

Margin expansion to be seen in H2

Vaisala delivered strong topline and solid order growth in Q1. Despite soft Q1 EBIT, we foresee the profitability improving towards year-end. We retain BUY rating and TP of EUR 44.0.

Delivered growth beyond expectations

Vaisala delivered strong Q1 growth both in orders and net sales. Group net sales grew by 11% y/y to EUR 131.8m. EBIT came in slightly soft at EUR 13.3m (10.1% margin). Growth was driven by each IM's main segments while W&E performed well in continuing services, i.e., road weather and automotive, as well as in renewable energy. EBIT was impacted by flat gross margin and significantly increased fixed costs, which were driven by investments in sales, marketing, R&D and IT-systems. Vaisala's strategic area of X-Weather posted strong double-digit growth. In our view, X-Weather has a significant potential to drive W&E's EBIT margin expansion due to its scalable business model. However, the margin impact may take a few years as we currently estimate X-Weather being yet unprofitable due to strong investments in growth.

EBIT should improve towards year-end

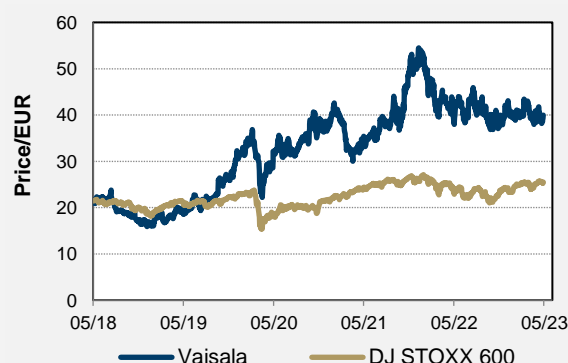
During 2022-23, according to its strategy, Vaisala has allocated capital in internal capabilities to ensure growth for the company's future. Such investments have however been more extensive than we previously expected, which is seen in Q1 EBIT coming in below our expectations. Since the majority of the increased fixed costs are expected to be permanent, scalability is likely to kick in more extensively by 2024. Although Q1 EBIT was a bit soft, the company reiterating its guidance for 2023 indicates improving margins towards the year-end. Moreover, Vaisala's target is to reach an EBIT margin of 15% by the end of 2025, which we foresee achievable, although expect further evidence on scale.

Still some room for an upside

With our estimates relatively intact, Vaisala continues to trade below its peers. In our view, the company should be priced at least in line with its peer group, considering its presence in defensively growing markets, technology leadership and EBIT improvement. We retain our BUY rating and TP of EUR 44.0.

Rating

BUY



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

Target price, EUR 44.0

Latest change in recommendation 03-May-23

Latest report on company 03-May-23

Research paid by issuer: YES

No. of shares outstanding, '000's 36,165

No. of shares fully diluted, '000's 36,165

Market cap, EURm 1,447

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-Jul-23

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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
2021	437.9	50.1	11.4%	58.4	1.08	49.4	4.3	37.9	3.0	0.68
2022	514.1	62.5	12.2%	-12.3	1.25	31.6	2.8	23.1	-0.9	0.72
2023E	564.5	73.2	13.0%	57.7	1.55	25.9	2.5	19.4	4.0	0.85
2024E	605.0	89.2	14.7%	57.2	1.92	20.9	2.3	15.7	4.0	1.09
2025E	637.4	95.6	15.0%	63.3	2.08	19.2	2.2	14.4	4.4	1.14
Market cap, EURm			1,447	Gearing 2023E, %		-8.5	CAGR EPS 2022-25, %			18.2
Net debt 2023E, EURm			-24	Price/book 2023E		5.2	CAGR sales 2022-25, %			7.4
Enterprise value, EURm			1,423	Dividend yield 2023E, %		2.1	ROE 2023E, %			21.1
Total assets 2023E, EURm			474	Tax rate 2023E, %		20.6	ROCE 2023E, %			22.3
Goodwill 2023E, EURm			49	Equity ratio 2023E, %		59.2	PEG, P/E 23/CAGR			2.2

