

Strong performance continues

Vaisala delivered a strong Q3 on all fronts but surprisingly kept their guidance intact despite strong YTD performance and good momentum in both W&E and IM. We've updated our estimates for the coming years due to better overall growth profile and increasing profitability driven by IM's continuing good performance.

Strong quarter on all fronts, with contribution from W&E

On the back of a good Q2 report, Vaisala delivered an even better Q3, which clearly beat expectations. Orders received increased +37% y/y (+20% organic) to 105.1m (vs. 76.8m Q3'18), with orders received as well as sales growth coming from both business areas and all geographies. Order intake for W&E was +45% (+27% organic), with mostly mid-sized orders, a positive signal. Q3 net sales grew +25% to 105.2m (vs. 100.4m Evli / 99.7m cons.). With the help of strong sales growth (W&E +27%, IM +22%), EBIT was 16.3m (vs. 11m Evli/13m cons), an 15.5% EBIT margin. IM posted good figures, with +22.4% growth (9% organic), an all-time high quarter, and solid 23.6% EBIT margin (24.7% adj. margin). Biggest positive contribution was W&E with +27% (+14% organic) sales growth, and EBIT margin of 13.5% (16% adj. margin).

Outlook unchanged despite strong performance so far

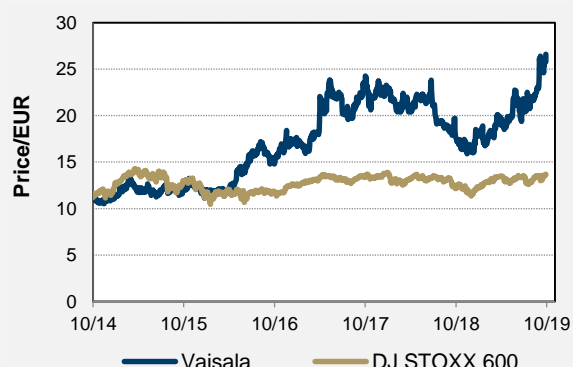
Despite the beat and good figures YTD, Vaisala repeated its FY'19 guidance: sales between 380–400m, EBIT between 25–35m including 10–12m PPA amortization and one-offs. Our pre-Q3 estimates were already in the upper end of the guidance, and now with the result beat we have raised our FY'19E estimates slightly above the guidance. We also increase by ~2% our estimates for 2020E-21E due to better growth profile in both business areas. With the acquired businesses integrated into Vaisala's sales channel and continued good organic momentum in both W&E and IM, we see targeted 5% sales growth clearly achievable. We estimate that IM share of Vaisala's EBIT in '19E and '20E will be around 65-67% (vs. 56-57% in '17-'18), resulting in ~13-17% EBIT growth and EBIT margins of 10-11% (12-13% adj. for PPA).

Valuation becoming stretched

On the back of our raised estimates, we raise our target price to 24.5 euros (prev. 21) and maintain our HOLD recommendation.

