

Profitability under short-term pressure

Despite robust growth shown in Q2, Vaisala's EBIT was a bit softer driven by increased cost pressures. We expect the demand for Vaisala's products to continue strong while we foresee some short-term pressures on margins. We retain our HOLD-rating and adjust TP to EUR 43.0 (45.0).

IM driving group topline growth, EBIT bit softish

Vaisala's net sales grew nicely, by 10% to EUR 120.5m. The growth was mainly driven by the IM business unit (+24% y/y) while W&E's revenue was approx. flat y/y. Vaisala managed to hold on to its margins and the group gross margin was on a solid level at 52.3%. The company continued its investments in its future growth and operative costs increased according to its plans. To our understanding, part of increased costs is short-term that will scale eventually after the IT-system update has been complete. EBIT decreased by 5% y/y, and fell short of our expectations, to EUR 10.3m (8.6% margin).

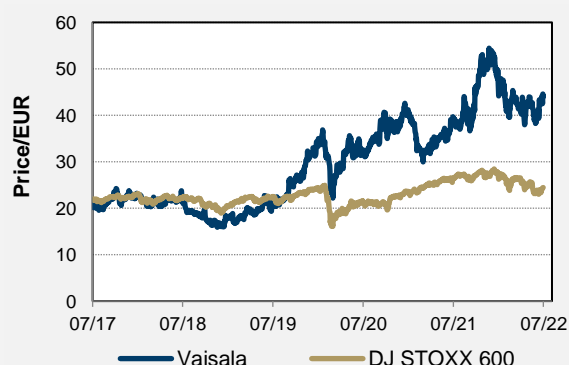
Guidance reiterated, some uncertainty ahead

Vaisala reiterated its FY'22 guidance; net sales between EUR 465-495 and EBIT between EUR 55-70m. With IM's market demand continuing strong and W&E's order book being all-time-high, we consider the company achieving its guidance easily. However, with the COVID-19 situation in Asia continuing, the war in Ukraine not ending, and the low visibility of component availability, H2 includes some uncertainties that might affect the company's performance. We slightly adjusted our estimates; 2022 net sales estimate of EUR 491.1m nears the upper bound of the guidance range while with cost pressures being elevated, our EBIT estimate of EUR 58.2 is below the mid-point of the guidance range.

HOLD with a target price of EUR 43.0 (45.0)

We made only minor upward adjustments to our topline estimates while we adjusted our short-term EBIT estimates downwards driven by increased costs pressures stemming mainly from the company's increased investments in its future growth. Vaisala continues to trade above its peer group, with approx. 40% premium. We adjust our TP to EUR 43.0 (45.0) and retain HOLD-rating.

Rating



Share price, EUR (Last trading day's closing price) 44.00

Target price, EUR 43.0

Latest change in recommendation 30-Apr-21

Latest report on company 19-Jul-22

Research paid by issuer: YES

No. of shares outstanding, '000's 36,020

No. of shares fully diluted, '000's 36,020

Market cap, EURm 1,585

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 28-Oct-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
2020	379.5	44.8	11.8%	5.6	0.91	44.2	3.9	32.7	0.4	0.61
2021	437.9	50.1	11.4%	58.4	1.08	49.4	4.3	37.9	3.0	0.68
2022E	491.1	58.2	11.9%	39.9	1.17	37.4	3.1	26.5	2.5	0.70
2023E	530.3	69.4	13.1%	46.2	1.51	29.2	2.9	21.9	2.9	0.87
2024E	553.5	77.6	14.0%	53.2	1.70	25.9	2.7	19.3	3.4	0.97
Market cap, EURm			1,585	Gearing 2022E, %		-18.4	CAGR EPS 2021-24, %			16.3
Net debt 2022E, EURm			-46	Price/book 2022E		6.4	CAGR sales 2021-24, %			8.1
Enterprise value, EURm			1,543	Dividend yield 2022E, %		1.6	ROE 2022E, %			17.6
Total assets 2022E, EURm			434	Tax rate 2022E, %		24.4	ROCE 2022E, %			20.5
Goodwill 2022E, EURm			29	Equity ratio 2022E, %		57.1	PEG, P/E 22/CAGR			2.6

Q2 result

Vaisala delivered strong Q2 growth figures, but increased operative costs put pressure on EBIT margin. Group orders received grew by some 10% y/y to EUR 131.9m, and the order book was at a record-high level, being EUR 182.9m (+11% y/y). Driven by the solid performance of the IM business unit, Vaisala's net sales grew by 10% to EUR 120.5m, slightly above our expectations (Evli: 118.1m). Vaisala managed to hold on to its margins with price increases and a favorable sales mix. The gross margin was flat that of the comparison period, being 55.3%. With fixed costs increasing by 19%, driven by increased R&D costs as well as investments in IT-system, sales, and marketing, EBIT decreased y/y to EUR 10.3m, falling short of our estimates (Evli: 12.5m). EBIT margin was 8.6% (Q2'21: 10%).