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

Q1 result

Vaisala delivered strong Q1 growth in both orders and net sales at the group level. Orders received increased by 11%, while the order book remained strong at EUR 163.7m (+12%). However, both orders received and the order book declined quarter-on-quarter. Group net sales exceeded our expectations (129.1/127.6m Evli/cons.) and grew by 11% y/y to EUR 131.8m. Meanwhile, the gross margin remained flat despite a negative impact of spot-component purchases. In our view, pricing actions made have successfully offset the negative impact of spot-components, since the spot-impact on gross margin was significantly higher compared to that of the comparison period. With increased recruitments and investments in sales, marketing and R&D, Vaisala's fixed costs grew way faster than its topline, resulting in EBIT of EUR 13.3m coming in below our expectations (17.2/17.9m Evli/cons.). EPS amounted to EUR 0.27 (0.37/0.39m Evli/cons.). Operative cash flow was on a great level which was supported by decreased trade receivables. Q1 operative cash flow accounted for 26.9m.

IM achieved strong net sales growth, and its order flow and order book experienced a decent increase. Both orders received and the order book grew by 10% y/y, with orders received growing in all main segments except for a small decline in life science. The company's net sales saw a robust y/y growth of 19%, surpassing our expectations (Evli: 59.5m), supported by growth in all main segments, especially in industrial instruments, life science, and power and energy segments. Gross margin declined from that of the comparison period and amounted to 62.4%. The decline was related to sales-mix as well as to the usage spot-components. Ultimately, EBIT was a bit above that of the previous year at EUR 15.0m (23.8% margin). Increased recruitments and investments in sales, marketing and IT-systems increased fixed costs by some 25%.

W&E's orders received and order book grew by 13% y/y, with orders of meteorology and road weather and automotive experiencing a strong increase, while renewable energy declined. Despite facing tough comparison figures, W&E achieved a 5% y/y growth in net sales, amounting to EUR 68.8m, slightly below our expectations (Evli: 69.6m). Net sales growth was strong in continuing services, i.e., road weather and automotive, as well as in renewable energy. Vaisala's strategic area X-Weather (continuing D/SaaS services) grew tremendously by 27% y/y, although this growth was supported by the acquisition of AerisWeather, which was integrated into Vaisala's figures from February 2022. The gross margin improved to 50.2%, which was a product of more favorable sales mix. However, despite a solid gross margin, profitability fell negative to EUR -1.7m in terms of EBIT, which was impacted by increased recruitment and investments in sales, marketing, and IT systems, leading to a 22% increase in fixed costs.

Market outlook provides growth for industrial instruments, life science, power and energy, liquid measurements, renewable energy, and road weather and automotive segments. Vaisala iterated its guidance for 2023: net sales of EUR 530-570m, mid-point implying ~7% growth. EBIT is estimated to reach EUR 70-85m, midpoint indicating a ~14% margin.

Estimates

Although Q1 EBIT fell short of our expectations, we foresee ongoing growth supporting 2023 EBIT to land close to the lower bound of the company's guidance. Scalability for this year seem yet limited due to Vaisala's growth enabling investments. The IT-system renewal program is scheduled to conclude by the end of 2023 or early 2024, providing some relative cost savings for the company in the future. Additionally, we foresee that the impact of increased investments in fixed costs will smooth out in 2024, enabling stronger scalability. We have made only minor revisions to our estimates, increasing our 2023-2024 net sales by approx. 1-2% and decreasing EBIT by roughly 2% from our previous expectations.

Underlying demand for Vaisala's solutions remains strong and solid order book provides foundation for H2'23 growth in our view. Despite the slowdown in economic activity, we anticipate Vaisala group to demonstrate robust growth of 10% y/y, reaching EUR 564.5m in 2023. This growth will be fueled by IM's main segments and W&E's meteorology, continuing services, and renewable energy. Our 23E net sales estimate for IM amounts to EUR 253.2m (+12%), while we estimate W&E to reach net sales of EUR 311.3m (+8%) respectively. We expect the gross margin for 2023 to exceed that of the comparison period, landing at 56.1% (IM: 62.7% and W&E: 50.7%). We expect the gross margin to be boosted by a reduction in the utilization of spot components and pricing strategies implemented during Q1-Q2'23. We foresee the growth enabling investments to be primarily permanent which is visible in fixed costs growing above that of the net sales growth in 2023. Our 23E EBIT estimate is EUR 73.2m (13% margin) which is close to the company's guidance's lower bound. IM contributes to EBIT by some EUR 58.8m (23.2% margin) and W&E respectively by EUR 14.3m (4.6% margin).