Rating

■ HOLD



Share price, EUR (Last trading day's closing price) 26.60

Target price, EUR 24.5

Latest change in 11-Jun-18

Latest report on company 22-Jul-19

Research paid by issuer: YES

No. of shares outstanding, '000's 35,881

No. of shares fully diluted, '000's 35,881

Market cap, EURm 954

Free float, % -

Exchange rate EUR/USD -

Reuters code VAIAS.HE

Bloomberg code VAIAS FH

Average daily volume, EURm -

Next interim report

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■ BUY ■ HOLD ■ SELL

KEY FIGURES

	Sales EURm	EBIT EURm	EBIT %	FCF EURm	EPS EUR	P/E (x)	EV/Sales (x)	EV/EBIT (x)	FCF yield %	DPS EUR
2017	332.6	40.8	12.3%	39.1	0.76	29.3	2.1	17.2	4.9	1.05
2018	348.8	39.0	11.2%	-74.7	0.83	22.2	1.8	16.4	-11.3	0.58
2019E	397.8	36.4	9.1%	16.4	0.80	33.4	2.4	25.8	1.7	0.60
2020E	417.3	42.5	10.2%	27.6	0.95	28.1	2.2	21.9	2.9	0.65
2021E	438.1	48.0	11.0%	37.3	1.07	24.9	2.1	19.1	3.9	0.70
Market cap, EURm		954	Gearing 2019E, %			-8.3	CAGR EPS 2018-21, %			9.0
Net debt 2019E, EURm		-16	Price/book 2019E			5.0	CAGR sales 2018-21, %			7.9
Enterprise value, EURm		938	Dividend yield 2019E, %			2.3	ROE 2019E, %			15.3
Total assets 2019E, EURm		381	Tax rate 2019E, %			20.9	ROCE 2019E, %			14.8
Goodwill 2019E, EURm		55	Equity ratio 2019E, %			50.0	PEG, P/E 19/CAGR			2.6

We raise our target price to 24.5 euros (prev. 21) and maintain our HOLD recommendation.

Vaisala's share has rallied +70% YTD and +30% since Q2 the report, being now at an all-time high. On our raised estimates, Vaisala is trading at adj. EV/EBIT multiples of 20x and 18.5x for '19E and '20E, a 20-26% premium to our peer group despite exhibiting a lower growth and profitability profile than our peer group. However, a high valuation and premium are in our view justified due to the stable outlook for W&E and especially IM's highly profitable growth with possibility of further add-on acquisitions. On the back of our raised estimates, we raise our target price to 24.5 euros (prev. 21) and maintain our HOLD recommendation.

Valuation approaches	Implied value
Peer P/E (FY20E)	17,6
Peer EV/EBIT (FY20E)	21,0
Peer EV/EBITDA (FY20E)	23,0
Peer EV/Sales (FY20E)	36,2
Target price (EUR)	24,5

Source: Evli Research

	P/E		
	19	20	21
Net earnings (Evli est.)	28,6	34,0	38,4
Multiple (peer median)	20,5x	18,6x	17,3x
Per share	16,3	17,6	18,5

Source: Factset, Evli Research

	EV/EBIT		
	19	20	21
adj. EBIT (Evli est.)	47	51	56
Multiple (peer median)	16,8x	14,6x	12,5x
EV	784	737	698
Net debt (Evli est.)	-16	-16	-16
Value of equity	800	753	713
Per share	22,3	21,0	19,9

Source: Factset, Evli Research

	EV/EBITDA		
	19	20	21
EBITDA (Evli est.)	58	65	70
Multiple (peer median)	14,0x	12,6x	11,4x
EV	820	810	803
Net debt (Evli est.)	-16	-16	-16
Value of equity	836	826	819
Per share	23,3	23,0	22,8

Source: Factset, Evli Research

	EV/Sales		
	19	20	21
Sales (Evli est.)	398	417	438
Multiple (peer median)	3,4x	3,1x	2,7x
EV	1358	1284	1196
Net debt (Evli est.)	-16	-16	-16
Value of equity	1374	1300	1212
Per share	38,3	36,2	33,8

