

Well positioned for uncertain future

The strong demand for Vaisala's solutions continued with the order received increasing by 25% in Q3. Net sales saw double-digit growth and EBIT was on a solid level. We believe Vaisala to enjoy solid growth during H2'22-H1'23 but H2'23 being somewhat gloomy.

Orderbook was yet again on a record level

Vaisala has increased its orders received for four consecutive quarters and the Q3 orderbook was on a record level. Q3 IM net sales grew by 22% y/y while the growth was stronger than expected in W&E which recorded y/y growth of 18%. In total, Q3 net sales amounted to EUR 133.3m (+20% y/y). Gross margin was hit by continued spot-component purchases which eventually amounted to 54.7%. With fixed costs elevated and gross margin weaker, relative profitability saw also a slight decline. Q3 EBIT amounted to EUR 22.0m, representing a 16.5% EBIT margin. The outlook for the near future remains bright despite the weakening economic indicators.

2023 uncertain, but megatrends support the demand

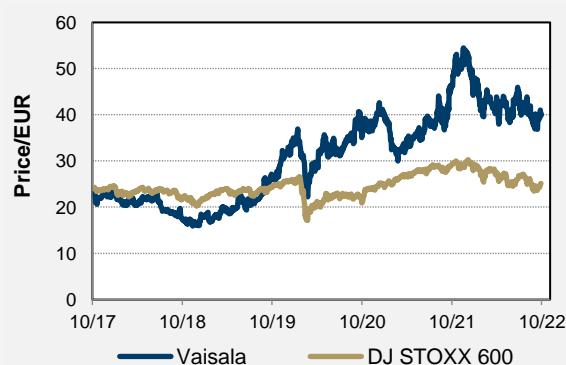
Guidance implies growth to continue in Q4. The record orderbook provides a foundation for H1'23 growth but the visibility to H2'23 is somewhat gloomy. Vaisala's resilience to possible economic slowdown is hard to estimate but the company is exposed both for industrial investments and public spending. However, the company operates within fields in which growth is boosted by several megatrends. We consider these trends supporting the demand during uncertain times. In addition, the energy crisis in Europe will likely increase investments in renewable energy, power, and gas industries in which the company already operates.

Valuation remains elevated

We made no significant changes to our estimates. We see Vaisala developing favorably in Q4'22 and H1'23 but expect W&E to experience headwinds in H2'23. In total, we expect 23E group net sales to grow only by 2.5% but EBIT margin to further improve due to the margin impact of improved component availability. Vaisala's 23E valuation remains somewhat elevated. We don't see significant room for an upside in the share price, but we enjoy the ride with the high-class business of Vaisala. We retain our HOLD-rating and TP of EUR 40.0.

Rating

HOLD



Share price, EUR (Last trading day's closing price) 39.80

Target price, EUR 40.0

Latest change in recommendation 30-Apr-21

Latest report on company 16-Oct-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 1,434

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

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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%	-36.0	1.30	30.3	2.9	22.5	-2.5	0.70
2023E	525.2	68.4	13.0%	76.2	1.45	27.5	2.7	20.7	5.3	0.80
2024E	550.8	80.4	14.6%	52.0	1.73	23.0	2.5	17.3	3.6	0.99
Market cap, EURm	1,434		Gearing 2022E, %		12.0		CAGR EPS 2021-24, %		17.0	
Net debt 2022E, EURm	30		Price/book 2022E		5.7		CAGR sales 2021-24, %		7.9	
Enterprise value, EURm	1,467		Dividend yield 2022E, %		1.8		ROE 2022E, %		19.5	
Total assets 2022E, EURm	471		Tax rate 2022E, %		23.8		ROCE 2022E, %		21.3	
Goodwill 2022E, EURm	49		Equity ratio 2022E, %		53.7		PEG, P/E 22/CAGR		3.1	

Estimates

We made no significant changes to our estimates, expecting Vaisala to continue its growth going forward. However, we anticipate the growth pace to slow notably down driven by the uncertain economic environment. In 2022, we expect net sales to near the mid-point of the company's guidance (EUR 500-520m). Our 22 net sales estimate amounts to EUR 512.6m, reflecting y/y growth of 17%. Growth is driven by both business units: we expect IM to increase by 25% y/y while our y/y growth estimate for W&E is 11%. We expect the gross margin to drop that of the previous year driven by higher material costs through spot-component purchases. Our 22E group gross margin amounts to 54.8%, reflecting spot-component purchases continuing also in Q4. Our 22E EBIT estimate is intact at EUR 65.1m (12.7% margin), being slightly above the lower bound of the company's guidance (EUR 62-72m).