IM's Q2 orders received grew significantly, by 24% to EUR 56.2m, driven by industrial instruments, life science, and power segments. The order book was very strong, amounting to EUR 37.2m (+43% y/y). The order book grew in industrial instruments and life science segments while power and liquid measurement segments were flat. Q2 net sales increased by 24% y/y to EUR 54.7m, driven by industrial instruments, life science, and power segments. With the spot component purchases, the gross margin slightly weakened from the comparison period to 63.2%. Meanwhile, successful pricing and increased volumes offset most of the spot component impact. EBIT improved y/y, but increased fixed costs reduced the growth pace and EBIT amounted to EUR 11.5m (21% margin). R&D costs increased significantly by 29% y/y.

W&E's Q2 was solid, with orders received increasing by 1% to EUR 75.7m and order book amounting to EUR 145.6m. Orders increased in road weather and aviation segments while order books grew in road weather, aviation, and renewable energy segments. Q2 net sales development was stable, the topline growing by 1% (constant currencies -3%) to EUR 65.9m. Net sales grew in aviation while road weather and renewable energy segments were flat y/y. Meteorology declined from the comparison period. Gross margin declined to 48.8% driven by increased component prices but the margin impact was offset by more profitable project deliveries and increased share of the scalable digital business. W&E also experienced increases in fixed costs and EBIT fell below that of the comparison period. EBIT was EUR -1.1m (-1.6% margin).

Estimates

The report provided no surprises considering current market demand; we made no major changes to our topline estimates. We expect 22E group net sales to grow by 12.1% y/y to EUR 491.1m, which is near the upper bound of revenue guidance as we expect some cautiousness in the company's topline guidance range. IM's underlying demand is expected to continue strong and with a strong order book, we expect the BU to grow by 19.5% y/y in 2022. With W&E's strong Q1 and solid H2 as well as the all-time-high order book, we expect the BU to grow by 7% y/y to EUR 274.9m in 2022.

With price increases made during 2022, we expect IM's 22E gross margin to remain approx. flat y/y, at 62.8% while W&E's 22E gross margin experiences a slight decrease on our estimates, amounting to 49.2%. In total, our 22E group gross margin estimate is 55.2% which is in line with the comparison period but below the levels during 2018-20 due to temporal increases material expenses. We also expect 22E fixed costs to increase significantly due to increased IT costs as well as investments in R&D, sales, and marketing capabilities. To our understanding increased IT costs are somewhat temporal that will scale within the next year or two while the company has made investments in its internal capabilities in R&D, sales, and marketing which will increase operative costs permanently. Thus, in our view, the impact of increased OPEX on profitability remains somewhat short-term. With gross margin being flat and operative costs increasing, our

Electronic Equipment & Instruments/Finland, July 25, 2022
Company update

22E EBIT estimate amounts to EUR 58.2m (11.9% margin) which is below the mid-point of the company's guidance range.

During 2023-24, we expect IM to continue its strong growth by showing growth rates of 10.9% and 5.7% respectively. We expect W&E to grow by 5.7% and 3.3% during 2023-24. In total, we expect Vaisala to grow by 8% and 4.4% during 2023-24. Meanwhile, our growth estimates might include some uncertainty as if the global GDP growth decreases, its impact on IM's underlying demand might be notable. On the other hand, IM operates in industries where megatrends strongly drive the demand and correlation with economic development might be lower than expected. With gross margin improving, volumes increasing, and scalability slightly kicking in, we expect EBIT margin to improve to 13.1% and 14.0% during 2023-24.

Valuation

Vaisala's valuation remains elevated, but we find a premium to its peer group justified. During uncertain times, Vaisala has managed to deliver all its orders and gain therefore market share. The company has a winning technology strategy which we find driving the company's future growth with selected acquisitions. Vaisala has still some to prove in achieving its profitability target, but with IM increasing its share and W&E making smart investments and increasing its scalable digital business, we find it possible for the company to reach an EBIT margin of 15% in the coming years. The company has also to show us more evidence of internal excellence improvement which should be seen in increased scalability.