Source: Factset, Evli Research

Interim figures	2017	Q1'20	Q2'20	Q3'20	Q4'20	2018	Q1'19	Q2'19	Q3'19	Q4'19E	2019E	2020E	2021E
Net sales	332,6	76,4	80,1	84,1	108,3	348,8	84,2	96,1	105,2	112,3	397,8	417,3	438,1
Weather & Environment	222,2	48,1	52,0	54,6	77,6	232,3	49,6	60,7	69,1	77,0	256,4	264,6	274,7
Industrial Measurements	110,3	28,2	28,1	29,5	30,7	116,5	34,6	35,4	36,1	35,3	141,4	152,7	163,4
EBITDA	50,6	7,9	6,8	16,7	19,7	51,1	6,3	12,9	21,7	17,4	58,3	64,5	70,0
D&A	9,7	2,2	2,1	2,2	5,7	12,1	6,3	5,7	5,4	4,5	21,9	22,0	22,0
EBIT	40,9	5,7	4,7	14,5	14,0	38,9	0,0	7,2	16,3	12,9	36,4	42,5	48,0
Weather & Environment	18,2	0,0	-0,3	7,5	10,5	17,7	-4,3	0,6	9,3	8,5	14,1	15,0	17,5
Industrial Measurements	22,8	5,9	4,7	7,7	5,6	23,9	4,6	7,5	8,5	5,9	26,5	30,0	33,0
Other operations	-0,2	-0,2	0,3	-0,7	-2,1	-2,7	-0,3	-0,9	-1,5	-1,5	-4,2	-2,5	-2,5
EBIT excl. IAC	41,7	5,7	4,7	14,5	17,7	42,6	5,0	9,4	18,3	13,9	46,6	50,5	56,0
<i>Sales growth %</i>	<i>4,2 %</i>	<i>11,5 %</i>	<i>7,1 %</i>	<i>-3,4 %</i>	<i>5,9 %</i>	<i>4,9 %</i>	<i>10,2 %</i>	<i>20,0 %</i>	<i>25,1 %</i>	<i>3,7 %</i>	<i>14,0 %</i>	<i>4,9 %</i>	<i>5,0 %</i>
<i>EBITDA margin %</i>	<i>15,2 %</i>	<i>10,3 %</i>	<i>8,5 %</i>	<i>19,9 %</i>	<i>18,2 %</i>	<i>14,7 %</i>	<i>7,4 %</i>	<i>13,4 %</i>	<i>20,6 %</i>	<i>15,5 %</i>	<i>14,6 %</i>	<i>15,5 %</i>	<i>16,0 %</i>
<i>EBIT margin %</i>	<i>12,3 %</i>	<i>7,5 %</i>	<i>5,9 %</i>	<i>17,2 %</i>	<i>12,9 %</i>	<i>11,2 %</i>	<i>0,0 %</i>	<i>7,5 %</i>	<i>15,5 %</i>	<i>11,5 %</i>	<i>9,1 %</i>	<i>10,2 %</i>	<i>11,0 %</i>
<i>Adj. EBIT margin %</i>	<i>12,5 %</i>	<i>7,5 %</i>	<i>5,9 %</i>	<i>17,2 %</i>	<i>16,3 %</i>	<i>12,2 %</i>	<i>5,9 %</i>	<i>9,8 %</i>	<i>17,4 %</i>	<i>12,4 %</i>	<i>11,7 %</i>	<i>12,1 %</i>	<i>12,8 %</i>

VAISALA PEER GROUP	Security identifier	MCAP MEUR	EBIT %			EBITDA %			ROCE %		
			19E	20E	21E	19E	20E	21E	19E	20E	21E
Keysight Technologies	KEYS-US	17453	23,3	23,8	23,9	26,3	27,3	24,4	19,5	18,0	16,3
National Instruments Corp.	NATI-US	4823	17,4	18,6	0,0	22,3	24,2		16,6	17,5	20,7
Spectris	SXS-GB	3222	15,3	15,6	15,9	19,9	19,2	19,2	15,8	15,8	16,7
Oxford Instruments	OXIG-GB	858	15,3	15,5		18,6	18,8	19,1			
Trimble	TRMB-US	8791	20,3	21,1	21,9	22,4	22,8	23,8	13,7	14,6	14,7
Hexagon	HEXA.B-SE	16263	24,4	25,6	26,4	32,7	33,9	34,2	11,2	11,7	11,9
Peer Group Average		8568	19,3	20,0	22,0	23,7	24,3	24,1	15,4	15,5	16,1
Peer Group Median		6807	18,8	19,8	22,9	22,4	23,5	23,8	15,8	15,8	16,3
Vaisala (Evli est.)		956	9,1	10,2	11,0	14,7	15,5	16,0	14,8	16,2	17,7
<i>Premium/discount to peer median</i>			<i>-51 %</i>	<i>-49 %</i>	<i>-52 %</i>	<i>-34 %</i>	<i>-34 %</i>	<i>-33 %</i>	<i>-7 %</i>	<i>2 %</i>	<i>9 %</i>