In H1'23, we expect the company to grow by mid-single-digits. However, the growth rate likely smoothens in H2'23 driven by headwinds the W&E we estimate to experience. In previous recessions, W&E has been more exposed to economic downturns. Our 23 net sales estimate amounts to EUR 525.2m, reflecting y/y growth of 2.5% (IM: 4.6%, W&E: 0.8%). We expect the gross margin to improve with the component availability improving and spot-component purchases decreasing. In addition, we expect additional IT-system costs to diminish gradually enabling more scale. Our 23 EBIT estimate amounts to EUR 68.4m (13% margin).

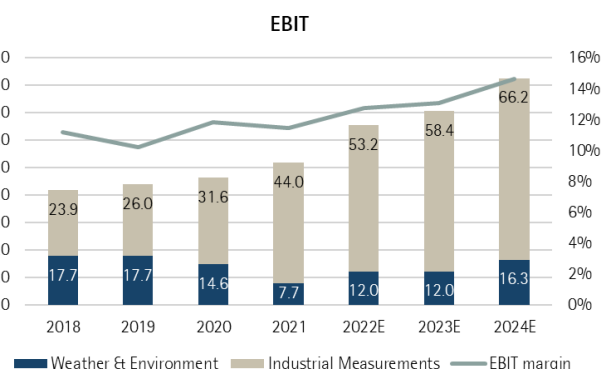
The visibility to 2024 is weak, but we expect growth slightly to strengthen. Our 24 net sales estimate amounts to EUR 550.8m, reflecting y/y growth of 4.9% (IM: 6.4%, W&E: 3.6%). With further improved gross margin and growth pace picking up, we expect EBIT margin to improve to 14.6%, but not reaching the company's long-term target of 15% yet.

ESTIMATE CHANGES									
	2022E			2023E			2024E		
	Old	New		Old	New		Old	New	
Net sales	512.6	512.6	0%	524.8	525.2	0%	544.8	550.8	1%
IM	229.1	226.7	-1%	239.0	237.2	-1%	250.4	252.4	1%
W&E	283.6	285.9	1%	285.8	288.0	1%	294.4	298.4	1%
EBIT	65.1	65.1	0%	68.3	68.4	0%	77.0	80.4	4%
IM	55.8	53.2	-5%	59.3	58.4	-2%	64.7	66.2	2%
W&E	10.2	12.0	18%	11.0	12.0	9%	14.4	16.3	13%

Valuation

Vaisala currently trades with a slight premium to its peers. Its peer group, consisting of other measurement-related technology companies, trades with a 23E EV/EBIT multiple of 18x while Vaisala is valued with a corresponding multiple of 21x. We find the premium justified, but do not see in this market environment a significant room for upside in Vaisala's share valuation. While during 2020-21, the company multiples were touching 40x of EV/EBIT, we find the current valuation being on a healthier basis. We retain our HOLD-rating and TP of EUR 40.0.