In 2024, we anticipate a slight deceleration in the net sales growth pace to 7.2%. This growth is expected to be driven by both business units, with IM increasing by 9% and W&E by 6% respectively. We also expect to see further improvement in gross margin, and fixed costs scaling nicely with topline growth, resulting in our 24E EBIT amounting to EUR 89.2m. Our estimated 24E EBIT margin of 14.7% is in close proximity to the company's long-term target of 15%.

Valuation

Our 23-24E EBIT estimates saw no major revision, with 23E profitability focusing clearly to the end of the year. With 23-24E EV/EBIT and P/E multiples of 19-16x and 26-21x, Vaisala continues to trade below its peers. In our view, Vaisala should be priced at least in line with its peer group median, considering its presence in defensively growing markets, technology leadership and potential EBIT margin improvement. We retain our BUY rating and TP of EUR 44.0.

VAISALA PEER GROUP	MCAP MEUR	EV/EBITDA			EV/EBIT			P/E			Div. yield		
		23	24	25	23	24	25	23	24	25	23	24	25
Hexagon	27878	16.0x	14.7x	13.6x	21.1x	19.4x	17.9x	23.6x	21.6x	19.7x	1.3 %	1.4 %	1.5 %
Keysight Tech	23251	14.8x	13.9x		16.1x	15.3x	13.9x	17.9x	16.6x	14.8x	0.0 %	0.0 %	
Trimble	10816	13.4x	12.2x	10.9x	14.4x	12.9x	11.5x	18.3x	16.4x	13.8x	0.0 %	0.0 %	0.0 %
National Instruments	6953	18.8x	17.2x	15.7x	21.3x	19.1x	18.1x	23.2x	20.5x	18.4x	1.9 %	2.0 %	2.0 %
Spectris	4591	13.6x	12.6x	11.7x	16.6x	15.9x	14.0x	20.6x	19.0x	17.4x	2.1 %	2.2 %	2.5 %
FARO Technologies	235		9.0x	4.6x		18.1x	5.7x		28.0x	7.2x	7.3 %	7.3 %	7.3 %
Oxford Instruments	1849	16.6x	15.7x	14.4x	19.4x	18.2x	17.0x	25.4x	24.3x	23.3x	0.8 %	0.8 %	0.8 %
Sensirion Holding	1520	19.2x	17.4x	15.2x	25.5x	23.1x	20.2x	33.0x	29.8x	25.9x	0.0 %	0.0 %	0.0 %
Halma	10383	20.9x	19.5x	18.7x	24.0x	22.3x	21.3x	30.1x	28.1x	26.6x	0.9 %	1.0 %	1.0 %
Peer Group Average	8683	16.6x	14.7x	13.1x	19.8x	18.3x	15.5x	24.0x	22.7x	18.6x	1.6 %	1.6 %	1.9 %
Peer Group Median	4591	16.3x	14.7x	14.0x	20.2x	18.2x	17.0x	23.4x	21.6x	18.4x	0.9 %	1.0 %	1.3 %
Vaisala (Evli est.)	1447	14.8x	12.7x	11.7x	19.4x	15.7x	14.4x	25.9x	20.9x	19.2x	2.1 %	2.7 %	2.9 %

Vaisala prem./disc. to peer median

Source FactSet, Evli Research

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC	
Current share price	40.00 PV of Free Cash Flow	576 Long-term growth, %	2.5 Risk-free interest rate, %	2.25
DCF share value	43.91 PV of Horizon value	1,045 WACC, %	7.4 Market risk premium, %	5.8
Share price potential, %	9.8 Unconsolidated equity	0 Spread, %	0.0 Debt risk premium, %	2.8
Maximum value	43.9 Marketable securities	56 Minimum WACC, %	7.4 Equity beta coefficient	0.80
Minimum value	43.9 Debt - dividend	-89 Maximum WACC, %	7.4 Target debt ratio, %	10
Horizon value, %	64.5 Value of stock	1,588 Nr of shares, Mn	36.2 Effective tax rate, %	25

