

Will achieve its targets

Vaisala's 3rd quarter was in our view well-executed considering issues Vaisala is facing in the supply chain. With our revised estimates, we retain our HOLD-rating and raise our target price to EUR 43.0 (42.0).

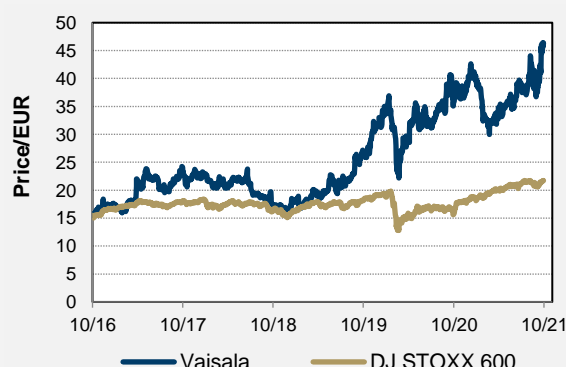
Well-executed Q3

Vaisala received a fair number of orders (EUR 109.9m, +29% growth y/y) and the order book was on a record level at EUR 164.8m (+22% growth y/y). Topline growth was strong (+19% y/y), totaling EUR 111.5m (Evli: 111.5m). Industrial instruments, life-science, and power industry segments drove the IM to grow by 35% y/y, totaling EUR 47.1m (Evli: 48.1m). W&E grew by 9% y/y to EUR 64.4m (Evli: 63.4m), driven by renewable energy and aviation. Gross margin remained flat and was on a good level at 57.7%. Vaisala's EBIT margin weakened from 20.7% to 17.3% due to exceptional costs relating to old M&A activities and settlement payments. EBIT ultimately amounted to EUR 19.2m. In Q3, Vaisala invested EUR 12.5m in R&D (11% of net sales).

Some segments are still in recovery mode

The demand in Vaisala's target segments is one after another brightening up, but there are still some segments stalling. W&E's meteorology in developing countries is expected to take a longer time to recover. After crawling for a while, IM's liquid measurements are expected to continue to recover. The good news is that aviation has given some signs of life and the segment is expected to recover gradually. There are still some uncertainties regarding component availability and the company has noted that the visibility has weakened. Vaisala expects the component shortage to last at least to H1'22. So far, Vaisala has been capable to compensate the additional costs of spot priced components by revenue scalability. However, the growth outlook is improved and therefore we have raised our Q4'21 estimates so that the FY'21 figures add up to the upper limit of the company's guidance. We expect FY'21 revenue to grow by 15.5% y/y to EUR 438.5m and an EBIT margin of 12.5%. During 2022-23, we expect revenue to grow by 8.3% and 6.8% respectively. We estimate the company to reach an EBIT margin of 12.8% and 13.9% respectively.

Rating



Share price, EUR (Last trading day's closing price) **46.35**

Target price, EUR **43.0**

Latest change in recommendation **29-Apr-21**

Latest report on company **20-Oct-21**

Research paid by issuer: **YES**

No. of shares outstanding, '000's **36,101**

No. of shares fully diluted, '000's **36,101**

Market cap, EURm **1,673**

Free float, % **0.0**

Exchange rate EUR/USD **0.000**

Reuters code **VAIAS.HE**

Bloomberg code **VAIAS FH**

Average daily volume, EURm **0.0**

Next interim report **18-Feb-22**

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BUY HOLD SELL

KEY FIGURES

| | Sales EURm | EBIT EURm | EBIT % | FCF EURm | EPS EUR | P/E (x) | EV/Sales (x) | EV/EBIT (x) | FCF yield % | DPS EUR |
|--------------------------|---------------|--------------|-------------------------|-------------|------------|------------|-----------------------|----------------|----------------|------------|
| 2019 | 403.6 | 41.1 | 10.2% | 4.6 | 0.93 | 34.6 | 2.9 | 28.1 | 0.4 | 0.61 |
| 2020 | 379.5 | 44.8 | 11.8% | 16.9 | 0.91 | 44.2 | 3.9 | 32.7 | 1.2 | 0.61 |
| 2021E | 438.5 | 54.7 | 12.5% | 27.7 | 1.26 | 36.7 | 3.8 | 30.7 | 1.7 | 0.63 |
| 2022E | 475.0 | 61.0 | 12.8% | 40.9 | 1.47 | 31.5 | 3.5 | 27.2 | 2.4 | 0.65 |
| 2023E | 507.4 | 70.5 | 13.9% | 45.6 | 1.56 | 29.7 | 3.2 | 23.2 | 2.7 | 0.67 |
| Market cap, EURm | | 1,673 | Gearing 2021E, % | | | 1.4 | CAGR EPS 2020-23, % | | | 19.6 |
| Net debt 2021E, EURm | | 3 | Price/book 2021E | | | 7.3 | CAGR sales 2020-23, % | | | 10.2 |
| Enterprise value, EURm | | 1,679 | Dividend yield 2021E, % | | | 1.4 | ROE 2021E, % | | | 21.0 |
| Total assets 2021E, EURm | | 389 | Tax rate 2021E, % | | | 13.0 | ROCE 2021E, % | | | 20.1 |
| Goodwill 2021E, EURm | | 55 | Equity ratio 2021E, % | | | 58.9 | PEG, P/E 21/CAGR | | | 5.4 |