ESTIMATES	2018	2019	2020	Q1'21	Q2'21	Q3'21	Q4'21	2021	Q1'22	Q2'22	Q3'22	Q4'22E	2022E	2023E	2024E
Net sales	348.8	403.6	379.5	92.0	109.5	111.5	125.0	437.9	118.8	120.5	133.3	140.0	512.6	525.2	550.8
Weather & Environment	232.3	261.3	235.6	52.2	65.4	64.4	74.9	256.9	65.7	65.9	75.7	78.6	285.9	288.0	298.4
Industrial Measurements	116.5	142.4	143.9	39.7	44.1	47.1	50.1	181.0	53.1	54.7	57.6	61.4	226.7	237.2	252.4
Reported EBIT	38.9	41.1	44.8	8.1	10.9	19.2	11.9	50.1	17.5	10.3	22.0	15.2	65.1	68.4	80.4
Weather & Environment	17.7	17.7	14.6	-0.9	1.0	5.3	2.3	7.7	2.9	-1.0	7.5	2.7	12.0	12.0	16.3
Industrial Measurements	23.9	26.0	31.6	9.4	10.5	14.2	9.8	44.0	14.6	11.5	14.6	12.6	53.2	58.4	66.2
Other operations	-2.7	-2.6	-1.4	-0.4	-0.6	-0.2	-0.3	-1.5	0.1	-0.1	0.0	-0.1	-0.2	-2.0	-2.1
Adj. EBIT	42.6	50.7	52.3	10.0	12.7	21.2	13.7	57.6	19.5	12.4	24.1	17.1	73.2	76.5	88.5
Net sales growth	5%	16%	-6%	5%	20%	19%	17%	15%	29%	10%	20%	12%	17%	2%	5%
Weather & Environment	5%	12%	-10%	1%	14%	9%	12%	9%	26%	1%	18%	5%	11%	1%	4%
Industrial Measurements	6%	22%	1%	12%	30%	35%	26%	26%	34%	24%	22%	23%	25%	5%	6%
EBIT margin	11.2%	10.2%	11.8%	8.8%	10.0%	17.3%	9.5%	11.4%	14.8%	8.6%	16.5%	10.9%	12.7%	13.0%	14.6%
Weather & Environment	7.6%	6.8%	6.2%	-1.7%	1.5%	8.2%	3.1%	3.0%	4.4%	-1.6%	9.9%	3.5%	4.2%	4.2%	5.4%
Industrial Measurements	20.5%	18.3%	22.0%	23.7%	23.8%	30.2%	19.6%	24.3%	27.5%	21.0%	25.3%	20.5%	23.5%	24.6%	26.2%



VAISALA PEER VALUATION

	EBIT %		EBITDA %		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	17.2	19.6	20.4	23.6	15.5	17.9
Spectris plc	16.8	17.1	19.9	20.2	15.5	16.0
Oxford Instruments plc	17.2	17.3	20.4	20.6		
Trimble Inc.	23.4	24.1	25.4	26.0	15.5	15.4
Hexagon AB Class B	27.9	28.2	36.2	37.1	10.4	10.6
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	24.2	24.4	20.5	21.4
Peer Group Average	19.3	19.9	23.1	23.7	16.3	16.5
Peer Group Median	20.6	19.6	24.2	23.6	15.5	17.0
Vaisala (Evli est.)	12.7	13.0	17.2	17.2	21.3	20.3
Premium/discount to peer median	-38%	-34%	-29%	-27%	37%	20%
	ROE %		DIV %		P/E	
	22E	23E	22E	23E	22E	23E
Keysight Technologies Inc	34.8	32.2	0.0	0.0	23.8x	22.1x
National Instruments Corporation	21.7	27.0	2.9	2.9	19.9x	16.0x
Spectris plc	14.0	15.6	2.5	2.6	19.9x	17.6x
Oxford Instruments plc	16.2	15.2	1.0	1.1	21.3x	20.3x
Trimble Inc.	17.3	18.2	0.0	0.0	21.9x	19.4x
Hexagon AB Class B	12.7	11.7	1.2	1.3	22.8x	21.9x
Sensirion Holding AG	21.6	16.4	0.0	0.0	25.1x	27.6x
FARO Technologies, Inc.		5.3	0.0	3.4	134.7x	32.0x
Halma plc	19.0	18.4	1.0	1.0	29.3x	27.1x
Peer Group Average	19.6	17.8	1.0	1.4	35.4x	22.7x
Peer Group Median	18.1	16.4	1.0	1.1	22.8x	21.9x
Vaisala (Evli est.)	19.5	19.7	1.8	2.0	30.3x	27.5x
Premium/discount to peer median	8%	20%	83%	82%	33%	26%
	EV/S		EV/EBITDA		EV/EBIT	
	22E	23E	22E	23E	22E	23E
Keysight Technologies Inc	5.9x	5.4x	18.6x	17.4x	20.3x	18.7x
National Instruments Corporation	3.2x	3.0x	15.8x	12.5x	18.7x	15.1x
Spectris plc	2.4x	2.2x	11.9x	10.8x	14.1x	12.7x
Oxford Instruments plc	2.7x	2.5x	13.2x	12.2x	15.8x	14.6x
Trimble Inc.	4.1x	3.8x	16.2x	14.6x	17.5x	15.7x
Hexagon AB Class B	5.8x	5.4x	16.1x	14.7x	20.8x	19.3x
Sensirion Holding AG	4.0x	3.6x	15.6x	16.0x	19.2x	20.5x
FARO Technologies, Inc.	1.3x	1.2x	31.2x	14.9x	145.6x	21.9x
Halma plc	4.8x	4.4x	19.8x	17.9x	23.0x	20.7x
Peer Group Average	3.8x	3.5x	17.6x	14.6x	32.8x	17.7x
Peer Group Median	4.0x	3.6x	16.1x	14.7x	19.2x	18.7x
Vaisala (Evli est.)	2.9x	2.7x	16.7x	15.7x	22.5x	20.7x
Premium/discount to peer median	-28%	-25%	4%	7%	17%	11%

