

Stronger H2 than expected upcoming

Vaisala upgraded its 2022 guidance and published preliminary figures for Q3'22. With no major changes made to 2023 estimates, we retain our HOLD-rating and TP of EUR 40.0 ahead of Q3 result.

Outlook even brighter than expected

Vaisala upgraded its guidance and reported preliminary figures for Q3'22. Guidance raise was expected with strong demand seen throughout the year as well as the record-high order book. In its new guidance, Vaisala expects 2022 revenue to land between EUR 500-520m (prev. 465-495m) and EBIT to amount to EUR 62-72m (55-70m). Mid-point of the guidance implies y/y growth of 16% and an EBIT margin of 13%. Q3 received orders worth EUR 137.2m implies the demand continuing strong also in Q4 and possibly in Q1'23.

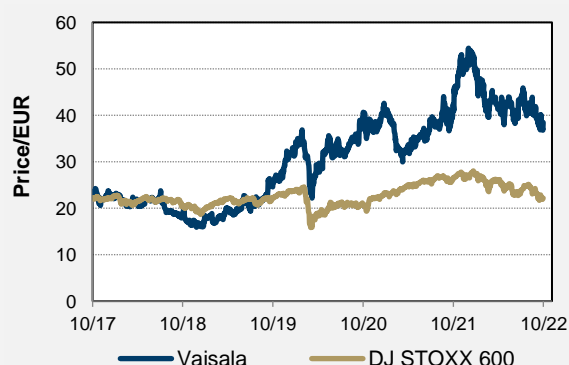
Strong H2 upcoming

According to the preliminary figures, Vaisala had a successful Q3 in terms of both sales and profitability considering the current market environment. Q3 net sales grew by ~20% y/y to EUR 133.3m (Evli estimate: 119.2m) and EBIT amounted to EUR 22.0m (Evli estimate: 19.6m). Q3 EBIT margin of 16.5% was approx. in line with our expectations. In our estimates, both BUs delivered strong growth in Q3, but the magnitude was more prominent in industrial measurements.

Estimating the growth to slow down in 2023

With upgraded guidance, we slightly adjusted our short-term estimates upwards. Our 2022 net sales estimate amounts to EUR 512.6m (17.1% y/y growth) and the EBIT estimate lands at EUR 65.1m (12.7% margin). We expect elevated cost pressures to restrict profitability somewhat. Only minor adjustments were made to 2023 estimates: we expect Vaisala to see more restrained growth with weaker macroeconomic conditions decreasing the investment activity. We expect Vaisala to show solid growth in H1'23 but slope to reverse in H2'23 due to a strong comparison period and economic uncertainty. In our view, valuation still stretches somewhat providing no large upside potential. We retain our HOLD-rating and target price of EUR 40.0 ahead of the Q3 result.

Rating

■ HOLD

 Share price, EUR (Last trading day's closing price) **38.50**

 Target price, EUR **40.0**

 Latest change in recommendation **30-Apr-21**

 Latest report on company **9-Sep-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 **1,387**

 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	512.6	65.1	12.7%	41.5	1.31	29.1	2.6	20.6	3.0	0.70
2023E	524.8	68.3	13.0%	50.9	1.48	25.9	2.5	19.3	3.7	0.86
2024E	544.8	77.0	14.1%	53.9	1.69	22.8	2.4	16.8	3.9	0.96
Market cap, EURm			1,387	Gearing 2022E, %		-18.7	CAGR EPS 2021-24, %			16.1
Net debt 2022E, EURm			-47	Price/book 2022E		5.5	CAGR sales 2021-24, %			7.6
Enterprise value, EURm			1,343	Dividend yield 2022E, %		1.8	ROE 2022E, %			19.6
Total assets 2022E, EURm			447	Tax rate 2022E, %		24.3	ROCE 2022E, %			22.6
Goodwill 2022E, EURm			29	Equity ratio 2022E, %		56.6	PEG, P/E 22/CAGR			3.0

Table 1: Estimate changes

	2022E			2023E			2024E		
	Old	New	Change	Old	New	Change	Old	New	Change
Net sales	491.2	512.6	4%	520.0	524.8	1%	535.8	544.8	2%
IM	216.3	229.1	6%	236.6	239.0	1%	252.4	250.4	-1%
W&E	274.9	283.6	3%	283.4	285.8	1%	283.4	294.4	4%
EBIT	58.2	65.1	12%	66.3	68.3	3%	73.5	77.0	5%
IM	50.1	55.8	11%	56.8	59.3	4%	62.7	64.7	3%
W&E	8.9	10.2	14%	11.5	11.0	-4%	12.9	14.4	11%

