBIT	0.0	7.2	16.3	17.6	41.1	5.2	7.9	19.5	14.1	46.7	48.5	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>20.7</i>	<i>12.9</i>	<i>12.2</i>	<i>12.2</i>	<i>12.6</i>
Net financial items	0.2	-0.7	0.6	-1.1	-1.0	-0.2	-0.9	-1.3	-0.2	-2.7	0.0	0.0
Pre-tax profit	0.2	6.5	16.9	16.5	40.1	5.0	7.0	18.2	13.9	44.0	48.5	53.0
Tax	0.0	-1.4	-3.6	-1.5	-6.5	-0.9	-1.2	-3.7	-2.8	-8.6	-9.7	-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>20.3</i>	<i>20.0</i>	<i>19.5</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	14.5	11.1	35.4	38.8	39.8
EPS	0.00	0.14	0.37	0.42	0.93	0.11	0.16	0.40	0.31	0.98	1.08	1.10
EPS adjusted (diluted no. of shares)	0.00	0.14	0.37	0.42	0.93	0.11	0.16	0.40	0.31	0.98	1.08	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	59.2	73.5	242.1	249.4	256.4
Industrial Measurements	34.6	35.4	36.1	36.3	142.4	35.4	33.8	34.8	36.0	140.0	149.8	163.8
Total	84.2	96.1	105.2	118.1	403.6	87.2	91.4	94.0	109.5	382.1	399.2	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>-14.3</i>	<i>-10.2</i>	<i>-7.3</i>	<i>3.0</i>	<i>2.8</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>-3.6</i>	<i>-0.7</i>	<i>-1.7</i>	<i>7.0</i>	<i>9.3</i>
Total	10.4	20.0	25.1	9.0	15.7	3.6	-4.9	-10.6	-7.3	-5.3	4.5	5.3
EBIT, EURm												
Weather and Environment	-4.3	0.6	9.3	12.0	17.7	-2.4	0.7	11.1	7.3	16.7	17.0	18.5
Industrial Measurements	4.6	7.5	8.5	5.4	26.0	7.6	7.1	8.6	6.8	30.1	33.0	37.0
Other	-0.3	-0.9	-1.5	0.1	-2.6	0.0	0.1	-0.2	0.0	-0.1	-1.5	-2.5
Total	0.0	7.2	16.3	17.6	41.1	5.2	7.9	19.5	14.1	46.7	48.5	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>18.8</i>	<i>9.9</i>	<i>6.9</i>	<i>6.8</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>24.7</i>	<i>18.9</i>	<i>21.5</i>	<i>22.0</i>	<i>22.6</i>
<i>Other</i>						<i>0.0</i>			<i>0.0</i>			
Total	0.0	7.5	15.5	14.9	10.2	6.0	8.6	20.7	12.9	12.2	12.2	12.6

Electronic Equipment & Instruments/Finland, October 28, 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	382.1	399.2	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>-5.3</i>	<i>4.5</i>	<i>5.3</i>
EBITDA	44.6	46.3	50.3	51.1	64.7	67.8	70.9	74.8
<i>EBITDA margin (%)</i>	<i>14.0</i>	<i>14.5</i>	<i>15.1</i>	<i>14.7</i>	<i>16.0</i>	<i>17.7</i>	<i>17.8</i>	<i>17.8</i>
Depreciation	-14.7	-13.5	-9.5	-12.1	-23.6	-21.1	-22.4	-21.8
EBITA	29.9	32.8	40.8	39.0	41.1	46.7	48.5	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	46.7	48.5	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>12.2</i>	<i>12.6</i>
Reported EBIT	29.5	22.2	40.8	39.0	41.1	46.7	48.5	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>12.2</i>	<i>12.6</i>
Net financials	3.4	-0.2	-2.8	-1.4	-1.0	-2.7	0.0	0.0
Pre-tax profit	32.9	22.0	38.0	37.6	40.1	44.0	48.5	53.0
Taxes	-5.5	-3.3	-10.9	-8.0	-6.5	-8.6	-9.7	-13.2
Minority shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit	27.4	18.7	27.1	29.6	33.5	35.4	38.8	39.8
Cash NRIs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-cash NRIs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
BALANCE SHEET, EURm								
Assets								
Fixed assets	63	46	46	72	83	82	80	79
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	37	39	41
Receivables	77	78	84	93	105	100	104	109
Liquid funds	59	72	91	73	56	53	56	65
Total assets	264	255	274	347	361	349	356	372
Liabilities								
Shareholder's equity	181	179	186	183	198	212	228	244
Minority interest	0	0	0	0	0	0	0	0
Convertibles	0	0	0	0	0	0	0	0
Lease liabilities	0	0	0	12	11	12	12	13
Deferred taxes	5	0	1	9	8	8	8	8
Interest bearing debt	0	0	0	41	40	19	6	0
Non-interest bearing current liabilities	75	71	81	89	94	89	92	97
Other interest-free debt	3	4	5	9	7	7	7	7
Total liabilities	264	255	274	347	361	349	356	372
CASH FLOW, EURm								
+ EBITDA	45	46	50	51	65	68	71	75
- Net financial items	59	0	-3	-1	-1	-3	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	59	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	40	38	38
+/- New issues/buybacks	0	-4	-2	5	3	0	0	0
- Paid dividend	-16	-17	-18	-37	-21	-22	-23	-23
+/- Other	-3	-1	0	31	-3	-21	-12	-5
Change in cash	12	13	19	-19	-16	-3	2	10