Source: FactSet, Evli Research

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC
Current share price	39.80 PV of Free Cash Flow	452 Long-term growth, %	2.5 Risk-free interest rate, %
DCF share value	38.44 PV of Horizon value	931 WACC, %	7.4 Market risk premium, %
Share price potential, %	-3.4 Unconsolidated equity	-4 Spread, %	0.0 Debt risk premium, %
Maximum value	38.4 Marketable securities	78 Minimum WACC, %	7.4 Equity beta coefficient
Minimum value	38.4 Debt - dividend	-72 Maximum WACC, %	7.4 Target debt ratio, %
Horizon value, %	67.3 Value of stock	1,385 Nr of shares, Mn	36.0 Effective tax rate, %

DCF valuation, EURm	2021	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	Horizon
Net sales	438	513	525	551	570	587	605	623	642	661	677	694
<i>Sales growth, %</i>	<i>15.4</i>	<i>17.0</i>	<i>2.5</i>	<i>4.9</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	80	80	82	85	87	90	93	95	97
<i>Operating income margin, %</i>	<i>11.4</i>	<i>12.7</i>	<i>13.0</i>	<i>14.6</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	22	22	23	24	24	20	21	21	22	
EBITDA	72	88	90	102	103	106	109	107	111	114	117	
- Paid taxes	-12	-16	-14	-16	-16	-16	-17	-17	-18	-19	-19	
- Change in NWC	17	-62	24	-4	-3	-3	-3	-3	-3	-3	-2	
<i>NWC / Sales, %</i>	<i>8.6</i>	<i>19.5</i>	<i>14.6</i>	<i>14.6</i>	<i>14.6</i>	<i>14.6</i>	<i>14.6</i>	<i>14.6</i>	<i>14.6</i>	<i>14.6</i>	<i>14.7</i>	
+ Change in other liabs	0	0	0	0	0	0	0	0	0	0	0	
- Operative CAPEX	-19	-37	-16	-23	-22	-22	23	-17	-17	-18	-9	
<i>opCAPEX / Sales, %</i>	<i>4.9</i>	<i>8.5</i>	<i>4.1</i>	<i>5.2</i>	<i>4.9</i>	<i>4.8</i>	<i>-2.8</i>	<i>3.8</i>	<i>3.8</i>	<i>3.8</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	-27	84	60	62	65	113	70	72	75	87	1,798
= Discounted FCFF		-27	77	51	49	48	78	45	43	41	45	931
= DFCF min WACC		-27	77	51	49	48	78	45	43	41	45	931
= DFCF max WACC		-27	77	51	49	48	78	45	43	41	45	931