VAISALA PEER GROUP	Security identifier	MCAP MEUR	ROE %			DIV %			P/E		
			19E	20E	21E	19E	20E	21E	19E	20E	21E
Keysight Technologies	KEYS-US	17453	32	27	26	0,0	0,0	0,0	22,6x	21,2x	19,0x
National Instruments Corp.	NATI-US	4823							39,3x	34,5x	31,0x
Spectris	SXS-GB	3222	16	16	16	2,7	2,9	3,1	14,3x	13,9x	13,2x
Oxford Instruments	OXIG-GB	858	18	17	16	1,1	1,2	1,3	18,9x	17,8x	16,7x
Trimble	TRMB-US	8791	16	16	15	0,0	0,0	0,0	20,0x	17,8x	15,9x
Hexagon	HEXA.B-SE	16263	14	14	14	1,4	1,5	1,7	21,1x	19,3x	17,8x
Peer Group Average		8568	19,2	18,0	17,3	1,0	1,1	1,2	22,7x	20,8x	19,0x
Peer Group Median		6807	16,0	15,9	15,6	1,1	1,2	1,3	20,5x	18,6x	17,3x
Vaisala (Evli est.)		956	15,3	17,3	18,2	2,3	2,4	2,6	33,4	28,1	24,9
<i>Premium/discount to peer median</i>			<i>-5 %</i>	<i>8 %</i>	<i>17 %</i>	<i>102 %</i>	<i>103 %</i>	<i>106 %</i>	<i>63 %</i>	<i>51 %</i>	<i>44 %</i>

VAISALA PEER GROUP	Security identifier	MCAP MEUR	EV/S			EV/EBITDA			EV/EBIT		
			19E	20E	21E	19E	20E	21E	19E	20E	21E
Keysight Technologies	KEYS-US	17453	4,7x	4,3x	4,1x	17,9x	15,8x	16,6x	20,2x	18,2x	17,0x
National Instruments Corp.	NATI-US	4823									
Spectris	SXS-GB	3222	1,8x	1,7x	1,6x	9,1x	9,0x	8,5x	11,8x	11,1x	10,3x
Oxford Instruments	OXIG-GB	858	2,1x	2,0x	1,9x	11,4x	10,7x	10,1x	13,9x	12,9x	12,0x
Trimble	TRMB-US	8791	3,4x	3,1x	2,7x	15,2x	13,5x	11,5x	16,8x	14,6x	12,5x
Hexagon	HEXA.B-SE	16263	4,6x	4,3x	3,9x	14,0x	12,6x	11,4x	18,8x	16,6x	14,8x
Peer Group Average		8568	3,3x	3,1x	2,9x	13,5x	12,3x	11,6x	16,3x	14,7x	13,3x
Peer Group Median		6807	3,4x	3,1x	2,7x	14,0x	12,6x	11,4x	16,8x	14,6x	12,5x
Vaisala (Evli est.)		956	2,4x	2,2x	2,1x	16,1x	14,5x	13,1x	25,8x	21,9x	19,1x
<i>Premium/discount to peer median</i>			<i>-31 %</i>	<i>-27 %</i>	<i>-23 %</i>	<i>14 %</i>	<i>15 %</i>	<i>14 %</i>	<i>53 %</i>	<i>50 %</i>	<i>54 %</i>

VAISALA PEER GROUP	Security identifier	MCAP MEUR	Sales growth			Net debt / EBITDA			Equity ratio %		
			19E	20E	21E	19E	20E	21E	19E	20E	21E
Keysight Technologies	KEYS-US	17453	9,5%	5,5%	7,1%	0,7x	0,1x	0,2x	47,6	51,7	54,6
National Instruments Corp.	NATI-US	4823	-0,5%	4,9%	0,0%				72,7	73,9	71,2
Spectris	SXS-GB	3222	3,1%	0,0%	2,8%	0,6x	0,3x	0,0x	59,4	63,1	69,7
Oxford Instruments	OXIG-GB	858	3,0%	4,3%		-0,2x	-0,3x	-0,4x			
Trimble	TRMB-US	8791	4,8%	6,2%	6,8%	2,0x	1,2x	0,4x	49,7	53,2	55,5
Hexagon	HEXA.B-SE	16263	4,6%	4,7%	5,3%	1,4x	0,9x	0,5x	56,5	58,4	60,6
Peer Group Average		8568	4,1%	4,3%	5,5%	0,9x	0,4x	0,1x	57,2	60,1	62,3
Peer Group Median		6807	3,8%	4,8%	6,0%	0,7x	0,3x	0,2x	56,5	58,4	60,6
Vaisala (Evli est.)		956	14,0%	4,9%	5,0%	-0,3x	-0,3x	-0,5x	50,0	51,2	53,6
<i>Premium/discount to peer median</i>			<i>266 %</i>	<i>1 %</i>	<i>-17 %</i>	<i>-141 %</i>	<i>-228 %</i>	<i>-349 %</i>	<i>-11 %</i>	<i>-12 %</i>	<i>-12 %</i>