DCF valuation, EURm	2022	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	Horizon
Net sales	514	564	605	637	663	686	706	728	749	772	791	811
<i>Sales growth, %</i>	<i>17.4</i>	<i>9.8</i>	<i>7.2</i>	<i>5.4</i>	<i>4.0</i>	<i>3.5</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)	63	73	89	96	98	96	99	102	105	108	111	114
<i>Operating income margin, %</i>	<i>12.2</i>	<i>13.0</i>	<i>14.7</i>	<i>15.0</i>	<i>14.8</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.	23	23	21	21	23	24	19	19	20	20	21	
EBITDA	85	96	110	117	121	120	118	121	125	129	132	
- Paid taxes	-15	-15	-18	-19	-20	-19	-20	-20	-21	-22	-22	
- Change in NWC	-38	3	-6	-5	-4	-3	-3	-3	-3	-3	-3	
<i>NWC / Sales, %</i>	<i>15.3</i>	<i>13.5</i>	<i>13.6</i>	<i>13.6</i>	<i>13.6</i>	<i>13.6</i>	<i>13.6</i>	<i>13.6</i>	<i>13.6</i>	<i>13.6</i>	<i>13.7</i>	
+ Change in other liabs	0	0	0	0	0	0	0	0	0	0	0	
- Operative CAPEX	-14	-18	-22	-23	-22	29	-16	-16	-16	-17	-6	
<i>opCAPEX / Sales, %</i>	<i>3.7</i>	<i>4.2</i>	<i>4.5</i>	<i>4.5</i>	<i>4.3</i>	<i>-3.4</i>	<i>3.1</i>	<i>3.1</i>	<i>3.1</i>	<i>3.1</i>	<i>1.7</i>	
- Acquisitions	-23	0	0	0	0	0	0	0	0	0	0	
+ Divestments	0	0	0	0	0	0	0	0	0	0	0	
- Other items	0	0	0	0	0	0	0	0	0	0	0	
= FCFF	-5	65	65	70	75	127	79	82	84	87	101	2,090
= Discounted FCFF		62	58	58	58	91	53	51	49	47	50	1,045
= DFCF min WACC		62	58	58	58	91	53	51	49	47	50	1,045
= DFCF max WACC		62	58	58	58	91	53	51	49	47	50	1,045