Electronic Equipment & Instruments/Finland, October 31, 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	525.2	550.8
EBITDA	13.4	16.1	24.7	17.5	71.7	23.1	16.1	27.9	20.8	88.0	90.2	102.3
<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>20.9</i>	<i>14.9</i>	<i>17.2</i>	<i>17.2</i>	<i>18.6</i>
EBIT	8.1	10.9	19.2	11.9	50.1	17.5	10.3	22.0	15.2	65.1	68.4	80.4
<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>10.9</i>	<i>12.7</i>	<i>13.0</i>	<i>14.6</i>
Net financial items	-0.2	-0.8	-0.5	-0.6	-2.1	-0.2	-1.0	-1.3	-0.9	-3.4	-3.1	-2.4
Pre-tax profit	7.9	10.1	18.8	11.3	48.1	17.3	9.3	20.7	14.3	61.7	65.3	77.9
Tax	-1.6	-0.7	-2.8	-3.7	-8.8	-3.6	-3.0	-4.7	-3.4	-14.7	-13.1	-15.6
<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>22.6</i>	<i>24.0</i>	<i>23.8</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	16.1	10.9	47.0	52.2	62.3
EPS	0.17	0.25	0.44	0.21	1.08	0.38	0.18	0.45	0.30	1.30	1.45	1.73
EPS adjusted (diluted no. of shares)	0.17	0.25	0.44	0.21	1.08	0.39	0.18	0.45	0.30	1.31	1.45	1.73
Dividend per share	0.00	0.00	0.00	0.00	0.68	0.00	0.00	0.00	0.00	0.70	0.80	0.99
SALES, EURm												
Weather and Environment	52.2	65.4	64.4	74.9	256.9	65.7	65.9	75.7	78.6	285.9	288.0	298.4
Industrial Measurements	39.7	44.1	47.1	50.1	181.0	53.1	54.7	57.6	61.4	226.7	237.2	252.4
Total	92.0	109.5	111.5	124.9	437.9	118.8	120.5	133.3	140.0	512.6	525.2	550.8
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>17.5</i>	<i>5.0</i>	<i>11.3</i>	<i>0.8</i>	<i>3.6</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>22.2</i>	<i>22.6</i>	<i>25.2</i>	<i>4.6</i>	<i>6.4</i>
Total	5.5	19.8	18.6	16.9	15.4	29.2	10.1	19.5	12.1	17.0	2.5	4.9
EBIT, EURm												
Weather and Environment	-0.9	1.0	5.3	2.3	7.7	2.9	-1.0	7.5	2.7	12.0	12.0	16.3
Industrial Measurements	9.4	10.5	14.2	9.8	44.0	14.6	11.5	14.6	12.6	53.2	58.4	66.2
Other	-0.4	-0.6	-0.2	-0.3	-1.5	0.1	-0.1	0.0	-0.1	-0.1	-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	68.4	80.4
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>9.9</i>	<i>3.5</i>	<i>4.2</i>	<i>4.2</i>	<i>5.4</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>25.3</i>	<i>20.5</i>	<i>23.5</i>	<i>24.6</i>	<i>26.2</i>
<i>Other</i>						<i>50,000.0</i>		<i>0.0</i>		<i>-</i>		
Total	8.8	10.0	17.3	9.5	11.4	14.8	8.6	16.5	10.9	12.7	13.0	14.6

