

Update on Vaisala's W&E business

We attended Vaisala's investor event in its wind Lidar R&D and production facilities in Saclay, France. The information we got further strengthened our view of W&E's long-term potential.

Profitability is currently driven by flagship businesses

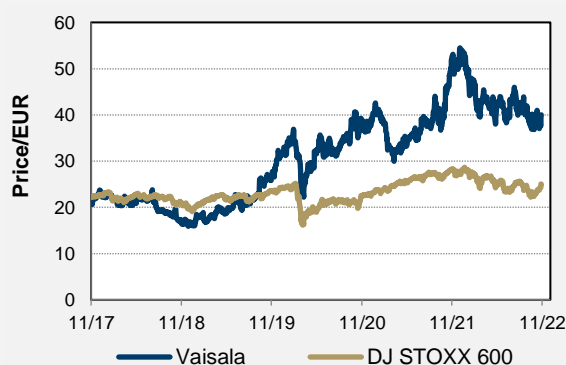
Vaisala introduced its W&E business area and its strategy more in detail at its investor event in Saclay, France. W&E aims for growth through its growing and emerging businesses while the profitability is currently driven by the flagship businesses, i.e., product and project sales in meteorological and aviation markets. W&E is a clear market leader in selected niche markets in its flagship businesses but the growth opportunities in named business areas are highly restricted. Vaisala continues to selectively invest in its flagship markets, but the growth potentials lie in the rest of its businesses.

From hardware to software

While in the past Vaisala was known for its highly accurate measurement hardware, a general trend in W&E's growing and emerging businesses is an increased share of software which nowadays drives a significant part of the value-add. With certain acquisitions made during the past, Vaisala has gained access to technologies, such as Lidars and developer tools, with which it's aiming to gain an annual double-digit topline growth. Growing businesses consist of from-distance measurements, i.e., Lidar equipment as well as air quality solution and road weather and environmental solutions. Meanwhile, in its emerging businesses (Xweather), W&E provides only subscription-based data and solution services combining hardware and software. Xweather's profitability potential is notable given its scalable platform, but the business is still in its early stages. The presentations of W&E's growing and emerging businesses further strengthened our impression of W&E's future potential from both growth and profitability perspectives.

Investment case unchanged for now

Although W&E's prospects seem bright now, the uncertainty concerning economic development keeps us cautious and we remain to wait for the company's further comments on visibility to 2023. We currently expect low single-digit growth in 23E due to strong comparison periods as well as weakening economic conditions. With valuation remaining elevated and our estimates intact, we retain our HOLD-rating and TP of EUR 40.0.

 Rating 🟡 HOLD

 Share price, EUR (Last trading day's closing price) 40.00

 Target price, EUR 40.0

 Latest change in recommendation 30-Apr-21

 Latest report on company 31-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 1,441