INTERIM FIGURES

EVLI ESTIMATES, EURm	2022Q1	2022Q2	2022Q3	2022Q4	2022	2023Q1	2023Q2E	2023Q3E	2023Q4E	2023E	2024E	2025E
Net sales	118.8	120.5	133.3	141.5	514.1	131.8	135.6	142.4	154.6	564.5	605.0	637.4
EBITDA	23.1	16.1	27.9	18.2	85.4	19.1	19.8	32.0	25.2	96.2	110.1	117.1
<i>EBITDA margin (%)</i>	<i>19.5</i>	<i>13.4</i>	<i>20.9</i>	<i>12.9</i>	<i>16.6</i>	<i>14.5</i>	<i>14.6</i>	<i>22.5</i>	<i>16.3</i>	<i>17.0</i>	<i>18.2</i>	<i>18.4</i>
EBIT	17.5	10.3	22.0	12.6	62.5	13.3	14.1	26.3	19.5	73.2	89.2	95.6
<i>EBIT margin (%)</i>	<i>14.8</i>	<i>8.6</i>	<i>16.5</i>	<i>8.9</i>	<i>12.2</i>	<i>10.1</i>	<i>10.4</i>	<i>18.5</i>	<i>12.6</i>	<i>13.0</i>	<i>14.7</i>	<i>15.0</i>
Net financial items	-0.2	-1.0	-1.3	-0.4	-2.9	-0.8	-0.7	-0.7	-0.6	-2.8	-2.5	-1.6
Pre-tax profit	17.3	9.3	20.7	12.2	59.6	12.5	13.4	25.6	18.9	70.4	86.6	94.1
Tax	-3.6	-3.0	-4.7	-3.2	-14.5	-2.9	-2.7	-5.1	-3.8	-14.5	-17.3	-18.8
<i>Tax rate (%)</i>	<i>20.8</i>	<i>32.2</i>	<i>22.6</i>	<i>26.7</i>	<i>24.4</i>	<i>23.2</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>20.6</i>	<i>20.0</i>	<i>20.0</i>
Net profit	13.7	6.3	16.1	9.0	45.1	9.6	10.7	20.5	15.1	55.9	69.3	75.2
EPS	0.38	0.18	0.45	0.25	1.25	0.27	0.30	0.57	0.42	1.55	1.92	2.08
EPS adjusted (diluted no. of shares)	0.39	0.18	0.45	0.25	1.26	0.27	0.30	0.57	0.42	1.55	1.92	2.08
Dividend per share	0.00	0.00	0.00	0.00	0.72	0.00	0.00	0.00	0.00	0.85	1.09	1.14
SALES, EURm												
Weather and Environment	65.7	65.9	75.7	81.3	288.6	68.8	74.4	80.2	87.8	311.3	330.3	343.5
Industrial Measurements	53.1	54.7	57.6	60.2	225.5	63.0	61.2	62.2	66.8	253.2	274.7	293.9
Total	118.8	120.5	133.3	141.5	514.1	131.8	135.6	142.4	154.6	564.5	605.0	637.4
SALES GROWTH, Y/Y %												
<i>Weather and Environment</i>	<i>25.8</i>	<i>0.7</i>	<i>17.5</i>	<i>8.6</i>	<i>12.3</i>	<i>4.7</i>	<i>13.0</i>	<i>6.0</i>	<i>8.0</i>	<i>7.9</i>	<i>6.1</i>	<i>4.0</i>
<i>Industrial Measurements</i>	<i>33.6</i>	<i>23.9</i>	<i>22.2</i>	<i>20.2</i>	<i>24.6</i>	<i>18.6</i>	<i>12.0</i>	<i>8.0</i>	<i>11.0</i>	<i>12.3</i>	<i>8.5</i>	<i>7.0</i>
Total	29.2	10.1	19.5	13.3	17.4	10.9	12.5	6.9	9.3	9.8	7.2	5.4
EBIT, EURm												
Weather and Environment	2.9	-1.0	7.5	1.8	11.1	-1.7	1.5	9.7	4.9	14.3	20.0	51.5
Industrial Measurements	14.6	11.5	14.6	10.8	51.5	15.0	12.6	16.6	14.6	58.8	69.1	44.1
Other	0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	17.5	10.3	22.0	12.6	62.5	13.3	14.1	26.3	19.5	73.2	89.2	95.6
EBIT margin, %												
<i>Weather and Environment</i>	<i>4.4</i>	<i>-1.6</i>	<i>9.9</i>	<i>2.2</i>	<i>3.9</i>	<i>-2.5</i>	<i>1.9</i>	<i>12.0</i>	<i>5.6</i>	<i>4.6</i>	<i>6.1</i>	<i>15.0</i>
<i>Industrial Measurements</i>	<i>27.5</i>	<i>21.0</i>	<i>25.3</i>	<i>17.9</i>	<i>22.8</i>	<i>23.8</i>	<i>20.7</i>	<i>26.7</i>	<i>21.8</i>	<i>23.2</i>	<i>25.2</i>	<i>15.0</i>
<i>Other</i>	<i>50,000.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>-12,500.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>
Total	14.8	8.6	16.5	8.9	12.2	10.1	10.4	18.5	12.6	13.0	14.7	15.0