The company trades with 22-23E EV/EBIT multiples of 27x and 22x respectively. Meanwhile, the company's peer group is trading with corresponding multiples of 18x and 16x. Current multiples have decreased significantly from the levels of 2020-21, and a return to those levels seems farfetched as the global economy has started to show some signs of slowdown and uncertainty with increased inflation and interest rate hikes. We view an EV/EBIT multiple ranges of 26-21x justified for Vaisala. Considering lowered EBIT expectations, we adjust our TP to 43.0 (prev. 45.0) and reiterate HOLD-rating.

VAISALA PEER GROUP	Security identifier	EBIT %		EBITDA %		ROCE %	
		22E	23E	22E	23E	22E	23E
Keysight Technologies Inc	KEYS-US	28.1	28.5	30.7	30.8	22.7	22.6
National Instruments Corporation	NATI-US	17.0	18.2	19.7	21.2	16.1	17.8
Spectris plc	SXS-GB	16.6	17.0	20.0	20.1	16.2	16.8
Oxford Instruments plc	OXIG-GB	18.1	18.2	20.5	20.8	18.7	17.7
Trimble Inc.	TRMB-US	23.5	24.7	25.2	26.2	14.3	14.9
Hexagon AB Class B	HEXA.B-SE	28.2	28.9	37.1	38.3	11.2	11.6
Sensirion Holding AG	SENS-CH	20.2	16.4	25.1	21.4		
Peer Group Average		21.7	21.7	25.5	25.5	16.5	16.9
Peer Group Median		20.2	18.2	25.1	21.4	16.2	17.3
Vaisala (Evli est.)		11.9	13.1	16.4	17.0	20.5	23.4
Premium/discount to peer median		-41%	-28%	-34%	-21%	27%	35%

	Security identifier	ROE %		DIV %		P/E	
		22E	23E	22E	23E	22E	23E
Keysight Technologies Inc	KEYS-US	33.2	30.9	0.0	0.0	21.0x	19.4x
National Instruments Corporation	NATI-US	21.9	24.7	3.2	3.3	17.1x	15.1x
Spectris plc	SXS-GB	14.1	15.0	2.5	2.7	19.2x	17.5x
Oxford Instruments plc	OXIG-GB	15.9	15.5	0.9	0.9	24.4x	22.9x
Trimble Inc.	TRMB-US	17.3	17.8	0.0	0.0	22.5x	19.6x
Hexagon AB Class B	HEXA.B-SE	13.1	13.2	1.1	1.2	25.5x	23.5x
Sensirion Holding AG	SENS-CH	20.9	15.2	0.0	0.0	28.6x	33.2x
Peer Group Average		19.5	18.9	1.1	1.2	22.6x	21.6x
Peer Group Median		17.3	15.5	0.9	0.9	22.5x	19.6x
Vaisala (Evli est.)		17.6	20.7	1.6	2.0	37.4x	29.2x
Premium/discount to peer median		2%	34%	83%	116%	67%	49%

	Security identifier	EV/S		EV/EBITDA		EV/EBIT	
		22E	23E	22E	23E	22E	23E
Keysight Technologies Inc	KEYS-US	5.0x	4.6x	16.3x	15.1x	17.8x	16.3x
National Instruments Corporation	NATI-US	2.8x	2.6x	14.1x	12.4x	16.4x	14.4x
Spectris plc	SXS-GB	2.3x	2.2x	11.6x	10.8x	13.9x	12.8x
Oxford Instruments plc	OXIG-GB	3.1x	2.9x	15.1x	13.8x	17.2x	15.8x
Trimble Inc.	TRMB-US	4.2x	3.8x	16.8x	14.5x	18.0x	15.4x
Hexagon AB Class B	HEXA.B-SE	6.5x	5.9x	17.5x	15.5x	22.9x	20.5x
Sensirion Holding AG	SENS-CH	4.3x	4.0x	17.1x	18.6x	21.3x	24.3x
Peer Group Average		4.0x	3.7x	15.5x	14.4x	18.2x	17.1x
Peer Group Median		4.2x	3.8x	16.3x	14.5x	17.8x	15.8x
Vaisala (Evli est.)		3.1x	2.9x	19.1x	16.8x	26.5x	21.9x
Premium/discount to peer median		-26%	-25%	17%	16%	48%	38%