Electronic Equipment & Instruments/Finland, October 31, 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	525.2	550.8
<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>17.0</i>	<i>2.5</i>	<i>4.9</i>
EBITDA	50.3	51.1	64.7	65.9	71.7	88.0	90.2	102.3
<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>17.2</i>	<i>17.2</i>	<i>18.6</i>
Depreciation	-9.5	-12.1	-23.6	-21.1	-21.6	-22.8	-21.8	-21.9
EBITA	40.8	39.0	41.1	44.8	50.1	65.1	68.4	80.4
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	68.4	80.4
<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>14.6</i>
Reported EBIT	40.8	39.0	41.1	44.8	50.1	65.1	68.4	80.4
<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>14.6</i>
Net financials	-2.8	-1.4	-1.0	-3.4	-2.1	-3.4	-3.1	-2.4
Pre-tax profit	38.0	37.6	40.1	41.4	48.1	61.7	65.3	77.9
Taxes	-10.9	-8.0	-6.5	-8.5	-8.8	-14.7	-13.1	-15.6
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	47.0	52.2	62.3
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	124	123	129
Goodwill	16	25	30	30	29	49	49	49
Right of use assets	0	12	12	13	11	13	13	14
Inventory	29	32	40	45	50	72	74	77
Receivables	84	93	105	93	107	154	131	138
Liquid funds	91	73	56	45	78	51	79	83
Total assets	274	347	361	352	408	471	477	498
Liabilities								
Shareholder's equity	185	183	198	205	230	252	279	313
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	69	45	25
Non-interest bearing current liabilities	81	89	94	76	116	123	126	132
Other interest-free debt	5	9	7	8	7	7	7	7
Total liabilities	274	347	361	352	408	471	477	498
CASH FLOW, EURm								
+ EBITDA	50	51	65	66	72	88	90	102
- Net financial items	-3	-1	-1	-3	-2	-3	-3	-2
- Taxes	-7	-9	-9	-8	-11	-15	-13	-16
- Increase in Net Working Capital	7	-4	-16	-7	17	-62	24	-4
+/- Other	2	11	2	-6	5	0	0	0
= Cash flow from operations	49	48	41	41	80	7	98	80
- Capex	-8	-14	-38	-35	-22	-43	-21	-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	-36	76	52
+/- New issues/buybacks	-2	5	3	-4	8	0	0	0
- Paid dividend	-18	-37	-21	-22	-22	-25	-25	-29
+/- Other	0	31	-1	9	-12	34	-23	-19
Change in cash	19	-19	-16	-11	33	-27	28	4

Electronic Equipment & Instruments/Finland, October 31, 2022
Company update

KEY FIGURES	2018	2019	2020	2021	2022E	2023E	2024E
M-cap	659	1,159	1,454	1,924	1,434	1,434	1,434
Net debt (excl. convertibles)	-20	-5	9	-30	30	-21	-44
Enterprise value	638	1,154	1,466	1,899	1,467	1,416	1,392
Sales	349	404	380	438	513	525	551
EBITDA	51	65	66	72	88	90	102
EBIT	39	41	45	50	65	68	80
Pre-tax	38	40	41	48	62	65	78
Earnings	30	34	33	39	47	52	62
Equity book value (excl. minorities)	183	198	205	230	252	279	313
Valuation multiples							
EV/sales	1.8	2.9	3.9	4.3	2.9	2.7	2.5
EV/EBITDA	12.5	17.8	22.2	26.5	16.7	15.7	13.6
EV/EBITA	16.4	28.1	32.7	37.9	22.5	20.7	17.3
EV/EBIT	16.4	28.1	32.7	37.9	22.5	20.7	17.3
EV/OCF	13.2	28.3	35.8	23.7	197.4	14.5	17.3
EV/FCFF	-38.5	141.5	115.8	30.3	-53.8	16.8	23.3
P/FCFE	-37.2	413.9	259.7	33.0	-39.8	18.8	27.6
P/E	22.2	34.6	44.2	49.4	30.3	27.5	23.0
P/B	3.6	5.8	7.1	8.4	5.7	5.1	4.6
Target EV/EBITDA	0.0	0.0	0.0	0.0	16.7	15.8	13.7
Target EV/EBIT	0.0	0.0	0.0	0.0	22.6	20.8	17.4
Target EV/FCF	0.0	0.0	0.0	0.0	-40.9	18.6	26.9
Target P/B	0.0	0.0	0.0	0.0	5.7	5.2	4.6
Target P/E	0.0	0.0	0.0	0.0	30.5	27.6	23.1
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	1.30	1.45	1.73
Operating cash flow per share	1.35	1.14	1.14	2.22	0.21	2.71	2.23
Free cash flow per share	-0.49	0.08	0.16	1.62	-1.00	2.12	1.44
Book value per share	5.11	5.53	5.69	6.36	7.00	7.75	8.68
Dividend per share	0.58	0.61	0.61	0.68	0.70	0.80	0.99
Dividend payout ratio, %	70.1	65.3	66.8	63.0	53.7	55.0	57.0
Dividend yield, %	3.2	1.9	1.5	1.3	1.8	2.0	2.5
FCF yield, %	-2.7	0.2	0.4	3.0	-2.5	5.3	3.6
Efficiency measures							
ROE	16.1	17.6	16.3	17.9	19.5	19.7	21.1
ROCE	18.5	17.0	17.7	18.6	21.3	20.3	23.3
Financial ratios							
Inventories as % of sales	9.2	9.8	11.7	11.4	14.0	14.0	14.0
Receivables as % of sales	26.7	26.0	24.4	24.4	30.0	25.0	25.0
Non-interest bearing liabilities as % of sales	25.5	23.2	20.1	26.6	24.0	24.0	24.0
NWC/sales, %	10.1	12.7	15.2	8.6	19.5	14.6	14.6
Operative CAPEX/sales, %	4.1	9.4	9.3	4.9	8.5	4.1	5.2
CAPEX/sales (incl. acquisitions), %	-10.7	9.4	9.3	4.9	8.5	4.1	5.2
FCFF/EBITDA	-0.3	0.1	0.2	0.9	-0.3	0.9	0.6
Net debt/EBITDA, book-weighted	-0.4	-0.1	0.1	-0.4	0.3	-0.2	-0.4
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	53.7	58.6	63.0
Gearing, %	-11.0	-2.5	4.4	-13.1	12.0	-7.4	-14.0