 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

 Web site vaisala.com/en/investors

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Telephone

+ BUY 🟡 HOLD - SELL

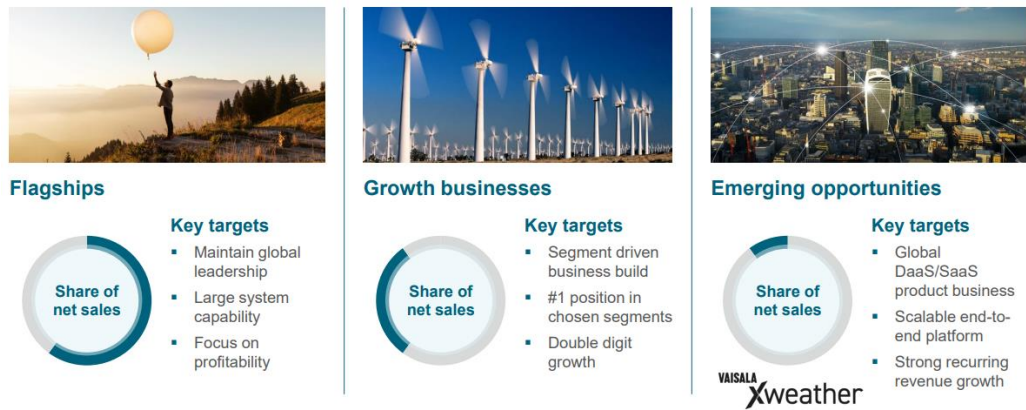
KEY FIGURES

| | 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 | 30.5 | 2.9 | 22.6 | -2.5 | 0.70 |
| 2023E | 525.2 | 68.4 | 13.0% | 76.2 | 1.45 | 27.6 | 2.7 | 20.8 | 5.3 | 0.80 |
| 2024E | 550.8 | 80.4 | 14.6% | 52.0 | 1.73 | 23.1 | 2.5 | 17.4 | 3.6 | 0.99 |
| Market cap, EURm | | | 1,441 | 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 | | | 1,475 | 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 |

W&E's business in total

The part which Vaisala is mostly known for, the weather and environment business area's (W&E) offerings are based on a customer's need for safety from severe weather events, mitigation of climate change, or improving the operational efficiency. All of those can be solved with accurate weather and environment measurements that W&E provides. W&E divides its business into three categories based on its market position: flagship, growth, and emerging businesses. Flagship businesses cover product and project sales for meteorology and aviation industries and Vaisala's position in such markets is dominant. However, in the flagship businesses, W&E's growing opportunities are restricted given strong market position and matured market. Flagship businesses drive healthy profitability whereby the growth of other businesses can be financed. The event's focus was on the growing and emerging businesses which are discussed more deeply below in their own chapters.

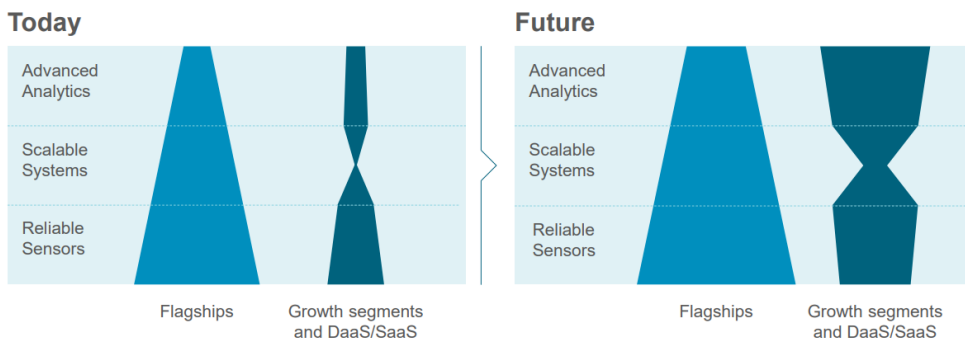
Figure 1: Business split of W&E



Source: Vaisala

W&E aims to combine its accurate measurement hardware with scalable systems and IoT-enabled analytics to provide a customer a comprehensive "full-stack" solution. In addition, Vaisala develops scalable user interfaces which interpret the measured data and used algorithms (i.e. forecasts) into user-friendly apps or systems. According to the company's management, this comprehensive full-stack is what none of the company's competitors have. In growing and emerging businesses, the business unit aims for increasing the share of systems and analytics in which the hardware clearly represents a lower share than in flagship markets. In this way, the BU secures and improves its long-term profitability that currently relies on its flagship businesses.

Figure 2: Road to increased level of scalability and analytics



Source: Vaisala

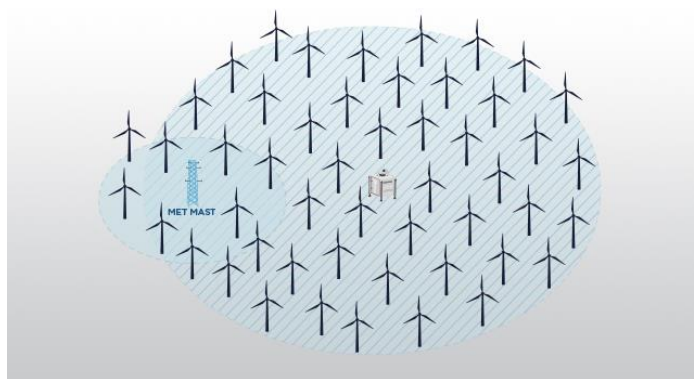
Growth businesses

W&E's growth businesses provide from-distance-sensing wind Lidar equipment, air quality measurement solutions, and road weather and environment solutions. The underlying demand for the abovementioned solutions is highly driven by climate change. The growing businesses are directed by the founder and former CEO of acquired Leosphere, Alexandre Sauvage. With the acquisition of Leosphere, Vaisala gained the ability to produce high-tech Lidar equipment.