	Security identifier	Sales growth		Net debt / EBITDA		Equity ratio	
		22E	23E	22E	23E	22E	23E
Keysight Technologies Inc	KEYS-US	7.9%	5.5%	-0.2x	-0.6x	50.1	53.5
National Instruments Corporation	NATI-US	13.0%	6.3%	0.4x	0.3x	57.8	60.4
Spectris plc	SXS-GB	-3.9%	5.4%	-0.9x	-0.9x	72.2	72.9
Oxford Instruments plc	OXIG-GB	5.0%	4.4%	-1.0x	-1.5x	67.2	69.8
Trimble Inc.	TRMB-US	5.4%	7.8%	0.6x	0.0x	56.6	59.4
Hexagon AB Class B	HEXA.B-SE	17.3%	6.6%	1.3x	0.8x	61.8	63.4
Sensirion Holding AG	SENS-CH	16.7%	5.4%	-1.8x	-2.5x	75.2	78.0
Peer Group Average		8.8%	5.9%	-0.2x	-0.6x	63.0	65.3
Peer Group Median		7.9%	5.5%	-0.2x	-0.6x	61.8	63.4
Vaisala (Evli est.)		12.1%	8.0%	-0.6x	-0.7x	57.1	60.3

Source: Factset, Evli Research

Updated on July 25th, 2022

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC	
Current share price	44.00 PV of Free Cash Flow	494 Long-term growth, %	2.5 Risk-free interest rate, %	2.25
DCF share value	39.47 PV of Horizon value	926 WACC, %	7.4 Market risk premium, %	5.8
Share price potential, %	-10.3 Unconsolidated equity	-4 Spread, %	0.0 Debt risk premium, %	2.8
Maximum value	39.5 Marketable securities	78 Minimum WACC, %	7.4 Equity beta coefficient	0.80
Minimum value	39.5 Debt - dividend	-72 Maximum WACC, %	7.4 Target debt ratio, %	10
Horizon value, %	65.2 Value of stock	1,422 Nr of shares, Mn	36.0 Effective tax rate, %	25

DCF valuation, EURm	2021	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	Horizon
Net sales	438	491	530	554	573	590	608	626	645	664	681	698
<i>Sales growth, %</i>	<i>15.4</i>	<i>12.1</i>	<i>8.0</i>	<i>4.4</i>	<i>3.5</i>	<i>3.0</i>	<i>3.0</i>	<i>3.0</i>	<i>3.0</i>	<i>3.0</i>	<i>2.5</i>	<i>2.5</i>
Operating income (EBIT)	50	58	69	78	80	83	85	88	90	93	95	98
<i>Operating income margin, %</i>	<i>11.4</i>	<i>11.9</i>	<i>13.1</i>	<i>14.0</i>	<i>14.0</i>	<i>14.0</i>	<i>14.0</i>	<i>14.0</i>	<i>14.0</i>	<i>14.0</i>	<i>14.0</i>	<i>14.0</i>
+ Depreciation+amort.	22	23	21	22	23	24	24	20	21	21	22	
EBITDA	72	81	90	100	103	106	109	108	111	114	117	
- Paid taxes	-12	-14	-14	-16	-16	-17	-17	-18	-18	-19	-19	
- Change in NWC	17	-5	-4	-2	-2	-2	-2	-2	-2	-2	-2	
<i>NWC / Sales, %</i>	<i>8.6</i>	<i>8.7</i>	<i>8.7</i>	<i>8.7</i>	<i>8.7</i>	<i>8.8</i>	<i>8.8</i>	<i>8.8</i>	<i>8.8</i>	<i>8.8</i>	<i>8.8</i>	
+ Change in other liabs	0	0	0	0	0	0	0	0	0	0	0	
- Operative CAPEX	-19	-14	-20	-22	-22	-22	24	-17	-17	-18	-9	
<i>opCAPEX / Sales, %</i>	<i>4.9</i>	<i>4.0</i>	<i>4.8</i>	<i>5.0</i>	<i>4.9</i>	<i>4.8</i>	<i>-2.8</i>	<i>3.7</i>	<i>3.7</i>	<i>3.7</i>	<i>2.3</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	5	0	0	0	0	0	0	0	0	0	0	
= FCFF	63	48	53	60	63	66	114	72	74	76	88	1,824
= Discounted FCFF		46	48	50	50	48	77	45	43	41	45	926
= DFCF min WACC		46	48	50	50	48	77	45	43	41	45	926
= DFCF max WACC		46	48	50	50	48	77	45	43	41	45	926