Estimates

After strong 2021 and 2022, we expect Vaisala's net sales growth to slow down with weaker macroeconomic conditions and strong comparison figures. In 2022, we expect IM to grow by 27% y/y to EUR 229.1m, driven by solid demand in all its sub-segments. Meanwhile, we also expect W&E to benefit from solid market demand and 22E net sales to amount to EUR 283.6m (10% y/y growth). In total, Vaisala's 22E net sales amounts to EUR 512.6m, slightly above the mid-point of the company's revised guidance.

We believe that Vaisala's wide exposure to growing megatrends suppresses the impact of a possible economic downturn. We expect Vaisala to see solid growth in H1'23, but the growth pace to clearly slowing down in H2'23. In total, we expect IM's 23E net sales to grow by 4% y/y to EUR 239.0m and W&E's 23E net sales to amount to EUR 285.8m, representing y/y growth of 1%. Group 23E net sales estimate lands at EUR 524.8m (2% y/y growth).

With solid net sales development, we expect 22E group EBIT to improve y/y to EUR 65.1m (12.7% margin). We estimate EBIT to improve in both business units, but IM contributes the most to the total amount by some EUR 55.8m. Profitability development is restricted by weaker gross margin, due to increased spot-component purchases, and increased fixed costs, driven by long-term investments in Vaisala's business.

We expect the component shortage to ease and the gross margin to improve in H2'23. Henceforth, the group gross margin improves slightly and positively contributes to 23E profitability development. In addition, we see fixed costs developing more moderately and estimate EBIT to improve y/y. Our 23E group EBIT estimate amounts to EUR 68.3m (13% margin).

Valuation

Although Vaisala's valuation multiples have seen notable declines from the levels seen during 2020-21, we, however, see no significant upside potential in Vaisala's valuation given weak macroeconomic indicators and poor stock market momentum. Vaisala trades now with 23E EV/EBIT and P/E multiples of 19x and 26x, representing a 20-30% premium compared to the peer median. Our 23 estimates are somewhat cautious and with the inflation rates easing and central banks pivoting their policy tightening or the company delivering stronger results than expected, we see some upside potential in Vaisala's share price. Our DCF-model suggests an intrinsic value of EUR 39.8 for Vaisala which is in line with our target price of EUR 40.0. We retain our HOLD-rating.

Electronic Equipment & Instruments/Finland, October 16, 2022
Company update

VAISALA PEER GROUP	EBIT %	EBIT %	EBITDA %	EBITDA %	ROCE %	ROCE %
	22E	23E	22E	23E	22E	23E
Keysight Technologies Inc	28.9	29.1	31.5	31.2	23.1	22.4
National Instruments Corporation	17.1	19.8	20.2	23.6	15.4	18.6
Spectris plc	16.8	17.2	19.9	20.0	15.5	16.2
Oxford Instruments plc	17.2	17.4	20.2	20.6		
Trimble Inc.	23.4	24.1	25.4	26.0	15.5	15.4
Hexagon AB Class B	28.3	28.6	36.8	37.7	10.6	10.8
Sensirion Holding AG	20.6	17.6	25.5	22.5	29.0	22.9
FARO Technologies, Inc.	0.9	5.4	4.1	8.0	0.8	5.6
Halma plc	20.8	21.1	24.1	24.3	20.1	21.1
Peer Group Average	19.3	20.0	23.1	23.8	16.3	16.6
Peer Group Median	20.6	19.8	24.1	23.6	15.5	17.4
Vaisala (Evli est.)	12.7	13.0	17.1	17.1	22.6	22.8