Growth businesses focus on increasing net sales annually by over 10% with attractive profitability. In addition, the business aims for #1 positioning in selected niche markets according to Vaisala's strategy. As mentioned in the first chapter, businesses utilize scalable, application-driven solutions, combining hardware, software, and data. In order to secure future, double-digit growth, W&E invests (R&D) heavily in its growing businesses. With M&A, market expansion, and new solutions the businesses further strengthen their market positions.

Wind Lidars enable accurate from-distance measurements. Lidars are used in renewable energy (wind farms), aviation (airports), maritime (vessels) as well as meteorology (research). With from-distance wind measurements, Vaisala's customers can optimize their operations and enhance efficiency, for instance, wind farm operators can decide the most efficient spot for grounding a wind farm (on- or off-shore) and optimize the position of wind propellers to gain the most of the wind energy. Below is shown the power of Lidar versus its competitive technology met mast. A single Lidar can measure winds worth large wind farm due to its flexibility while a single met mast can measure winds for few wind mills.

Figure 3: Lidar vs. wind met masts



Source: Vaisala

Growing businesses also include measurements for the urban environment, mostly consisting of air quality solutions and smart city applications. With accurate data and forecasts, urban environments, i.e., cities can both understand and mitigate air quality and other urbanization issues. In addition, with accurate weather and environmental data and forecasts, the cities can optimize their infrastructures accordingly and enhance efficiency, for instance by controlling HVACs based on air pollution and street lighting based on environmental data locally.

Road weather and environment solutions are used by road management authorities, automotive (car manufacturers), logistics and transportation, and other industries. With accurate road condition data and forecasts, road managers can detect road conditions

and make decisions accordingly, for example, how much salt must be applied on frozen roads during winter conditions. Autonomic vehicles also utilize road weather data and the usage is expected to increase.

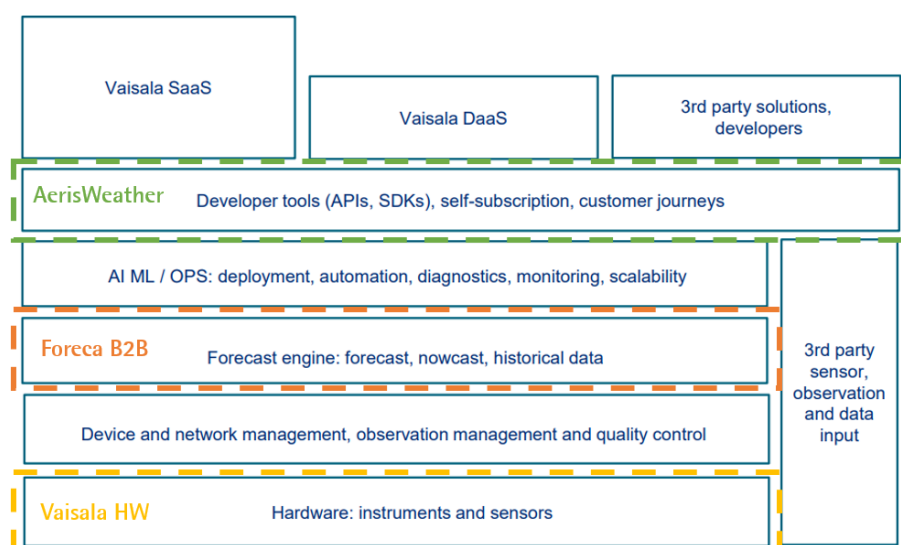
The underlying megatrends concerning W&E's growing businesses remain strong and are highly driven by climate change and green transition. The European energy crisis has further strengthened the need for renewable energies. We see Vaisala's Lidar business as a strong future driver and expect it to bring Vaisala solid long-term growth. Moreover, we expect the Lidars to grow in penetration since the technology is much more efficient than the traditional met masts. To our understanding, the majority of Lidar revenue generates from wind farm investments which are currently increasing due to green transition and energy self-sufficiency (Europe), thus driving Vaisala's renewable energy markets to grow strongly.