INTERIM FIGURES

EVLI ESTIMATES, EURm	2021Q1	2021Q2	2021Q3	2021Q4	2021	2022Q1	2022Q2	2022Q3E	2022Q4E	2022E	2023E	2024E
Net sales	92.0	109.5	111.5	124.9	437.9	118.8	120.5	119.2	132.6	491.1	530.3	553.5
EBITDA	13.4	16.1	24.7	17.5	71.7	23.1	16.1	25.1	16.3	80.7	90.3	99.5
<i>EBITDA margin (%)</i>	<i>14.6</i>	<i>14.7</i>	<i>22.2</i>	<i>14.0</i>	<i>16.4</i>	<i>19.5</i>	<i>13.4</i>	<i>21.1</i>	<i>12.3</i>	<i>16.4</i>	<i>17.0</i>	<i>18.0</i>
EBIT	8.1	10.9	19.2	11.9	50.1	17.5	10.3	19.6	10.7	58.2	69.4	77.6
<i>EBIT margin (%)</i>	<i>8.8</i>	<i>10.0</i>	<i>17.3</i>	<i>9.5</i>	<i>11.4</i>	<i>14.8</i>	<i>8.6</i>	<i>16.4</i>	<i>8.1</i>	<i>11.9</i>	<i>13.1</i>	<i>14.0</i>
Net financial items	-0.2	-0.8	-0.5	-0.6	-2.1	-0.2	-1.0	-0.7	-0.7	-2.6	-1.6	-1.0
Pre-tax profit	7.9	10.1	18.8	11.3	48.1	17.3	9.3	18.9	10.0	55.6	67.8	76.6
Tax	-1.6	-0.7	-2.8	-3.7	-8.8	-3.6	-3.0	-4.5	-2.4	-13.5	-13.6	-15.3
<i>Tax rate (%)</i>	<i>20.0</i>	<i>7.1</i>	<i>14.9</i>	<i>32.9</i>	<i>18.3</i>	<i>20.8</i>	<i>32.2</i>	<i>24.0</i>	<i>24.0</i>	<i>24.4</i>	<i>20.0</i>	<i>20.0</i>
Net profit	6.2	9.2	16.0	7.6	39.0	13.7	6.3	14.4	7.6	42.0	54.3	61.2
EPS	0.17	0.25	0.44	0.21	1.08	0.38	0.18	0.40	0.21	1.17	1.51	1.70
EPS adjusted (diluted no. of shares)	0.17	0.25	0.44	0.21	1.08	0.39	0.18	0.40	0.21	1.18	1.51	1.70
Dividend per share	0.00	0.00	0.00	0.00	0.68	0.00	0.00	0.00	0.00	0.70	0.87	0.97
SALES, EURm												
Weather and Environment	52.2	65.4	64.4	74.9	256.9	65.7	65.9	66.8	76.5	274.9	290.4	299.9
Industrial Measurements	39.7	44.1	47.1	50.1	181.0	53.1	54.7	52.4	56.1	216.3	239.9	253.6
Total	92.0	109.5	111.5	124.9	437.9	118.8	120.5	119.2	132.6	491.1	530.3	553.5
SALES GROWTH, Y/Y %												
<i>Weather and Environment</i>	<i>0.8</i>	<i>13.5</i>	<i>8.8</i>	<i>11.7</i>	<i>9.0</i>	<i>25.8</i>	<i>0.7</i>	<i>3.7</i>	<i>2.2</i>	<i>7.0</i>	<i>5.7</i>	<i>3.3</i>
<i>Industrial Measurements</i>	<i>12.3</i>	<i>30.5</i>	<i>35.3</i>	<i>25.5</i>	<i>25.8</i>	<i>33.6</i>	<i>23.9</i>	<i>11.3</i>	<i>12.0</i>	<i>19.5</i>	<i>10.9</i>	<i>5.7</i>
Total	5.5	19.8	18.6	16.9	15.4	29.2	10.1	6.9	6.1	12.1	8.0	4.4
EBIT, EURm												
Weather and Environment	-0.9	1.0	5.3	2.3	7.7	2.9	-1.0	5.8	1.3	8.9	12.5	15.5
Industrial Measurements	9.4	10.5	14.2	9.8	44.0	14.6	11.5	14.2	9.8	50.1	58.9	64.2
Other	-0.4	-0.6	-0.2	-0.3	-1.5	0.1	-0.1	-0.4	-0.4	-0.8	-2.0	-2.1
Total	8.1	10.9	19.2	11.9	50.1	17.5	10.3	19.6	10.7	58.2	69.4	77.6
EBIT margin, %												
<i>Weather and Environment</i>	<i>-1.7</i>	<i>1.5</i>	<i>8.2</i>	<i>3.1</i>	<i>3.0</i>	<i>4.4</i>	<i>-1.6</i>	<i>8.6</i>	<i>1.7</i>	<i>3.3</i>	<i>4.3</i>	<i>5.2</i>
<i>Industrial Measurements</i>	<i>23.7</i>	<i>23.8</i>	<i>30.2</i>	<i>19.6</i>	<i>24.3</i>	<i>27.5</i>	<i>21.0</i>	<i>27.1</i>	<i>17.5</i>	<i>23.2</i>	<i>24.5</i>	<i>25.3</i>
<i>Other</i>						<i>50,000.0</i>						
Total	8.8	10.0	17.3	9.5	11.4	14.8	8.6	16.4	8.1	11.9	13.1	14.0