Electronic Equipment & Instruments/Finland, October 28, 2020
Company update

KEY FIGURES	2016	2017	2018	2019	2020E	2021E	2022E
M-cap	602	794	659	1,159	1,318	1,318	1,318
Net debt (excl. convertibles)	-72	-91	-20	-5	-23	-38	-53
Enterprise value	529	703	638	1,154	1,294	1,280	1,265
Sales	319	333	349	404	382	399	420
EBITDA	46	50	51	65	68	71	75
EBIT	22	41	39	41	47	49	53
Pre-tax	22	38	38	40	44	49	53
Earnings	19	27	30	34	35	39	40
Equity book value (excl. minorities)	179	186	183	198	212	228	244
Valuation multiples							
EV/sales	1.7	2.1	1.8	2.9	3.4	3.2	3.0
EV/EBITDA	11.4	14.0	12.5	17.8	19.1	18.0	16.9
EV/EBITA	16.1	17.2	16.4	28.1	27.7	26.4	23.9
EV/EBIT	23.8	17.2	16.4	28.1	27.7	26.4	23.9
EV/OCF	12.7	14.3	13.2	28.9	21.9	21.7	21.5
EV/FCFF	14.9	17.1	-38.5	141.1	28.3	30.6	29.6
P/FCFE	34.0	40.6	-37.2	250.6	32.8	35.1	34.6
P/E	32.2	29.3	22.2	34.6	37.2	34.0	33.1
P/B	3.4	4.3	3.6	5.8	6.2	5.8	5.4
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	23.0	20.7
Target EV/FCF	0.0	0.0	0.0	0.0	28.1	29.7	28.9
Target P/B	0.0	0.0	0.0	0.0	5.4	5.1	4.7
Target P/E	0.0	0.0	0.0	0.0	32.5	29.7	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	0.98	1.08	1.10
Operating cash flow per share	1.17	1.38	1.35	1.11	1.65	1.64	1.64
Free cash flow per share	0.99	1.10	-0.49	0.13	1.12	1.04	1.06
Book value per share	5.00	5.20	5.11	5.52	5.88	6.33	6.78
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	64.1	60.3	61.0
Dividend yield, %	3.0	4.7	3.2	1.9	1.7	1.8	1.8
FCF yield, %	5.9	4.9	-2.7	0.4	3.0	2.8	2.9
Efficiency measures							
ROE	10.4	14.9	16.1	17.6	17.3	17.7	16.8
ROCE	12.4	22.4	18.5	17.0	19.0	19.9	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	5.0	5.4	4.9
CAPEX/sales (incl. acquisitions), %	2.4	1.9	-10.7	8.7	5.0	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	-0.3	-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	60.7	63.9	65.6
Gearing, %	-40.5	-49.2	-11.0	-2.5	-10.9	-16.6	-21.5

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	138.157	10.5%
Nordea Bank Ab (publ), Finnish Branch	3,186,914	116.641	8.9%
Skandinaviska Enskilda Banken Ab (publ) Helsinki Branch	2,247,215	82.248	6.2%
Finnish Academy of Science and Letters	2,130,832	77.988	5.9%
Mandatum Life Insurance Company Ltd.	1,533,300	56.119	4.3%
Nordea Nordic Small Cap Fund	1,475,832	54.015	4.1%
Ilmarinen Mutual Pension Insurance Company	1,470,628	53.825	4.1%
Weisell-Säätiö Sr	1,440,000	52.704	4.0%
Voipio Mikko	1,268,312	46.420	3.5%
Caspers Anja	969,496	35.484	2.7%
Ten largest	19,497,321	713.602	54%
Residual	16,502,679	603.998	46%
Total	36,000,000	1,317.600	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

ERP's investment recommendation of the analyzed company is updated at least 2 times per year.

Recommendation	Percentage
Sell	15%
Hold	58%
Buy	27%

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): Forslund

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