Emerging businesses – Xweather

Approximately a month ago, Vaisala announced its new digital business unit, Xweather which provides all of Vaisala's subscription-based DaaS (Data as a Service) and SaaS (Solution as a Service) products for B2B customers and developers. Former Head of R&D (W&E) Samuli Hänninen was appointed as Head of Xweather. Xweather employs approx. 150 persons which include the talents gained through the acquisitions of Vionice (2017), Foreca B2B (2019), and AerisWeather (2022).

Xweather is operated more like a start-up and integrated unit in contrast to Vaisala. The business is driven by use cases rather than segment cases, due to its scalable product which can be provided for all different segments with slight customization. Xweather's typical customers operate in weather and environment data-dependent industries and are willing to buy the data services based on OPEX rather than investing in their own measurement capabilities. Vaisala provides weather data for automotive industries (control panel weather information or autonomic vehicles), road management authorities, logistics and transportation, heat/power industries, big tech companies, and other industries.

Figure 4: Xweather technology stack



Source: Vaisala

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While the competition in general weather and environmental data is significant, Xweather is not interested in bulk data and focuses on B2B. It rather provides highly accurate and local measurements and solutions for customers to further understand metadata behind the measurements. DaaS basically consists of the measured data as well as Vaisala's forecasts. In order to further improve the service, Vaisala offers SaaS which includes also personal hardware (local measurement devices) alongside data and software. With the SaaS, a customer gets access to the most advanced and accurate forecasts. At this stage, the business model goes as follows: Xweather first offers free trials in order to attract customers. After the customer has subscribed to the first DaaS, Vaisala aims to up-sell and cross-sell other solutions, namely selling hardware as a part of the services (SaaS).

35% of revenue comes from SaaS while 65% generates from DaaS. During 2022, Xweather has shown double-digit growth and its net revenue retention ratio (NRR) is 98%. More than 95% of revenue is recurring and the aim is to achieve a 100% recurring revenue base.

According to the company's management, the service model is partially customer initiated which in part helps in getting scale. Vaisala is among the industry's first movers but there exists competition (for example, tomorrow.io) to some extent. Markets are still young and it's yet problematic to measure the trend of the demand for subscription-based weather data services. At this stage, it implies that lots of sales and marketing investments are required in order to fully grow volumes to gain scalability. We however expect Vaisala's technology to be competitive and its abilities to further develop its services to be strong.

We anticipate Xweather improving W&E's profitability if the business case succeeds. The amount of scale is clearly stronger than what is achieved from its remaining offering as the company targets approx. over 80% gross margin for Xweather and W&E's gross margin was ~50% in 2021.

| VALUATION RESULTS | BASE CASE DETAILS | VALUATION ASSUMPTIONS | ASSUMPTIONS FOR WACC | |
|--------------------------|----------------------------|-------------------------|--------------------------------|------|
| Current share price | 40.00 PV of Free Cash Flow | 452 Long-term growth, % | 2.5 Risk-free interest rate, % | 2.25 |
| DCF share value | 38.20 PV of Horizon value | 931 WACC, % | 7.4 Market risk premium, % | 5.8 |
| Share price potential, % | -4.5 Unconsolidated equity | -4 Spread, % | 0.0 Debt risk premium, % | 2.8 |
| Maximum value | 38.2 Marketable securities | 78 Minimum WACC, % | 7.4 Equity beta coefficient | 0.80 |
| Minimum value | 38.2 Debt - dividend | -72 Maximum WACC, % | 7.4 Target debt ratio, % | 10 |
| Horizon value, % | 67.3 Value of stock | 1,385 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 | 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 |

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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 |