Electronic Equipment & Instruments/Finland, July 25, 2022
Company update

INCOME STATEMENT, EURm	2017	2018	2019	2020	2021	2022E	2023E	2024E
Sales	332.6	348.8	403.6	379.5	437.9	491.1	530.3	553.5
<i>Sales growth (%)</i>	<i>4.2</i>	<i>4.9</i>	<i>15.7</i>	<i>-6.0</i>	<i>15.4</i>	<i>12.1</i>	<i>8.0</i>	<i>4.4</i>
EBITDA	50.3	51.1	64.7	65.9	71.7	80.7	90.3	99.5
<i>EBITDA margin (%)</i>	<i>15.1</i>	<i>14.7</i>	<i>16.0</i>	<i>17.4</i>	<i>16.4</i>	<i>16.4</i>	<i>17.0</i>	<i>18.0</i>
Depreciation	-9.5	-12.1	-23.6	-21.1	-21.6	-22.5	-20.9	-21.9
EBITA	40.8	39.0	41.1	44.8	50.1	58.2	69.4	77.6
Goodwill amortization / writedown	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	40.8	39.0	41.1	44.8	50.1	58.2	69.4	77.6
<i>EBIT margin (%)</i>	<i>12.3</i>	<i>11.2</i>	<i>10.2</i>	<i>11.8</i>	<i>11.4</i>	<i>11.9</i>	<i>13.1</i>	<i>14.0</i>
Reported EBIT	40.8	39.0	41.1	44.8	50.1	58.2	69.4	77.6
<i>EBIT margin (reported) (%)</i>	<i>12.3</i>	<i>11.2</i>	<i>10.2</i>	<i>11.8</i>	<i>11.4</i>	<i>11.9</i>	<i>13.1</i>	<i>14.0</i>
Net financials	-2.8	-1.4	-1.0	-3.4	-2.1	-2.6	-1.6	-1.0
Pre-tax profit	38.0	37.6	40.1	41.4	48.1	55.6	67.8	76.6
Taxes	-10.9	-8.0	-6.5	-8.5	-8.8	-13.5	-13.6	-15.3
Minority shares	0.0	0.0	0.0	0.0	-0.3	0.0	0.0	0.0
Net profit	27.1	29.6	33.5	32.9	39.0	42.0	54.3	61.2
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	102	108	120	125	121	124	130
Goodwill	16	25	30	30	29	29	29	29
Right of use assets	0	12	12	13	11	12	13	14
Inventory	29	32	40	45	50	56	60	63
Receivables	84	93	105	93	107	120	129	135
Liquid funds	91	73	56	45	78	87	94	102
Total assets	274	347	361	352	408	434	459	481
Liabilities								
Shareholder's equity	186	183	198	205	230	247	276	306
Minority interest	0	0	0	0	1	1	1	1
Convertibles	0	0	0	0	0	0	0	0
Lease liabilities	0	12	11	9	8	12	13	14
Deferred taxes	1	9	8	8	7	7	7	7
Interest bearing debt	0	41	40	45	40	29	14	0
Non-interest bearing current liabilities	81	89	94	76	116	131	141	147
Other interest-free debt	5	9	7	8	7	7	7	7
Total liabilities	274	347	361	352	408	434	459	481
CASH FLOW, EURm								
+ EBITDA	50	51	65	66	72	81	90	100
- Net financial items	-3	-1	-1	-3	-2	-3	-2	-1
- Taxes	-7	-9	-9	-8	-11	-14	-14	-15
- Increase in Net Working Capital	7	-4	-16	-7	17	-5	-4	-2
+/- Other	2	11	2	-6	5	0	0	0
= Cash flow from operations	49	48	41	41	80	60	72	81
- Capex	-8	-14	-38	-35	-22	-20	-25	-28
- Acquisitions	-2	-52	0	0	0	0	0	0
+ Divestments	0	0	0	0	0	0	0	0
= Free cash flow	39	-18	3	6	58	40	46	53
+/- New issues/buybacks	-2	5	3	-4	8	0	0	0
- Paid dividend	-18	-37	-21	-22	-22	-25	-25	-31
+/- Other	0	31	-1	9	-12	-6	-14	-14
Change in cash	19	-19	-16	-11	33	9	7	8