VAISALA PEER GROUP	Security identifier	MCAP MEUR	P/B		
			19E	20E	21E
Keysight Technologies	KEYS-US	17453	6,6	5,2	4,7
National Instruments Corp.	NATI-US	4823			
Spectris	SXS-GB	3222	2,3	2,1	2,0
Oxford Instruments	OXIG-GB	858	3,3	2,9	2,6
Trimble	TRMB-US	8791	3,0	2,7	2,3
Hexagon	HEXA.B-SE	16263	2,7	2,5	2,3
Peer Group Average		8568	3,6	3,1	2,8
Peer Group Median		6807	3,0	2,7	2,3
Vaisala (Evli est.)		956	5,0	5,0	5,0
<i>Premium/discount to peer median</i>			<i>67 %</i>	<i>89 %</i>	<i>117 %</i>

Source: Factset, Evli Research

Updated on October 24, 2019

INTERIM FIGURES

EVLI ESTIMATES, EURm	2018Q1	2018Q2	2018Q3	2018Q4	2018	2019Q1	2019Q2	2019Q3	2019Q4E	2019E	2020E	2021E
Net sales	76.3	80.1	84.1	108.3	348.8	84.2	96.1	105.2	112.3	397.8	417.3	438.1
EBITDA	7.9	6.8	16.7	19.7	51.1	6.3	13.0	21.7	17.4	58.4	64.5	70.2
<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>13.5</i>	<i>20.6</i>	<i>15.5</i>	<i>14.7</i>	<i>15.4</i>	<i>16.0</i>
EBIT	5.7	4.7	14.6	14.0	39.0	0.0	7.2	16.3	12.9	36.4	42.5	48.0
<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>7.5</i>	<i>15.5</i>	<i>11.5</i>	<i>9.1</i>	<i>10.2</i>	<i>11.0</i>
Net financial items	-1.2	0.3	-0.5	0.0	-1.4	0.2	-0.7	0.6	-0.4	-0.3	0.0	0.0
Pre-tax profit	4.5	5.0	14.1	14.0	37.6	0.2	6.5	16.9	12.5	36.1	42.5	48.0
Tax	-1.0	-1.1	-3.3	-2.6	-8.0	0.0	-1.4	-3.6	-2.5	-7.5	-8.5	-9.6
<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>21.5</i>	<i>21.3</i>	<i>20.0</i>	<i>20.9</i>	<i>20.0</i>	<i>20.0</i>
Net profit	3.5	3.9	10.8	11.4	29.6	0.2	5.1	13.3	10.0	28.6	34.0	38.4
EPS	0.10	0.11	0.30	0.32	0.83	0.00	0.14	0.37	0.28	0.80	0.95	1.07
EPS adjusted (diluted no. of shares)	0.10	0.11	0.30	0.32	0.83	0.00	0.14	0.37	0.28	0.80	0.95	1.07
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	48.1	52.0	54.6	77.6	232.3	49.6	60.7	69.1	77.0	256.4	264.6	274.7
Industrial Measurements	28.2	28.1	29.5	30.7	116.5	34.6	35.4	36.1	35.3	141.4	152.7	163.4
Total	76.3	80.1	84.1	108.3	348.8	84.2	96.1	105.2	112.3	397.8	417.3	438.1
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>16.7</i>	<i>26.6</i>	<i>-0.8</i>	<i>10.4</i>	<i>3.2</i>	<i>3.8</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>26.0</i>	<i>22.4</i>	<i>15.0</i>	<i>21.4</i>	<i>8.0</i>	<i>7.0</i>
Total	11.5	7.1	-3.4	5.9	4.9	10.4	20.0	25.1	3.7	14.0	4.9	5.0
EBIT, EURm												
Weather and Environment	0.0	-0.3	7.5	10.5	17.7	-4.3	0.6	9.3	8.5	14.1	15.0	17.5
Industrial Measurements	5.9	4.7	7.8	5.6	24.0	4.6	7.5	8.5	5.9	26.5	30.0	33.0
Other	-0.2	0.3	-0.7	-2.1	-2.7	-0.3	-0.9	-1.5	-1.5	-4.2	-2.5	-2.5
Total	5.7	4.7	14.6	14.0	39.0	0.0	7.2	16.3	12.9	36.4	42.5	48.0
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>1.0</i>	<i>13.5</i>	<i>11.0</i>	<i>5.5</i>	<i>5.7</i>	<i>6.4</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>21.2</i>	<i>23.6</i>	<i>16.7</i>	<i>18.7</i>	<i>19.6</i>	<i>20.2</i>
Total	7.5	5.9	17.4	12.9	11.2	0.0	7.5	15.5	11.5	9.1	10.2	11.0