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

HOLD with a target price of EUR 43.0 (42.0)

We made minor adjustments to our 2021-23 estimates, based on target markets' outlook and the company's recent performance which gives a ground for a target price revision. On our new target price and a 22E P/E multiple of 29.3x, Vaisala is trading approx. in line with its peer group. Given Vaisala's strong performance during difficult times, technology leadership, and IM's growth potential, we find a premium to peer group justified during less uncertain times. We raise our TP to EUR 43.0 (42.0) and retain our HOLD-rating.

| VAISALA PEER GROUP | Security identifier | EBIT % | | EBITDA % | | ROCE % | |
|--|---------------------|-------------|-------------|-------------|-------------|------------|------------|
| | | 21E | 22E | 21E | 22E | 21E | 22E |
| Keysight Technologies | KEYS-US | 26.9 | 27.7 | 29.2 | 30.2 | 19.3 | 18.6 |
| National Instruments Corp. | NATI-US | 16.7 | | 21.5 | 23.4 | 15.7 | 17.4 |
| Spectris | SXS-GB | 16.0 | 17.2 | 20.1 | 21.1 | 15.4 | 15.9 |
| Oxford Instruments | OXIG-GB | 18.3 | | 21.1 | 20.5 | 22.0 | 21.3 |
| Trimble | TRMB-US | 23.0 | 23.9 | 24.4 | 24.9 | 13.8 | 14.3 |
| Hexagon | HEXA.B-SE | 27.9 | 28.6 | 37.4 | 38.0 | 11.6 | 12.3 |
| Peer Group Average | | 21.5 | 24.4 | 25.6 | 26.3 | 16.3 | 16.7 |
| Peer Group Median | | 20.7 | 25.8 | 23.0 | 24.1 | 15.6 | 16.7 |
| Vaisala (Evli est.) | | 12.5 | 12.8 | 17.4 | 17.9 | 20.1 | 20.8 |
| <i>Premium/discount to peer median</i> | | <i>-40%</i> | <i>-50%</i> | <i>-24%</i> | <i>-26%</i> | <i>29%</i> | <i>25%</i> |

| | Security identifier | ROE % | | DIV % | | P/E | |
|--|---------------------|------------|------------|------------|------------|------------|------------|
| | | 21E | 22E | 21E | 22E | 21E | 22E |
| Keysight Technologies | KEYS-US | 31.1 | 27.9 | 0.0 | 0.0 | 29.2x | 26.6x |
| National Instruments Corp. | NATI-US | 7.2 | 11.8 | 2.7 | 2.8 | 59.0x | 34.6x |
| Spectris | SXS-GB | 13.8 | 15.1 | 1.9 | 2.0 | 25.7x | 22.8x |
| Oxford Instruments | OXIG-GB | 35.1 | 1741.2 | 0.8 | 0.8 | 27.6x | 27.3x |
| Trimble | TRMB-US | 17.2 | 13.3 | 0.0 | 0.0 | 32.9x | 29.0x |
| Hexagon | HEXA.B-SE | 15.1 | 14.5 | 0.8 | 0.9 | 36.1x | 33.8x |
| Peer Group Average | | 19.9 | 304.0 | 1.0 | 1.1 | 35.1x | 29.0x |
| Peer Group Median | | 16.2 | 14.8 | 0.8 | 0.8 | 31.1x | 28.1x |
| Vaisala (Evli est.) | | 21.0 | 21.8 | 1.4 | 1.4 | 36.7x | 31.5x |
| <i>Premium/discount to peer median</i> | | <i>30%</i> | <i>47%</i> | <i>72%</i> | <i>68%</i> | <i>18%</i> | <i>12%</i> |