Premium/discount to peer median -38% -34% -29% -28% 46% 31%

	ROE %	ROE %	DIV %	DIV %	P/E	P/E
	22E	23E	22E	23E	22E	23E
Keysight Technologies Inc	34.8	32.2	0.0	0.0	20.6x	19.2x
National Instruments Corporation	22.4	28.0	3.0	3.0	18.4x	14.6x
Spectris plc	14.3	15.9	2.8	2.9	17.6x	15.6x
Oxford Instruments plc	16.2	15.1	1.1	1.2	19.9x	19.1x
Trimble Inc.	17.3	18.2	0.0	0.0	19.0x	16.9x
Hexagon AB Class B	13.1	12.3	1.3	1.5	21.0x	19.9x
Sensirion Holding AG	21.6	16.4	0.0	0.0	22.3x	24.5x
FARO Technologies, Inc.		5.3	0.0	3.9	118.5x	28.1x
Halma plc	18.7	18.0	1.0	1.1	28.3x	26.5x
Peer Group Average	19.8	17.9	1.0	1.5	31.7x	20.5x
Peer Group Median	18.0	16.4	1.0	1.2	20.6x	19.2x
Vaisala (Evli est.)	19.6	20.1	1.8	2.2	29.1x	25.9x

Premium/discount to peer median 9% 22% 83% 93% 41% 35%

	EV/S	EV/S	EV/EBITDA	EV/EBITDA	EV/EBIT	EV/EBIT
	22E	23E	22E	23E	22E	23E
Keysight Technologies Inc	5.1x	4.7x	16.1x	15.1x	17.6x	16.2x
National Instruments Corporation	3.1x	2.8x	15.2x	11.8x	17.9x	14.1x
Spectris plc	2.1x	1.9x	10.7x	9.7x	12.6x	11.2x
Oxford Instruments plc	2.5x	2.3x	12.4x	11.4x	14.6x	13.5x
Trimble Inc.	3.6x	3.3x	14.1x	12.7x	15.3x	13.7x
Hexagon AB Class B	5.5x	5.0x	14.8x	13.4x	19.3x	17.7x
Sensirion Holding AG	3.5x	3.1x	13.6x	13.9x	16.8x	17.9x
FARO Technologies, Inc.	1.1x	1.0x	26.6x	12.7x	123.9x	18.6x
Halma plc	4.6x	4.2x	19.0x	17.2x	22.1x	19.9x
Peer Group Average	3.4x	3.2x	15.8x	13.1x	28.9x	15.9x
Peer Group Median	3.5x	3.1x	14.8x	12.7x	17.6x	16.2x
Vaisala (Evli est.)	2.6x	2.5x	15.3x	14.7x	20.6x	19.3x

Premium/discount to peer median -25% -20% 3% 16% 17% 19%

	Sales growth	Sales growth	Net debt / EBITDA	Net debt / EBITDA	Equity ratio %	Equity ratio %
	22E	23E	22E	23E	22E	23E
Keysight Technologies Inc	8.8%	5.5%	-0.2x	-0.5x	50.6	54.0
National Instruments Corporation	14.5%	8.9%	0.6x	0.4x	54.3	57.1
Spectris plc	-5.0%	6.4%	-0.7x	-1.0x	70.9	71.4
Oxford Instruments plc	8.4%	3.4%	-1.0x	-1.3x		
Trimble Inc.	3.4%	6.0%	0.6x	0.3x	57.1	59.6
Hexagon AB Class B	25.2%	5.4%	1.5x	1.0x	60.8	62.9
Sensirion Holding AG	14.2%	6.8%	-1.6x	-2.3x	103.9	108.5
FARO Technologies, Inc.	1.7%	9.1%	-7.4x	-3.5x	68.1	68.1
Halma plc	13.5%	6.8%	0.4x	0.0x	69.6	75.6
Peer Group Average	9.4%	6.5%	-0.9x	-0.8x	66.9	69.6
Peer Group Median	8.8%	6.4%	-0.2x	-0.5x	64.4	65.5
Vaisala (Evli est.)	17.1%	2.4%	-0.5x	-0.8x	56.6	61.8