Electronic Equipment & Instruments/Finland, October 25, 2019
Company update

INCOME STATEMENT, EURm	2014	2015	2016	2017	2018	2019E	2020E	2021E
Sales	299.6	318.6	319.2	332.6	348.8	397.8	417.3	438.1
<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>14.0</i>	<i>4.9</i>	<i>5.0</i>
EBITDA	41.5	44.6	46.3	50.3	51.1	58.4	64.5	70.2
<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>14.7</i>	<i>15.5</i>	<i>16.0</i>
Depreciation	-15.0	-14.7	-13.5	-9.5	-12.1	-17.9	-18.9	-19.6
EBITA	26.5	29.9	32.8	40.8	39.0	36.4	42.5	48.0
Goodwill amortization / writedown	-0.2	-0.4	-10.6	0.0	0.0	0.0	0.0	0.0
EBIT	26.3	29.5	22.2	40.8	39.0	36.4	42.5	48.0
<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>9.1</i>	<i>10.2</i>	<i>11.0</i>
Reported EBIT	26.3	29.5	22.2	40.8	39.0	36.4	42.5	48.0
<i>EBIT margin (reported) (%)</i>	<i>8.8</i>	<i>9.3</i>	<i>7.0</i>	<i>12.3</i>	<i>11.2</i>	<i>9.1</i>	<i>10.2</i>	<i>11.0</i>
Net financials	2.7	3.4	-0.2	-2.8	-1.4	-0.3	0.0	0.0
Pre-tax profit	29.0	32.9	22.0	38.0	37.6	36.1	42.5	48.0
Taxes	-5.7	-5.5	-3.3	-10.9	-8.0	-7.5	-8.5	-9.6
Minority shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit	23.3	27.4	18.7	27.1	29.6	28.6	34.0	38.4
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	68	63	46	46	72	81	84	83
Goodwill	14	16	17	16	55	55	55	55
Right of use assets	0	0	0	0	12	10	10	11
Inventory	34	39	32	29	32	36	38	40
Receivables	72	77	78	84	93	106	112	117
Liquid funds	48	59	72	91	73	83	87	91
Total assets	245	264	255	274	347	381	397	407
Liabilities								
Shareholder's equity	170	181	179	186	183	191	203	218
Minority interest	0	0	0	0	0	0	0	0
Convertibles	0	0	0	0	0	0	0	0
Lease liabilities	0	0	0	0	12	10	10	11
Deferred taxes	5	5	0	1	9	9	9	9
Interest bearing debt	0	0	0	0	41	57	55	44
Non-interest bearing current liabilities	64	75	71	81	89	101	106	112
Other interest-free debt	4	3	4	5	9	9	9	9
Total liabilities	245	264	255	274	347	381	397	407
CASH FLOW, EURm								
+ EBITDA	42	45	46	50	51	58	64	70
- Net financial items	48	59	13	20	-1	0	0	0
- Taxes	-4	-7	-9	-7	-1	-8	-8	-10
- Increase in Net Working Capital	-13	2	2	7	-4	-5	-2	-2
+/- Other	-48	-59	-10	-21	-53	0	0	0
= Cash flow from operations	24	39	42	49	-9	45	53	58
- Capex	-8	-8	-8	-8	-66	-29	-26	-21
- Acquisitions	0	0	0	-2	0	0	0	0
+ Divestments	1	0	1	0	0	0	0	0
= Free cash flow	17	31	35	39	-75	16	28	37
+/- New issues/buybacks	4	0	-4	-2	5	0	0	0
- Paid dividend	-16	-16	-17	-18	-37	-21	-22	-23
+/- Other	-3	-3	-1	0	88	15	-2	-10
Change in cash	2	12	13	19	-19	10	4	4