| | Security identifier | EV/S | | EV/EBITD | | EV/EBIT | |
|--|---------------------|-------------|-------------|-----------|-----------|------------|------------|
| | | 21E | 22E | 21E | 22E | 21E | 22E |
| Keysight Technologies | KEYS-US | 6.5 | 6.1 | 22.4x | 20.1x | 24.3x | 21.9x |
| National Instruments Corp. | NATI-US | 3.5 | 3.2 | 16.4x | 13.9x | 21.2x | 17.6x |
| Spectris | SXS-GB | 3.0 | 2.9 | 15.2x | 13.8x | 19.1x | 16.8x |
| Oxford Instruments | OXIG-GB | 3.8 | 3.6 | 18.0x | 17.7x | 20.7x | 20.6x |
| Trimble | TRMB-US | 6.2 | 5.6 | 25.3x | 22.3x | 26.9x | 23.2x |
| Hexagon | HEXA.B-SE | 9.1 | 8.2 | 24.4x | 21.5x | 32.7x | 28.6x |
| Peer Group Average | | 5.4 | 4.9 | 20.3x | 18.2x | 24.1x | 21.5x |
| Peer Group Median | | 5.0 | 4.6 | 20.2x | 18.9x | 22.7x | 21.2x |
| Vaisala (Evli est.) | | 3.8 | 3.5 | 22.1x | 19.5x | 30.7x | 27.2x |
| <i>Premium/discount to peer median</i> | | <i>-23%</i> | <i>-24%</i> | <i>9%</i> | <i>3%</i> | <i>35%</i> | <i>28%</i> |

| | Security identifier | Sales growth | | Net debt / EBITDA | | Equity ratio % | |
|----------------------------|---------------------|--------------|------|-------------------|-------|----------------|------|
| | | 21E | 22E | 21E | 22E | 21E | 22E |
| Keysight Technologies | KEYS-US | 16.5% | 5.6% | -0.3x | -0.7x | 48.8 | 52.6 |
| National Instruments Corp. | NATI-US | 13.7% | 8.8% | -0.6x | -0.5x | 66.5 | 69.9 |
| Spectris | SXS-GB | -0.8% | 2.9% | -0.5x | -0.7x | 69.8 | 72.7 |
| Oxford Instruments | OXIG-GB | 7.6% | 5.3% | -0.5x | -0.4x | 65.3 | 68.7 |
| Trimble | TRMB-US | 14.9% | 8.3% | 0.9x | 0.2x | 56.5 | 59.2 |
| Hexagon | HEXA.B-SE | 14.5% | 9.7% | 1.2x | 0.8x | 58.5 | 61.0 |
| Peer Group Average | | 11.1% | 6.8% | 0.0x | -0.2x | 60.9 | 64.0 |
| Peer Group Median | | 14.1% | 6.9% | -0.4x | -0.5x | 61.9 | 64.9 |
| Vaisala (Evli est.) | | 15.5% | 8.3% | 0.0x | -0.2x | 58.9 | 62.9 |

Source: Factset, Evli Research

Updated on October 29th, 2021

| VALUATION RESULTS | BASE CASE DETAILS | VALUATION ASSUMPTIONS | ASSUMPTIONS FOR WACC | |
|--------------------------|-----------------------------|-------------------------|--------------------------------|------|
| Current share price | 46.35 PV of Free Cash Flow | 396 Long-term growth, % | 2.5 Risk-free interest rate, % | 2.25 |
| DCF share value | 30.26 PV of Horizon value | 730 WACC, % | 7.4 Market risk premium, % | 5.8 |
| Share price potential, % | -34.7 Unconsolidated equity | -3 Spread, % | 0.0 Debt risk premium, % | 2.8 |
| Maximum value | 30.3 Marketable securities | 45 Minimum WACC, % | 7.4 Equity beta coefficient | 0.80 |
| Minimum value | 30.3 Debt - dividend | -76 Maximum WACC, % | 7.4 Target debt ratio, % | 10 |
| Horizon value, % | 64.8 Value of stock | 1,092 Nr of shares, Mn | 36.1 Effective tax rate, % | 25 |