Source: FactSet, Evli Research

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC	
Current share price	38.50 PV of Free Cash Flow	503 Long-term growth, %	2.5 Risk-free interest rate, %	2.25
DCF share value	39.75 PV of Horizon value	927 WACC, %	7.4 Market risk premium, %	5.8
Share price potential, %	3.2 Unconsolidated equity	-3 Spread, %	0.0 Debt risk premium, %	2.8
Maximum value	39.8 Marketable securities	78 Minimum WACC, %	7.4 Equity beta coefficient	0.80
Minimum value	39.8 Debt - dividend	-72 Maximum WACC, %	7.4 Target debt ratio, %	10
Horizon value, %	64.8 Value of stock	1,432 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	513	525	545	564	581	598	616	635	654	670	687
<i>Sales growth, %</i>	<i>15.4</i>	<i>17.1</i>	<i>2.4</i>	<i>3.8</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	65	68	77	79	81	84	86	89	92	94	96
<i>Operating income margin, %</i>	<i>11.4</i>	<i>12.7</i>	<i>13.0</i>	<i>14.1</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>
+ Depreciation+amort.	22	23	21	22	23	23	24	20	20	21	22	
EBITDA	72	88	90	99	101	105	108	106	109	113	115	
- Paid taxes	-12	-16	-14	-15	-16	-16	-17	-17	-18	-18	-19	
- Change in NWC	17	-7	-1	-2	-2	-2	-2	-2	-2	-2	-1	
<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	-15	-18	-21	-22	-22	23	-17	-17	-18	-9	
<i>opCAPEX / Sales, %</i>	<i>4.9</i>	<i>4.2</i>	<i>4.4</i>	<i>4.9</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	50	57	60	62	65	113	70	73	75	87	1,795
= Discounted FCFF		49	53	51	50	48	77	45	43	41	45	927
= DFCF min WACC		49	53	51	50	48	77	45	43	41	45	927
= DFCF max WACC		49	53	51	50	48	77	45	43	41	45	927

Electronic Equipment & Instruments/Finland, October 16, 2022
Company update

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	133.3	140.0	512.6	524.8	544.8
EBITDA	13.4	16.1	24.7	17.5	71.7	23.1	16.1	27.5	20.8	87.6	89.7	98.6
<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>20.7</i>	<i>14.8</i>	<i>17.1</i>	<i>17.1</i>	<i>18.1</i>
EBIT	8.1	10.9	19.2	11.9	50.1	17.5	10.3	22.0	15.2	65.1	68.3	77.0
<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>16.5</i>	<i>10.8</i>	<i>12.7</i>	<i>13.0</i>	<i>14.1</i>
Net financial items	-0.2	-0.8	-0.5	-0.6	-2.1	-0.2	-1.0	-0.7	-0.7	-2.6	-1.5	-0.9
Pre-tax profit	7.9	10.1	18.8	11.3	48.1	17.3	9.3	21.3	14.5	62.5	66.9	76.1
Tax	-1.6	-0.7	-2.8	-3.7	-8.8	-3.6	-3.0	-5.1	-3.5	-15.2	-13.4	-15.2
<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>24.3</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	16.2	11.0	47.3	53.5	60.9
EPS	0.17	0.25	0.44	0.21	1.08	0.38	0.18	0.45	0.31	1.31	1.48	1.69
EPS adjusted (diluted no. of shares)	0.17	0.25	0.44	0.21	1.08	0.39	0.18	0.45	0.31	1.32	1.48	1.69
Dividend per share	0.00	0.00	0.00	0.00	0.68	0.00	0.00	0.00	0.00	0.70	0.86	0.96
SALES, EURm												
Weather and Environment	52.2	65.4	64.4	74.9	256.9	65.7	65.9	73.4	78.6	283.6	285.8	294.4
Industrial Measurements	39.7	44.1	47.1	50.1	181.0	53.1	54.7	59.9	61.4	229.1	239.0	250.4
Total	92.0	109.5	111.5	124.9	437.9	118.8	120.5	133.3	140.0	512.6	524.8	544.8
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>14.0</i>	<i>5.0</i>	<i>10.4</i>	<i>0.8</i>	<i>3.0</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>27.2</i>	<i>22.6</i>	<i>26.5</i>	<i>4.3</i>	<i>4.8</i>
Total	5.5	19.8	18.6	16.9	15.4	29.2	10.1	19.6	12.1	17.1	2.4	3.8
EBIT, EURm												
Weather and Environment	-0.9	1.0	5.3	2.3	7.7	2.9	-1.0	5.8	2.6	10.2	11.0	14.4
Industrial Measurements	9.4	10.5	14.2	9.8	44.0	14.6	11.5	16.7	13.0	55.8	59.3	64.7
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	22.0	15.2	65.1	68.3	77.0
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>7.8</i>	<i>3.3</i>	<i>3.6</i>	<i>3.8</i>	<i>4.9</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>27.9</i>	<i>21.2</i>	<i>24.4</i>	<i>24.8</i>	<i>25.8</i>
<i>Other</i>						<i>50,000.0</i>						
Total	8.8	10.0	17.3	9.5	11.4	14.8	8.6	16.5	10.8	12.7	13.0	14.1