Electronic Equipment & Instruments/Finland, October 25, 2019
Company update

KEY FIGURES	2015	2016	2017	2018	2019E	2020E	2021E
M-cap	431	602	794	659	954	954	954
Net debt (excl. convertibles)	-59	-72	-91	-20	-16	-22	-36
Enterprise value	372	529	703	638	938	932	918
Sales	319	319	333	349	398	417	438
EBITDA	45	46	50	51	58	64	70
EBIT	30	22	41	39	36	43	48
Pre-tax	33	22	38	38	36	43	48
Earnings	27	19	27	30	29	34	38
Equity book value (excl. minorities)	181	179	186	183	191	203	218
Valuation multiples							
EV/sales	1.2	1.7	2.1	1.8	2.4	2.2	2.1
EV/EBITDA	8.3	11.4	14.0	12.5	16.1	14.6	13.1
EV/EBITA	12.4	16.1	17.2	16.4	25.8	21.9	19.1
EV/EBIT	12.6	23.8	17.2	16.4	25.8	21.9	19.1
EV/OCF	9.6	12.7	14.3	-73.4	20.7	17.5	15.7
EV/FCFF	13.3	14.9	17.1	-9.3	50.3	30.5	22.7
P/FCFE	28.0	34.0	40.6	-8.8	58.2	34.6	25.6
P/E	15.8	32.2	29.3	22.2	33.4	28.1	24.9
P/B	2.4	3.4	4.3	3.6	5.0	4.7	4.4
Target EV/EBITDA	0.0	0.0	0.0	0.0	14.8	13.4	12.0
Target EV/EBIT	0.0	0.0	0.0	0.0	23.7	20.2	17.6
Target EV/FCF	0.0	0.0	0.0	0.0	52.7	31.1	22.6
Target P/B	0.0	0.0	0.0	0.0	4.6	4.3	4.0
Target P/E	0.0	0.0	0.0	0.0	30.8	25.9	22.9
Per share measures							
Number of shares	36,054	35,703	35,692	35,790	35,881	35,881	35,881
Number of shares (diluted)	36,054	35,703	35,692	35,790	35,881	35,881	35,881
EPS	0.76	0.52	0.76	0.83	0.80	0.95	1.07
Operating cash flow per share	1.08	1.17	1.38	-0.24	1.27	1.49	1.63
Free cash flow per share	0.85	0.99	1.10	-2.09	0.46	0.77	1.04
Book value per share	5.03	5.00	5.20	5.11	5.31	5.66	6.08
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	75.4	68.6	65.4
Dividend yield, %	4.0	3.0	4.7	3.2	2.3	2.4	2.6
FCF yield, %	7.1	5.9	4.9	-11.3	1.7	2.9	3.9
Efficiency measures							
ROE	15.6	10.4	14.9	16.1	15.3	17.3	18.2
ROCE	16.7	12.4	22.4	18.5	14.8	16.2	17.7
Financial ratios							
Inventories as % of sales	12.2	10.1	8.6	9.2	9.2	9.2	9.2
Receivables as % of sales	24.0	24.3	25.3	26.7	26.7	26.7	26.7
Non-interest bearing liabilities as % of sales	23.5	22.2	24.4	25.5	25.5	25.5	25.5
NWC/sales, %	12.8	12.1	9.5	10.1	10.2	10.2	10.2
Operative CAPEX/sales, %	2.6	2.4	2.5	18.9	7.3	6.2	4.8
CAPEX/sales (incl. acquisitions), %	2.6	2.4	1.9	18.9	7.3	6.2	4.8
FCFF/EBITDA	0.6	0.8	0.8	-1.3	0.3	0.5	0.6
Net debt/EBITDA, book-weighted	-1.3	-1.6	-1.8	-0.4	-0.3	-0.3	-0.5
Debt/equity, market-weighted	0.0	0.0	0.0	0.1	0.1	0.1	0.0
Equity ratio, book-weighted	68.6	70.0	67.7	52.8	50.0	51.2	53.6
Gearing, %	-32.7	-40.5	-49.2	-11.0	-8.3	-10.8	-16.5