| DCF valuation, EURm | 2020 | 2021E | 2022E | 2023E | 2024E | 2025E | 2026E | 2027E | 2028E | 2029E | 2030E | Horizon |
|-----------------------------------|------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|---------|
| Net sales | 380 | 438 | 475 | 507 | 530 | 549 | 565 | 582 | 600 | 618 | 633 | 649 |
| <i>Sales growth, %</i> | -6.0 | 15.5 | 8.3 | 6.8 | 4.5 | 3.5 | 3.0 | 3.0 | 3.0 | 3.0 | 2.5 | 2.5 |
| Operating income (EBIT) | 45 | 55 | 61 | 71 | 69 | 71 | 73 | 76 | 78 | 80 | 82 | 84 |
| <i>Operating income margin, %</i> | 11.8 | 12.5 | 12.8 | 13.9 | 13.1 | 13.0 | 13.0 | 13.0 | 13.0 | 13.0 | 13.0 | 13.0 |
| + Depreciation+amort. | 21 | 21 | 24 | 26 | 27 | 28 | 29 | 30 | 31 | 32 | 32 | |
| EBITDA | 66 | 76 | 85 | 96 | 96 | 100 | 103 | 106 | 109 | 112 | 115 | |
| - Paid taxes | -7 | -7 | -8 | -14 | -14 | -14 | -15 | -15 | -16 | -16 | -16 | |
| - Change in NWC | -6 | -9 | -6 | -5 | -4 | -3 | -3 | -3 | -3 | -3 | -2 | |
| <i>NWC / Sales, %</i> | 15.2 | 15.3 | 15.4 | 15.4 | 15.4 | 15.4 | 15.5 | 15.5 | 15.5 | 15.5 | 15.5 | |
| + Change in other liabs | -5 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| - Operative CAPEX | -29 | -24 | -25 | -25 | -26 | -26 | -26 | -27 | -27 | -27 | -28 | |
| <i>opCAPEX / Sales, %</i> | 8.6 | 6.8 | 6.4 | 6.2 | 6.0 | 5.9 | 5.8 | 5.7 | 5.6 | 5.5 | 5.5 | |
| - Acquisitions | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| + Divestments | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| - Other items | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| = FCFF | 19 | 36 | 47 | 52 | 53 | 56 | 59 | 61 | 63 | 66 | 68 | 1,411 |
| = Discounted FCFF | | 35 | 43 | 44 | 42 | 42 | 41 | 39 | 38 | 36 | 35 | 730 |
| = DFCF min WACC | | 35 | 43 | 44 | 42 | 42 | 41 | 39 | 38 | 36 | 35 | 730 |
| = DFCF max WACC | | 35 | 43 | 44 | 42 | 42 | 41 | 39 | 38 | 36 | 35 | 730 |