Electronic Equipment & Instruments/Finland, May 8, 2023
Company update

INCOME STATEMENT, EURm	2018	2019	2020	2021	2022	2023E	2024E	2025E
Sales	348.8	403.6	379.5	437.9	514.1	564.5	605.0	637.4
<i>Sales growth (%)</i>	<i>4.9</i>	<i>15.7</i>	<i>-6.0</i>	<i>15.4</i>	<i>17.4</i>	<i>9.8</i>	<i>7.2</i>	<i>5.4</i>
EBITDA	51.1	64.7	65.9	71.7	85.4	96.2	110.1	117.1
<i>EBITDA margin (%)</i>	<i>14.7</i>	<i>16.0</i>	<i>17.4</i>	<i>16.4</i>	<i>16.6</i>	<i>17.0</i>	<i>18.2</i>	<i>18.4</i>
Depreciation	-12.1	-23.6	-21.1	-21.6	-22.8	-23.0	-20.9	-21.5
EBITA	39.0	41.1	44.8	50.1	62.5	73.2	89.2	95.6
Goodwill amortization / writedown	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	39.0	41.1	44.8	50.1	62.5	73.2	89.2	95.6
<i>EBIT margin (%)</i>	<i>11.2</i>	<i>10.2</i>	<i>11.8</i>	<i>11.4</i>	<i>12.2</i>	<i>13.0</i>	<i>14.7</i>	<i>15.0</i>
Reported EBIT	39.0	41.1	44.8	50.1	62.5	73.2	89.2	95.6
<i>EBIT margin (reported) (%)</i>	<i>11.2</i>	<i>10.2</i>	<i>11.8</i>	<i>11.4</i>	<i>12.2</i>	<i>13.0</i>	<i>14.7</i>	<i>15.0</i>
Net financials	-1.4	-1.0	-3.4	-2.1	-2.9	-2.8	-2.5	-1.6
Pre-tax profit	37.6	40.1	41.4	48.1	59.6	70.4	86.6	94.1
Taxes	-8.0	-6.5	-8.5	-8.8	-14.5	-14.5	-17.3	-18.8
Minority shares	0.0	0.0	0.0	-0.3	0.0	0.0	0.0	0.0
Net profit	29.6	33.5	32.9	39.0	45.1	55.9	69.3	75.2
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	102	108	120	125	121	121	127	133
Goodwill	25	30	30	29	49	49	49	49
Right of use assets	12	12	13	11	12	13	14	15
Inventory	32	40	45	50	62	68	73	76
Receivables	93	105	93	107	131	130	139	147
Liquid funds	73	56	45	78	56	85	91	96
Total assets	347	361	352	408	440	474	501	525
Liabilities								
Shareholder's equity	183	198	205	230	251	281	319	355
Minority interest	0	0	0	1	0	0	0	0
Convertibles	0	0	0	0	0	0	0	0
Lease liabilities	12	11	9	8	11	13	14	15
Deferred taxes	9	8	8	7	4	4	4	4
Interest bearing debt	41	40	45	40	53	48	27	7
Non-interest bearing current liabilities	89	94	76	116	111	119	127	134
Other interest-free debt	9	7	8	7	7	7	7	7
Total liabilities	347	361	352	408	440	474	501	525
CASH FLOW, EURm								
+ EBITDA	51	65	66	72	85	96	110	117
- Net financial items	-1	-1	-3	-2	-3	-3	-3	-2
- Taxes	-9	-9	-8	-9	-14	-14	-17	-19
- Increase in Net Working Capital	-4	-16	-7	17	-38	3	-6	-5
+/- Other	11	2	-6	3	0	0	0	0
= Cash flow from operations	48	41	41	80	30	81	85	92
- Capex	-14	-38	-35	-22	-19	-24	-27	-29
- Acquisitions	-52	0	0	0	-23	0	0	0
+ Divestments	0	0	0	0	0	0	0	0
= Free cash flow	-18	3	6	58	-12	58	57	63
+/- New issues/buybacks	5	3	-4	8	0	0	0	0
- Paid dividend	-37	-21	-22	-22	-25	-26	-31	-39
+/- Other	31	-1	9	-12	15	-3	-20	-19
Change in cash	-19	-16	-11	33	-22	29	6	5