Electronic Equipment & Instruments/Finland, July 25, 2022
Company update

KEY FIGURES	2018	2019	2020	2021	2022E	2023E	2024E
M-cap	659	1,159	1,454	1,924	1,585	1,585	1,585
Net debt (excl. convertibles)	-20	-5	9	-30	-46	-67	-88
Enterprise value	638	1,154	1,466	1,899	1,543	1,522	1,500
Sales	349	404	380	438	491	530	554
EBITDA	51	65	66	72	81	90	100
EBIT	39	41	45	50	58	69	78
Pre-tax	38	40	41	48	56	68	77
Earnings	30	34	33	39	42	54	61
Equity book value (excl. minorities)	183	198	205	230	247	276	306
Valuation multiples							
EV/sales	1.8	2.9	3.9	4.3	3.1	2.9	2.7
EV/EBITDA	12.5	17.8	22.2	26.5	19.1	16.9	15.1
EV/EBITA	16.4	28.1	32.7	37.9	26.5	21.9	19.3
EV/EBIT	16.4	28.1	32.7	37.9	26.5	21.9	19.3
EV/OCF	13.2	28.3	35.8	23.7	25.9	21.3	18.5
EV/FCFF	-38.5	141.5	115.8	30.3	32.5	28.6	25.1
P/FCFE	-37.2	413.9	259.7	33.0	39.8	34.3	29.8
P/E	22.2	34.6	44.2	49.4	37.4	29.2	25.9
P/B	3.6	5.8	7.1	8.4	6.4	5.7	5.2
Target EV/EBITDA	0.0	0.0	0.0	0.0	18.6	16.4	14.7
Target EV/EBIT	0.0	0.0	0.0	0.0	25.8	21.4	18.8
Target EV/FCF	0.0	0.0	0.0	0.0	37.7	32.1	27.5
Target P/B	0.0	0.0	0.0	0.0	6.3	5.6	5.1
Target P/E	0.0	0.0	0.0	0.0	36.6	28.5	25.3
Per share measures							
Number of shares	35,790	35,881	36,000	36,101	36,020	36,020	36,020
Number of shares (diluted)	35,790	35,881	36,000	36,101	36,020	36,020	36,020
EPS	0.83	0.93	0.91	1.08	1.17	1.51	1.70
Operating cash flow per share	1.35	1.14	1.14	2.22	1.66	1.99	2.25
Free cash flow per share	-0.49	0.08	0.16	1.62	1.11	1.28	1.48
Book value per share	5.11	5.52	5.69	6.36	6.86	7.67	8.50
Dividend per share	0.58	0.61	0.61	0.68	0.70	0.87	0.97
Dividend payout ratio, %	70.1	65.3	66.8	63.0	60.0	58.0	57.0
Dividend yield, %	3.2	1.9	1.5	1.3	1.6	2.0	2.2
FCF yield, %	-2.7	0.2	0.4	3.0	2.5	2.9	3.4
Efficiency measures							
ROE	16.1	17.6	16.3	17.9	17.6	20.7	21.0
ROCE	18.5	17.0	17.7	18.6	20.5	23.4	24.8
Financial ratios							
Inventories as % of sales	9.2	9.8	11.7	11.4	11.4	11.4	11.4
Receivables as % of sales	26.7	26.0	24.4	24.4	24.4	24.4	24.4
Non-interest bearing liabilities as % of sales	25.5	23.2	20.1	26.6	26.6	26.6	26.6
NWC/sales, %	10.1	12.7	15.2	8.6	8.7	8.7	8.7
Operative CAPEX/sales, %	4.1	9.4	9.3	4.9	4.0	4.8	5.0
CAPEX/sales (incl. acquisitions), %	-10.7	9.4	9.3	4.9	4.0	4.8	5.0
FCFF/EBITDA	-0.3	0.1	0.2	0.9	0.6	0.6	0.6
Net debt/EBITDA, book-weighted	-0.4	-0.1	0.1	-0.4	-0.6	-0.7	-0.9
Debt/equity, market-weighted	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Equity ratio, book-weighted	52.8	54.9	58.4	56.5	57.1	60.3	63.7
Gearing, %	-11.0	-2.5	4.4	-13.1	-18.4	-24.0	-28.8