INTERIM FIGURES

| EVLI ESTIMATES, EURm | 2020Q1 | 2020Q2 | 2020Q3 | 2020Q4 | 2020 | 2021Q1 | 2021Q2 | 2021Q3 | 2021Q4E | 2021E | 2022E | 2023E |
|--------------------------------------|-------------|-------------|--------------|--------------|--------------|-------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Net sales | 87.2 | 91.4 | 94.0 | 106.9 | 379.5 | 92.0 | 109.5 | 111.5 | 125.5 | 438.5 | 475.0 | 507.4 |
| EBITDA | 10.1 | 13.5 | 24.7 | 17.6 | 65.9 | 13.4 | 16.1 | 24.7 | 21.8 | 76.1 | 85.0 | 96.2 |
| <i>EBITDA margin (%)</i> | <i>11.6</i> | <i>14.8</i> | <i>26.3</i> | <i>16.5</i> | <i>17.4</i> | <i>14.6</i> | <i>14.7</i> | <i>22.2</i> | <i>17.4</i> | <i>17.4</i> | <i>17.9</i> | <i>19.0</i> |
| EBIT | 5.2 | 7.9 | 19.5 | 12.2 | 44.8 | 8.1 | 10.9 | 19.2 | 16.4 | 54.7 | 61.0 | 70.5 |
| <i>EBIT margin (%)</i> | <i>6.0</i> | <i>8.6</i> | <i>20.7</i> | <i>11.4</i> | <i>11.8</i> | <i>8.8</i> | <i>10.0</i> | <i>17.3</i> | <i>13.1</i> | <i>12.5</i> | <i>12.8</i> | <i>13.9</i> |
| Net financial items | -0.2 | -0.9 | -1.3 | -1.0 | -3.4 | -0.2 | -0.8 | -0.5 | -0.5 | -2.0 | 0.0 | 0.0 |
| Pre-tax profit | 5.0 | 7.0 | 18.2 | 11.2 | 41.4 | 7.9 | 10.1 | 18.8 | 15.9 | 52.7 | 61.0 | 70.5 |
| Tax | -0.9 | -1.2 | -3.7 | -2.7 | -8.5 | -1.6 | -0.7 | -2.8 | -1.8 | -6.9 | -7.9 | -14.1 |
| <i>Tax rate (%)</i> | <i>18.0</i> | <i>17.1</i> | <i>20.3</i> | <i>24.5</i> | <i>20.6</i> | <i>20.0</i> | <i>7.1</i> | <i>14.9</i> | <i>11.0</i> | <i>13.0</i> | <i>13.0</i> | <i>20.0</i> |
| Net profit | 4.1 | 5.8 | 14.5 | 8.5 | 32.9 | 6.2 | 9.2 | 16.0 | 14.2 | 45.6 | 53.1 | 56.4 |
| EPS | 0.11 | 0.16 | 0.40 | 0.24 | 0.91 | 0.17 | 0.25 | 0.44 | 0.39 | 1.26 | 1.47 | 1.56 |
| EPS adjusted (diluted no. of shares) | 0.11 | 0.16 | 0.40 | 0.24 | 0.91 | 0.17 | 0.25 | 0.44 | 0.39 | 1.26 | 1.47 | 1.56 |
| Dividend per share | 0.00 | 0.00 | 0.00 | 0.00 | 0.61 | 0.00 | 0.00 | 0.00 | 0.00 | 0.63 | 0.65 | 0.67 |
| SALES, EURm | | | | | | | | | | | | |
| Weather and Environment | 51.8 | 57.6 | 59.2 | 67.0 | 235.6 | 52.2 | 65.4 | 64.4 | 76.0 | 258.0 | 277.4 | 294.0 |
| Industrial Measurements | 35.4 | 33.8 | 34.8 | 39.9 | 143.9 | 39.7 | 44.1 | 47.1 | 49.5 | 180.4 | 197.6 | 213.4 |
| Total | 87.2 | 91.4 | 94.0 | 106.9 | 379.5 | 92.0 | 109.5 | 111.5 | 125.5 | 438.5 | 475.0 | 507.4 |
| SALES GROWTH, Y/Y % | | | | | | | | | | | | |
| <i>Weather and Environment</i> | <i>4.4</i> | <i>-5.1</i> | <i>-14.3</i> | <i>-18.1</i> | <i>-9.8</i> | <i>0.8</i> | <i>13.5</i> | <i>8.8</i> | <i>13.4</i> | <i>9.5</i> | <i>7.5</i> | <i>6.0</i> |
| <i>Industrial Measurements</i> | <i>2.3</i> | <i>-4.5</i> | <i>-3.6</i> | <i>10.1</i> | <i>1.1</i> | <i>12.3</i> | <i>30.5</i> | <i>35.3</i> | <i>24.1</i> | <i>25.4</i> | <i>9.5</i> | <i>8.0</i> |
| Total | 3.6 | -4.9 | -10.6 | -9.5 | -6.0 | 5.5 | 19.8 | 18.6 | 17.4 | 15.5 | 8.3 | 6.8 |
| EBIT, EURm | | | | | | | | | | | | |
| Weather and Environment | -2.4 | 0.7 | 11.1 | 5.2 | 14.6 | -0.9 | 1.0 | 5.3 | 6.3 | 11.7 | 16.5 | 22.0 |
| Industrial Measurements | 7.6 | 7.1 | 8.6 | 8.3 | 31.6 | 9.4 | 10.5 | 14.2 | 10.5 | 44.6 | 46.5 | 50.5 |
| Other | 0.0 | 0.1 | -0.2 | -1.3 | -1.4 | -0.4 | -0.6 | -0.2 | -0.4 | -1.6 | -2.0 | -2.0 |
| Total | 5.2 | 7.9 | 19.5 | 12.2 | 44.8 | 8.1 | 10.9 | 19.2 | 16.4 | 54.7 | 61.0 | 70.5 |
| EBIT margin, % | | | | | | | | | | | | |
| <i>Weather and Environment</i> | <i>-4.6</i> | <i>1.2</i> | <i>18.8</i> | <i>7.8</i> | <i>6.2</i> | <i>-1.7</i> | <i>1.5</i> | <i>8.2</i> | <i>8.3</i> | <i>4.5</i> | <i>5.9</i> | <i>7.5</i> |
| <i>Industrial Measurements</i> | <i>21.4</i> | <i>21.0</i> | <i>24.7</i> | <i>20.8</i> | <i>22.0</i> | <i>23.7</i> | <i>23.8</i> | <i>30.2</i> | <i>21.2</i> | <i>24.7</i> | <i>23.5</i> | <i>23.7</i> |
| Total | 6.0 | 8.6 | 20.7 | 11.4 | 11.8 | 8.8 | 10.0 | 17.3 | 13.1 | 12.5 | 12.8 | 13.9 |