Electronic Equipment & Instruments/Finland, October 16, 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	512.6	524.8	544.8
<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>17.1</i>	<i>2.4</i>	<i>3.8</i>
EBITDA	50.3	51.1	64.7	65.9	71.7	87.6	89.7	98.6
<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>17.1</i>	<i>17.1</i>	<i>18.1</i>
Depreciation	-9.5	-12.1	-23.6	-21.1	-21.6	-22.5	-21.4	-21.7
EBITA	40.8	39.0	41.1	44.8	50.1	65.1	68.3	77.0
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	65.1	68.3	77.0
<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>12.7</i>	<i>13.0</i>	<i>14.1</i>
Reported EBIT	40.8	39.0	41.1	44.8	50.1	65.1	68.3	77.0
<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>12.7</i>	<i>13.0</i>	<i>14.1</i>
Net financials	-2.8	-1.4	-1.0	-3.4	-2.1	-2.6	-1.5	-0.9
Pre-tax profit	38.0	37.6	40.1	41.4	48.1	62.5	66.9	76.1
Taxes	-10.9	-8.0	-6.5	-8.5	-8.8	-15.2	-13.4	-15.2
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	47.3	53.5	60.9
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	122	123	128
Goodwill	16	25	30	30	29	29	29	29
Right of use assets	0	12	12	13	11	13	13	14
Inventory	29	32	40	45	50	58	60	62
Receivables	84	93	105	93	107	125	128	133
Liquid funds	91	73	56	45	78	91	93	110
Total assets	274	347	361	352	408	447	455	483
Liabilities								
Shareholder's equity	185	183	198	205	230	252	281	311
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	13	13	14
Deferred taxes	1	9	8	8	7	7	7	7
Interest bearing debt	0	41	40	45	40	31	7	0
Non-interest bearing current liabilities	81	89	94	76	116	136	140	145
Other interest-free debt	5	9	7	8	7	7	7	7
Total liabilities	274	347	361	352	408	447	455	483
CASH FLOW, EURm								
+ EBITDA	50	51	65	66	72	88	90	99
- Net financial items	-3	-1	-1	-3	-2	-3	-1	-1
- Taxes	-7	-9	-9	-8	-11	-15	-13	-15
- Increase in Net Working Capital	7	-4	-16	-7	17	-7	-1	-2
+/- Other	2	11	2	-6	5	0	0	0
= Cash flow from operations	49	48	41	41	80	63	74	81
- Capex	-8	-14	-38	-35	-22	-21	-23	-27
- 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	42	51	54
+/- 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	-4	-23	-7
Change in cash	19	-19	-16	-11	33	13	2	16

Electronic Equipment & Instruments/Finland, October 16, 2022
Company update

KEY FIGURES	2018	2019	2020	2021	2022E	2023E	2024E
M-cap	659	1,159	1,454	1,924	1,387	1,387	1,387
Net debt (excl. convertibles)	-20	-5	9	-30	-47	-73	-96
Enterprise value	638	1,154	1,466	1,899	1,343	1,317	1,294
Sales	349	404	380	438	513	525	545
EBITDA	51	65	66	72	88	90	99
EBIT	39	41	45	50	65	68	77
Pre-tax	38	40	41	48	62	67	76
Earnings	30	34	33	39	47	53	61
Equity book value (excl. minorities)	183	198	205	230	252	281	311
Valuation multiples							
EV/sales	1.8	2.9	3.9	4.3	2.6	2.5	2.4
EV/EBITDA	12.5	17.8	22.2	26.5	15.3	14.7	13.1
EV/EBITA	16.4	28.1	32.7	37.9	20.6	19.3	16.8
EV/EBIT	16.4	28.1	32.7	37.9	20.6	19.3	16.8
EV/OCF	13.2	28.3	35.8	23.7	21.3	17.9	16.0
EV/FCFF	-38.5	141.5	115.8	30.3	27.0	22.9	21.5
P/FCFE	-37.2	413.9	259.7	33.0	33.4	27.3	25.7
P/E	22.2	34.6	44.2	49.4	29.1	25.9	22.8
P/B	3.6	5.8	7.1	8.4	5.5	4.9	4.5
Target EV/EBITDA	0.0	0.0	0.0	0.0	15.9	15.3	13.6
Target EV/EBIT	0.0	0.0	0.0	0.0	21.4	20.0	17.5
Target EV/FCF	0.0	0.0	0.0	0.0	33.6	26.9	24.9
Target P/B	0.0	0.0	0.0	0.0	5.7	5.1	4.6
Target P/E	0.0	0.0	0.0	0.0	30.3	26.9	23.7
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	1.31	1.48	1.69
Operating cash flow per share	1.35	1.14	1.14	2.22	1.75	2.05	2.24
Free cash flow per share	-0.49	0.08	0.16	1.62	1.15	1.41	1.50
Book value per share	5.11	5.53	5.69	6.36	7.01	7.79	8.62
Dividend per share	0.58	0.61	0.61	0.68	0.70	0.86	0.96
Dividend payout ratio, %	70.1	65.3	66.8	63.0	53.3	58.0	57.0
Dividend yield, %	3.2	1.9	1.5	1.3	1.8	2.2	2.5
FCF yield, %	-2.7	0.2	0.4	3.0	3.0	3.7	3.9
Efficiency measures							
ROE	16.1	17.6	16.3	17.9	19.6	20.1	20.6
ROCE	18.5	17.0	17.7	18.6	22.6	22.8	24.5
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	4.2	4.4	4.9
CAPEX/sales (incl. acquisitions), %	-10.7	9.4	9.3	4.9	4.2	4.4	4.9
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	-0.5	-0.8	-1.0
Debt/equity, market-weighted	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Equity ratio, book-weighted	52.8	54.8	58.4	56.5	56.6	61.8	64.4
Gearing, %	-11.0	-2.5	4.4	-13.1	-18.7	-25.9	-30.8