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	100.409	10.5%
Nordea Bank Ab (publ), Finnish Branch	3,186,914	84.772	8.9%
Skandinaviska Enskilda Banken Ab (publ) Helsinki Branch	2,247,215	59.776	6.3%
Finnish Academy of Science and Letters	2,130,832	56.680	5.9%
Mandatum Life Insurance Company Ltd.	1,533,300	40.786	4.3%
Nordea Nordic Small Cap Fund	1,475,832	39.257	4.1%
Ilmarinen Mutual Pension Insurance Company	1,470,628	39.119	4.1%
Weisell-Säätiö Sr	1,440,000	38.304	4.0%
Voipio Mikko	1,268,312	33.737	3.5%
Caspers Anja	969,496	25.789	2.7%
Ten largest	19,497,321	518.629	54%
Residual	16,383,679	435.806	46%
Total	35,881,000	954.435	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, %	$\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes}}{\text{Shareholder's equity} + \text{minority interest} + \text{taxed provisions (average)}}$		

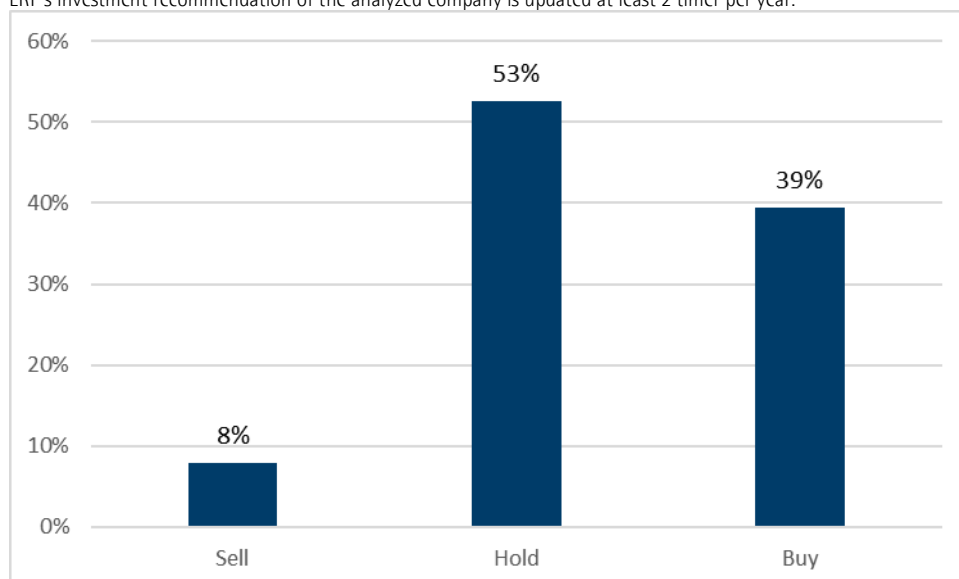
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Investment recommendations are defined as follows:

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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