Electronic Equipment & Instruments/Finland, October 29, 2021
Company update

| INCOME STATEMENT, EURm | 2016 | 2017 | 2018 | 2019 | 2020 | 2021E | 2022E | 2023E |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Sales | 319.2 | 332.6 | 348.8 | 403.6 | 379.5 | 438.5 | 475.0 | 507.4 |
| <i>Sales growth (%)</i> | <i>0.2</i> | <i>4.2</i> | <i>4.9</i> | <i>15.7</i> | <i>-6.0</i> | <i>15.5</i> | <i>8.3</i> | <i>6.8</i> |
| EBITDA | 46.3 | 50.3 | 51.1 | 64.7 | 65.9 | 76.1 | 85.0 | 96.2 |
| <i>EBITDA margin (%)</i> | <i>14.5</i> | <i>15.1</i> | <i>14.7</i> | <i>16.0</i> | <i>17.4</i> | <i>17.4</i> | <i>17.9</i> | <i>19.0</i> |
| Depreciation | -13.5 | -9.5 | -12.1 | -23.6 | -21.1 | -21.4 | -24.0 | -25.7 |
| EBITA | 32.8 | 40.8 | 39.0 | 41.1 | 44.8 | 54.7 | 61.0 | 70.5 |
| Goodwill amortization / writedown | -10.6 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| EBIT | 22.2 | 40.8 | 39.0 | 41.1 | 44.8 | 54.7 | 61.0 | 70.5 |
| <i>EBIT margin (%)</i> | <i>7.0</i> | <i>12.3</i> | <i>11.2</i> | <i>10.2</i> | <i>11.8</i> | <i>12.5</i> | <i>12.8</i> | <i>13.9</i> |
| Reported EBIT | 22.2 | 40.8 | 39.0 | 41.1 | 44.8 | 54.7 | 61.0 | 70.5 |
| <i>EBIT margin (reported) (%)</i> | <i>7.0</i> | <i>12.3</i> | <i>11.2</i> | <i>10.2</i> | <i>11.8</i> | <i>12.5</i> | <i>12.8</i> | <i>13.9</i> |
| Net financials | -0.2 | -2.8 | -1.4 | -1.0 | -3.4 | -2.0 | 0.0 | 0.0 |
| Pre-tax profit | 22.0 | 38.0 | 37.6 | 40.1 | 41.4 | 52.7 | 61.0 | 70.5 |
| Taxes | -3.3 | -10.9 | -8.0 | -6.5 | -8.5 | -6.9 | -7.9 | -14.1 |
| Minority shares | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | -0.3 | 0.0 | 0.0 |
| Net profit | 18.7 | 27.1 | 29.6 | 33.5 | 32.9 | 45.6 | 53.1 | 56.4 |
| 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 | 46 | 46 | 72 | 83 | 94 | 101 | 106 | 111 |
| Goodwill | 17 | 16 | 55 | 55 | 55 | 55 | 55 | 55 |
| Right of use assets | 0 | 0 | 12 | 12 | 13 | 14 | 16 | 17 |
| Inventory | 32 | 29 | 32 | 40 | 45 | 51 | 56 | 60 |
| Receivables | 78 | 84 | 93 | 105 | 93 | 107 | 116 | 124 |
| Liquid funds | 72 | 91 | 73 | 56 | 45 | 52 | 57 | 61 |
| Total assets | 255 | 274 | 347 | 361 | 352 | 389 | 412 | 434 |
| Liabilities | | | | | | | | |
| Shareholder's equity | 179 | 186 | 183 | 198 | 205 | 229 | 259 | 292 |
| Minority interest | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Convertibles | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Lease liabilities | 0 | 0 | 12 | 11 | 9 | 14 | 16 | 17 |
| Deferred taxes | 0 | 1 | 9 | 8 | 8 | 8 | 8 | 8 |
| Interest bearing debt | 0 | 0 | 41 | 40 | 45 | 41 | 26 | 7 |
| Non-interest bearing current liabilities | 71 | 81 | 89 | 94 | 76 | 88 | 96 | 102 |
| Other interest-free debt | 4 | 5 | 9 | 7 | 8 | 8 | 8 | 8 |
| Total liabilities | 255 | 274 | 347 | 361 | 352 | 389 | 412 | 434 |
| CASH FLOW, EURm | | | | | | | | |
| + EBITDA | 46 | 50 | 51 | 65 | 66 | 76 | 85 | 96 |
| - Net financial items | 0 | -3 | -1 | -1 | -3 | -2 | 0 | 0 |
| - Taxes | -9 | -7 | -9 | -8 | -6 | -7 | -8 | -14 |
| - Increase in Net Working Capital | 2 | 7 | -4 | -16 | -6 | -9 | -6 | -5 |
| +/- Other | 3 | 2 | 11 | 0 | 0 | 0 | 0 | 0 |
| = Cash flow from operations | 42 | 49 | 48 | 40 | 50 | 58 | 71 | 77 |
| - Capex | -8 | -8 | -14 | -35 | -33 | -30 | -30 | -31 |
| - Acquisitions | 0 | -2 | -52 | 0 | 0 | 0 | 0 | 0 |
| + Divestments | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| = Free cash flow | 35 | 39 | -18 | 5 | 17 | 28 | 41 | 46 |
| +/- New issues/buybacks | -4 | -2 | 5 | 3 | -4 | 0 | 0 | 0 |
| - Paid dividend | -17 | -18 | -37 | -21 | -22 | -22 | -23 | -23 |
| +/- Other | -1 | 0 | 31 | -3 | -2 | 1 | -14 | -18 |
| Change in cash | 13 | 19 | -19 | -16 | -11 | 7 | 4 | 4 |