COMPANY DESCRIPTION: Vaisala develops, manufactures, and markets products, projects, and services for weather, environmental and industrial measurements. 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 2,000 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 increased share of digital business of 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	145.390	10.5%
Nordea Nordic Small Cap Fund	1,954,761	75.258	5.4%
Weisell-Säätiö Sr	1,700,710	65.477	4.7%
Mandatum Life Insurance Company Ltd.	1,405,717	54.120	3.9%
Voipio Mikko	1,268,312	48.830	3.5%
Citibank Europe Plc	1,127,474	43.408	3.1%
Caspers Anja	969,496	37.326	2.7%
Voipio Raimo Hannes	919,656	35.407	2.6%
Ten largest	13,122,484	505.216	36%
Residual	22,897,516	881.554	64%
Total	36,020,000	1,386.770	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, %	$\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes}}{\text{Shareholder's equity} + \text{minority interest} + \text{taxed provisions (average)}}$		

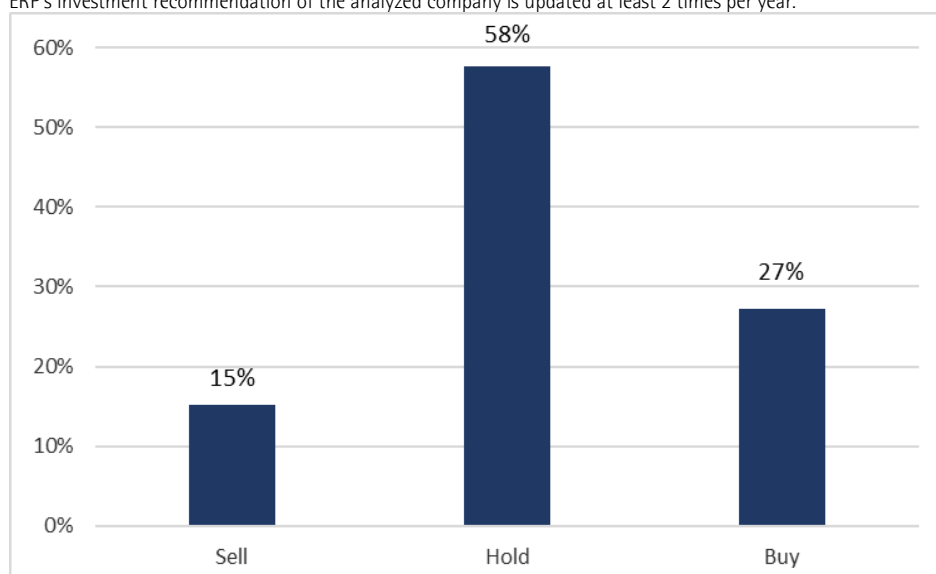
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Target price compared to share price	Recommendation
< -10 %	SELL
-10 – (+10) %	HOLD
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Name(s) of the analyst(s): Heikura

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