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| 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, November 14, 2022
Company update

| KEY FIGURES | 2018 | 2019 | 2020 | 2021 | 2022E | 2023E | 2024E |
|--|--------|--------|--------|--------|--------|--------|--------|
| M-cap | 659 | 1,159 | 1,454 | 1,924 | 1,441 | 1,441 | 1,441 |
| Net debt (excl. convertibles) | -20 | -5 | 9 | -30 | 30 | -21 | -44 |
| Enterprise value | 638 | 1,154 | 1,466 | 1,899 | 1,475 | 1,423 | 1,400 |
| 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 | 16.8 | 15.8 | 13.7 |
| EV/EBITA | 16.4 | 28.1 | 32.7 | 37.9 | 22.6 | 20.8 | 17.4 |
| EV/EBIT | 16.4 | 28.1 | 32.7 | 37.9 | 22.6 | 20.8 | 17.4 |
| EV/OCF | 13.2 | 28.3 | 35.8 | 23.7 | 198.3 | 14.6 | 17.4 |
| EV/FCFF | -38.5 | 141.5 | 115.8 | 30.3 | -54.1 | 16.9 | 23.4 |
| P/FCFE | -37.2 | 413.9 | 259.7 | 33.0 | -40.0 | 18.9 | 27.7 |
| P/E | 22.2 | 34.6 | 44.2 | 49.4 | 30.5 | 27.6 | 23.1 |
| P/B | 3.6 | 5.8 | 7.1 | 8.4 | 5.7 | 5.2 | 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 | 151.054 | 10.5% |
| Nordea Nordic Small Cap Fund | 1,936,354 | 77.454 | 5.4% |
| Weisell-Säätiö Sr | 1,700,710 | 68.028 | 4.7% |
| Mandatum Life Insurance Company Ltd. | 1,405,717 | 56.229 | 3.9% |
| Voipio Mikko | 1,268,312 | 50.732 | 3.5% |
| Citibank Europe Plc | 1,125,200 | 45.008 | 3.1% |
| Caspers Anja | 969,496 | 38.780 | 2.7% |
| Voipio Raimo Hannes | 919,656 | 36.786 | 2.6% |
| Ten largest | 13,101,803 | 524.072 | 36% |
| Residual | 22,918,197 | 916.728 | 64% |
| Total | 36,020,000 | 1,440.800 | 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 | |
|-----------------------|---------------------------------------|
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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, % | $\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes}}{\text{Shareholder's equity} + \text{minority interest} + \text{taxed provisions (average)}}$ | | |

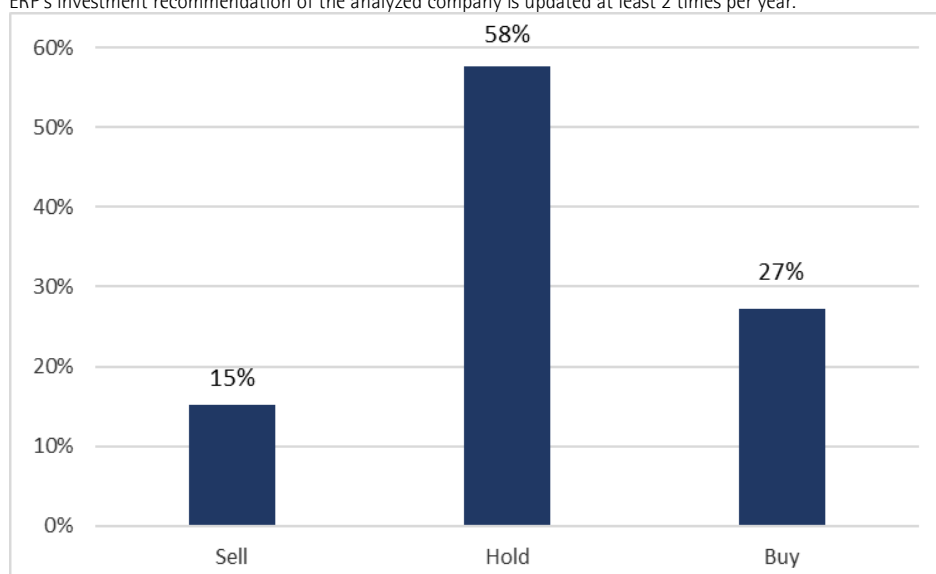
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| Target price compared to share price | Recommendation |
|--------------------------------------|----------------|
| < -10 % | SELL |
| -10 – (+10) % | HOLD |
| > 10 % | BUY |

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

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