Electronic Equipment & Instruments/Finland, October 29, 2021
Company update

| KEY FIGURES | 2017 | 2018 | 2019 | 2020 | 2021E | 2022E | 2023E |
|--|--------|--------|--------|--------|--------|--------|--------|
| M-cap | 794 | 659 | 1,159 | 1,453 | 1,673 | 1,673 | 1,673 |
| Net debt (excl. convertibles) | -91 | -20 | -5 | 9 | 3 | -15 | -37 |
| Enterprise value | 703 | 638 | 1,154 | 1,464 | 1,679 | 1,661 | 1,638 |
| Sales | 333 | 349 | 404 | 380 | 438 | 475 | 507 |
| EBITDA | 50 | 51 | 65 | 66 | 76 | 85 | 96 |
| EBIT | 41 | 39 | 41 | 45 | 55 | 61 | 71 |
| Pre-tax | 38 | 38 | 40 | 41 | 53 | 61 | 71 |
| Earnings | 27 | 30 | 34 | 33 | 46 | 53 | 56 |
| Equity book value (excl. minorities) | 186 | 183 | 198 | 205 | 229 | 259 | 292 |
| Valuation multiples | | | | | | | |
| EV/sales | 2.1 | 1.8 | 2.9 | 3.9 | 3.8 | 3.5 | 3.2 |
| EV/EBITDA | 14.0 | 12.5 | 17.8 | 22.2 | 22.1 | 19.5 | 17.0 |
| EV/EBITA | 17.2 | 16.4 | 28.1 | 32.7 | 30.7 | 27.2 | 23.2 |
| EV/EBIT | 17.2 | 16.4 | 28.1 | 32.7 | 30.7 | 27.2 | 23.2 |
| EV/OCF | 14.3 | 13.2 | 28.9 | 29.5 | 29.2 | 23.3 | 21.3 |
| EV/FCFF | 17.1 | -38.5 | 141.1 | 78.1 | 47.1 | 35.5 | 31.7 |
| P/FCFE | 40.6 | -37.2 | 250.6 | 86.0 | 60.4 | 40.9 | 36.7 |
| P/E | 29.3 | 22.2 | 34.6 | 44.2 | 36.7 | 31.5 | 29.7 |
| P/B | 4.3 | 3.6 | 5.8 | 7.1 | 7.3 | 6.5 | 5.7 |
| Target EV/EBITDA | 0.0 | 0.0 | 0.0 | 0.0 | 20.4 | 18.1 | 15.8 |
| Target EV/EBIT | 0.0 | 0.0 | 0.0 | 0.0 | 28.4 | 25.2 | 21.5 |
| Target EV/FCF | 0.0 | 0.0 | 0.0 | 0.0 | 56.1 | 37.6 | 33.2 |
| Target P/B | 0.0 | 0.0 | 0.0 | 0.0 | 6.8 | 6.0 | 5.3 |
| Target P/E | 0.0 | 0.0 | 0.0 | 0.0 | 34.1 | 29.3 | 27.5 |
| Per share measures | | | | | | | |
| Number of shares | 35,692 | 35,790 | 35,881 | 36,000 | 36,101 | 36,101 | 36,101 |
| Number of shares (diluted) | 35,692 | 35,790 | 35,881 | 36,000 | 36,101 | 36,101 | 36,101 |
| EPS | 0.76 | 0.83 | 0.93 | 0.91 | 1.26 | 1.47 | 1.56 |
| Operating cash flow per share | 1.38 | 1.35 | 1.11 | 1.38 | 1.59 | 1.97 | 2.13 |
| Free cash flow per share | 1.10 | -0.49 | 0.13 | 0.47 | 0.77 | 1.13 | 1.26 |
| Book value per share | 5.20 | 5.11 | 5.52 | 5.69 | 6.33 | 7.17 | 8.09 |
| Dividend per share | 1.05 | 0.58 | 0.61 | 0.61 | 0.63 | 0.65 | 0.67 |
| Dividend payout ratio, % | 138.3 | 70.1 | 65.3 | 66.8 | 49.9 | 44.2 | 42.9 |
| Dividend yield, % | 4.7 | 3.2 | 1.9 | 1.5 | 1.4 | 1.4 | 1.4 |
| FCF yield, % | 4.9 | -2.7 | 0.4 | 1.2 | 1.7 | 2.4 | 2.7 |
| Efficiency measures | | | | | | | |
| ROE | 14.9 | 16.1 | 17.6 | 16.3 | 21.0 | 21.8 | 20.5 |
| ROCE | 22.4 | 18.5 | 17.0 | 17.7 | 20.1 | 20.8 | 22.8 |
| Financial ratios | | | | | | | |
| Inventories as % of sales | 8.6 | 9.2 | 9.8 | 11.7 | 11.7 | 11.7 | 11.7 |
| Receivables as % of sales | 25.3 | 26.7 | 26.0 | 24.4 | 24.4 | 24.4 | 24.4 |
| Non-interest bearing liabilities as % of sales | 24.4 | 25.5 | 23.2 | 20.1 | 20.1 | 20.1 | 20.1 |
| NWC/sales, % | 9.5 | 10.1 | 12.7 | 15.2 | 15.3 | 15.4 | 15.4 |
| Operative CAPEX/sales, % | 2.5 | 4.1 | 8.7 | 8.6 | 6.8 | 6.4 | 6.2 |
| CAPEX/sales (incl. acquisitions), % | 1.9 | -10.7 | 8.7 | 8.6 | 6.8 | 6.4 | 6.2 |
| FCFF/EBITDA | 0.8 | -0.3 | 0.1 | 0.3 | 0.5 | 0.5 | 0.5 |
| Net debt/EBITDA, book-weighted | -1.8 | -0.4 | -0.1 | 0.1 | 0.0 | -0.2 | -0.4 |
| Debt/equity, market-weighted | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Equity ratio, book-weighted | 67.7 | 52.8 | 54.9 | 58.4 | 58.9 | 62.9 | 67.4 |
| Gearing, % | -49.2 | -11.0 | -2.5 | 4.4 | 1.4 | -5.8 | -12.7 |