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 over 1,900 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	%
Skandinaviska Enskilda Banken Ab (publ) Helsinki Branch	3,776,358	166.160	10.5%
Nordea Nordic Small Cap Fund	1,984,761	87.329	5.5%
Weisell-Säätiö Sr	1,700,710	74.831	4.7%
Mandatum Life Insurance Company Ltd.	1,405,717	61.852	3.9%
Voipio Mikko	1,268,312	55.806	3.5%
Citibank Europe Plc	1,149,483	50.577	3.2%
Caspers Anja	969,496	42.658	2.7%
Voipio Raimo Hannes	919,656	40.465	2.6%
Ten largest	13,174,493	579.678	37%
Residual	22,845,507	1,005.202	63%
Total	36,020,000	1,584.880	100%

EARNINGS CALENDAR	
October 28, 2022	Q3 report
OTHER EVENTS	

COMPANY MISCELLANEOUS	
CEO: Kai Öistämö	Vanha Nurmijärventie 21, 01670 Vantaa
CFO: Kaarina Muurinen	Tel:
IR: Paula Liimatta	

DEFINITIONS

P/E	$\frac{\text{Price per share}}{\text{Earnings per share}}$	EPS	$\frac{\text{Profit before extraord. items and taxes} - \text{income taxes} + \text{minority interest}}{\text{Number of shares}}$
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, %	$\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes}}{\text{Shareholder's equity} + \text{minority interest} + \text{taxed provisions (average)}}$		

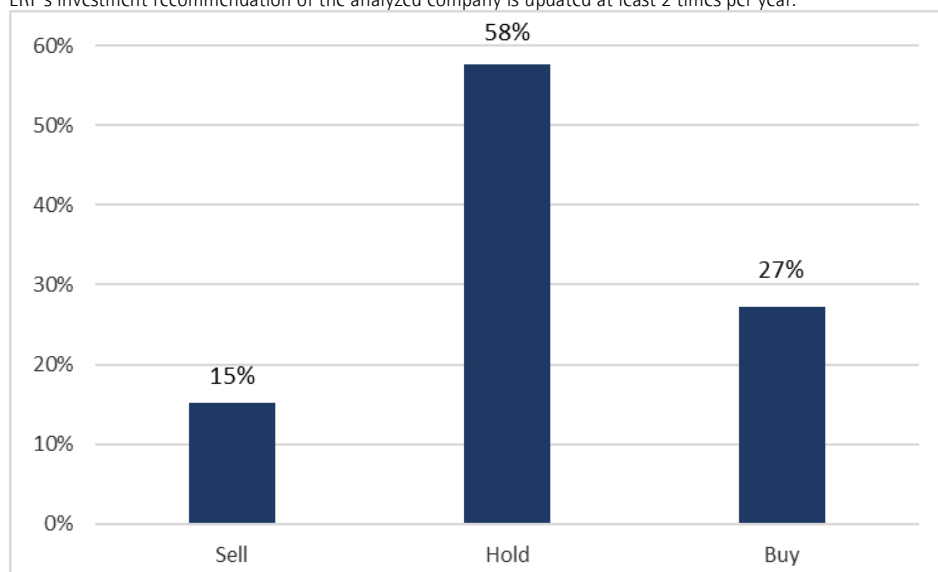
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Target price compared to share price	Recommendation
< -10 %	SELL
-10 – (+10) %	HOLD
> 10 %	BUY

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

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