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	150.299	10.5%
Nordea Nordic Small Cap Fund	1,936,354	77.067	5.4%
Weisell-Säätiö Sr	1,700,710	67.688	4.7%
Mandatum Life Insurance Company Ltd.	1,405,717	55.948	3.9%
Voipio Mikko	1,268,312	50.479	3.5%
Citibank Europe Plc	1,125,200	44.783	3.1%
Caspers Anja	969,496	38.586	2.7%
Voipio Raimo Hannes	919,656	36.602	2.6%
Ten largest	13,101,803	521.452	36%
Residual	22,918,197	912.144	64%
Total	36,020,000	1,433.596	100%

EARNINGS CALENDAR	
February 16, 2023	FY 2022 Results
May 05, 2023	Q1 report
July 28, 2023	Q2 report
October 27, 2023	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, %	$\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes}}{\text{Shareholder's equity} + \text{minority interest} + \text{taxed provisions (average)}}$		

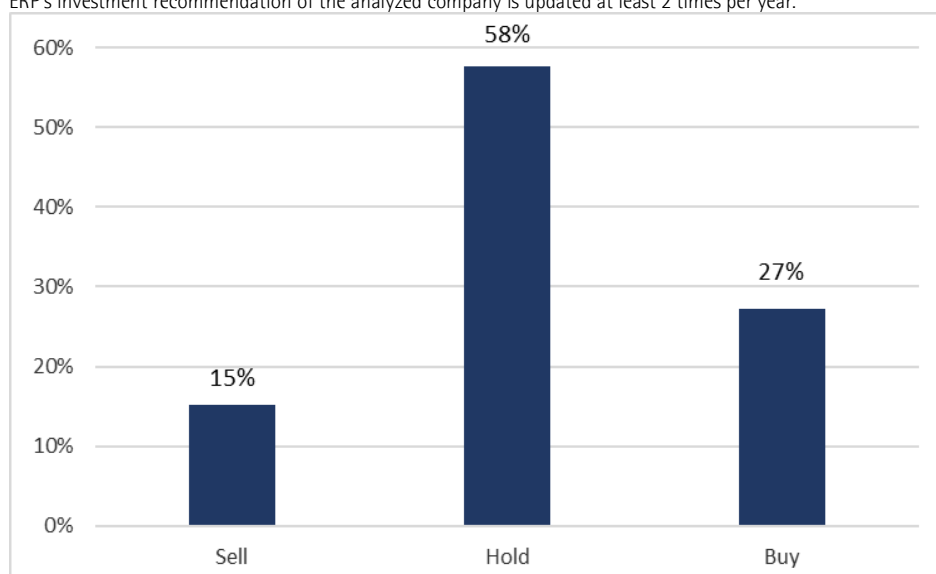
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Target price compared to share price	Recommendation
< -10 %	SELL
-10 – (+10) %	HOLD
> 10 %	BUY

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

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