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 | 3,776,358 | 175.034 | 10.5% |
| Skandinaviska Enskilda Banken Ab (publ) Helsinki Branch | 3,317,783 | 153.779 | 9.2% |
| Nordea Bank Ab (publ), Finnish Branch | 2,338,055 | 108.369 | 6.5% |
| Finnish Academy of Science and Letters | 2,041,605 | 94.628 | 5.7% |
| Nordea Nordic Small Cap Fund | 1,750,710 | 81.145 | 4.8% |
| Mandatum Life Insurance Company Ltd. | 1,471,000 | 68.181 | 4.1% |
| Weisell-Säätiö Sr | 1,440,000 | 66.744 | 4.0% |
| Citybank Europe | 1,347,083 | 62.437 | 3.7% |
| Voipio Mikko | 1,268,312 | 58.786 | 3.5% |
| Caspers Anja | 969,496 | 44.936 | 2.7% |
| Ten largest | 19,720,402 | 914.041 | 55% |
| Residual | 16,380,598 | 759.241 | 45% |
| Total | 36,101,000 | 1,673.281 | 100% |

EARNINGS CALENDAR

| | |
|-------------------|-----------------|
| February 18, 2022 | FY 2021 Results |
| April 29, 2022 | Q1 report |
| July 22, 2022 | Q2 report |
| October 28, 2022 | Q3 report |

OTHER EVENTS**COMPANY MISCELLANEOUS**

| | |
|-----------------------|---------------------------------------|
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| CFO: Kaarina Muurinen | Tel: |
| IR: Paula Liimatta | |

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, % | $\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes}}{\text{Shareholder's equity} + \text{minority interest} + \text{taxed provisions (average)}}$ | | |

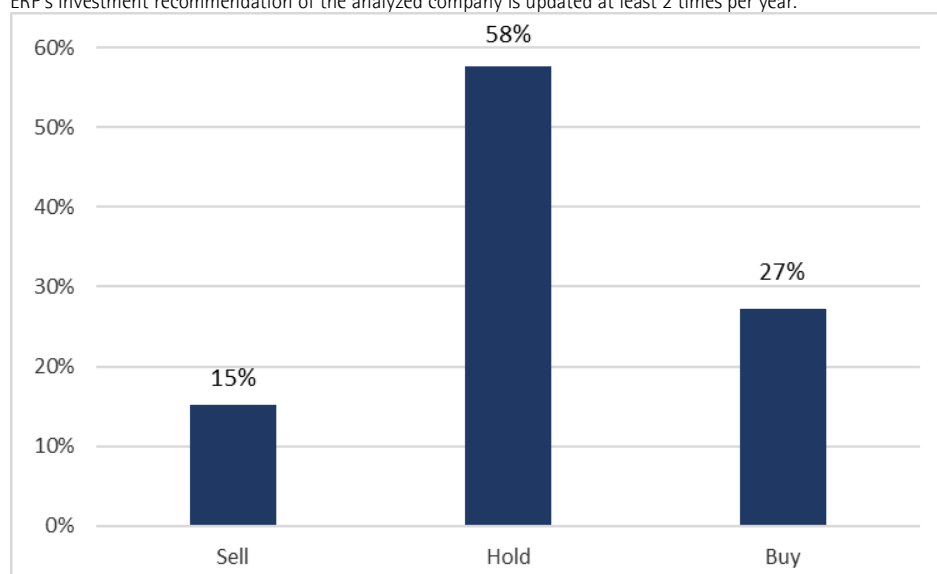
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Investment recommendations are defined as follows:

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

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

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