Electronic Equipment & Instruments/Finland, May 8, 2023
Company update

KEY FIGURES	2019	2020	2021	2022	2023E	2024E	2025E
M-cap	1,159	1,454	1,924	1,437	1,447	1,447	1,447
Net debt (excl. convertibles)	-5	9	-30	8	-24	-50	-74
Enterprise value	1,154	1,466	1,899	1,445	1,423	1,396	1,372
Sales	404	380	438	514	564	605	637
EBITDA	65	66	72	85	96	110	117
EBIT	41	45	50	63	73	89	96
Pre-tax	40	41	48	60	70	87	94
Earnings	34	33	39	45	56	69	75
Equity book value (excl. minorities)	198	205	230	251	281	319	355
Valuation multiples							
EV/sales	2.9	3.9	4.3	2.8	2.5	2.3	2.2
EV/EBITDA	17.8	22.2	26.5	16.9	14.8	12.7	11.7
EV/EBITA	28.1	32.7	37.9	23.1	19.4	15.7	14.4
EV/EBIT	28.1	32.7	37.9	23.1	19.4	15.7	14.4
EV/OCF	28.3	35.8	23.7	48.5	17.5	16.5	14.9
EV/FCFF	141.5	115.8	30.3	-308.4	21.7	21.5	19.5
P/FCFE	413.9	259.7	33.0	-116.8	25.1	25.3	22.9
P/E	34.6	44.2	49.4	31.6	25.9	20.9	19.2
P/B	5.8	7.1	8.4	5.7	5.2	4.5	4.1
Target EV/EBITDA	0.0	0.0	0.0	0.0	16.3	14.0	13.0
Target EV/EBIT	0.0	0.0	0.0	0.0	21.4	17.3	15.9
Target EV/FCF	0.0	0.0	0.0	0.0	27.2	26.9	24.0
Target P/B	0.0	0.0	0.0	0.0	5.7	5.0	4.5
Target P/E	0.0	0.0	0.0	0.0	28.5	23.0	21.1
Per share measures							
Number of shares	35,881	36,000	36,101	36,020	36,165	36,165	36,165
Number of shares (diluted)	35,881	36,000	36,101	36,020	36,165	36,165	36,165
EPS	0.93	0.91	1.08	1.25	1.55	1.92	2.08
Operating cash flow per share	1.14	1.14	2.22	0.83	2.25	2.34	2.55
Free cash flow per share	0.08	0.16	1.62	-0.34	1.59	1.58	1.75
Book value per share	5.53	5.69	6.36	6.96	7.76	8.83	9.81
Dividend per share	0.61	0.61	0.68	0.72	0.85	1.09	1.14
Dividend payout ratio, %	65.3	66.8	63.0	57.5	55.0	57.0	55.0
Dividend yield, %	1.9	1.5	1.3	1.8	2.1	2.7	2.9
FCF yield, %	0.2	0.4	3.0	-0.9	4.0	4.0	4.4
Efficiency measures							
ROE	17.6	16.3	17.9	18.8	21.1	23.1	22.3
ROCE	17.0	17.7	18.6	21.2	22.3	25.4	26.0
Financial ratios							
Inventories as % of sales	9.8	11.7	11.4	12.0	12.0	12.0	12.0
Receivables as % of sales	26.0	24.4	24.4	25.5	23.0	23.0	23.0
Non-interest bearing liabilities as % of sales	23.2	20.1	26.6	21.6	21.0	21.0	21.0
NWC/sales, %	12.7	15.2	8.6	15.3	13.5	13.6	13.6
Operative CAPEX/sales, %	9.4	9.3	4.9	3.7	4.2	4.5	4.5
CAPEX/sales (incl. acquisitions), %	9.4	9.3	4.9	-0.8	4.2	4.5	4.5
FCFF/EBITDA	0.1	0.2	0.9	-0.1	0.7	0.6	0.6
Net debt/EBITDA, book-weighted	-0.1	0.1	-0.4	0.1	-0.2	-0.5	-0.6
Debt/equity, market-weighted	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Equity ratio, book-weighted	54.8	58.4	56.5	57.0	59.2	63.7	67.6
Gearing, %	-2.5	4.4	-13.1	3.2	-8.5	-15.7	-20.8

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	151.054	10.4%
Nordea Nordic Small Cap Fund	1,863,224	74.529	5.2%
Weisell-Säätiö Sr	1,700,710	68.028	4.7%
Citibank Europe Plc	1,281,956	51.278	3.5%
Voipio Mikko	1,268,312	50.732	3.5%
Caspers Anja	969,496	38.780	2.7%
Voipio Raimo Hannes	919,656	36.786	2.5%
Ilmarinen Mutual Pension Insurance Company	889,275	35.571	2.5%
Ten largest	12,668,987	506.759	35%
Residual	23,496,013	939.841	65%
Total	36,165,000	1,446.600	100%

EARNINGS CALENDAR

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

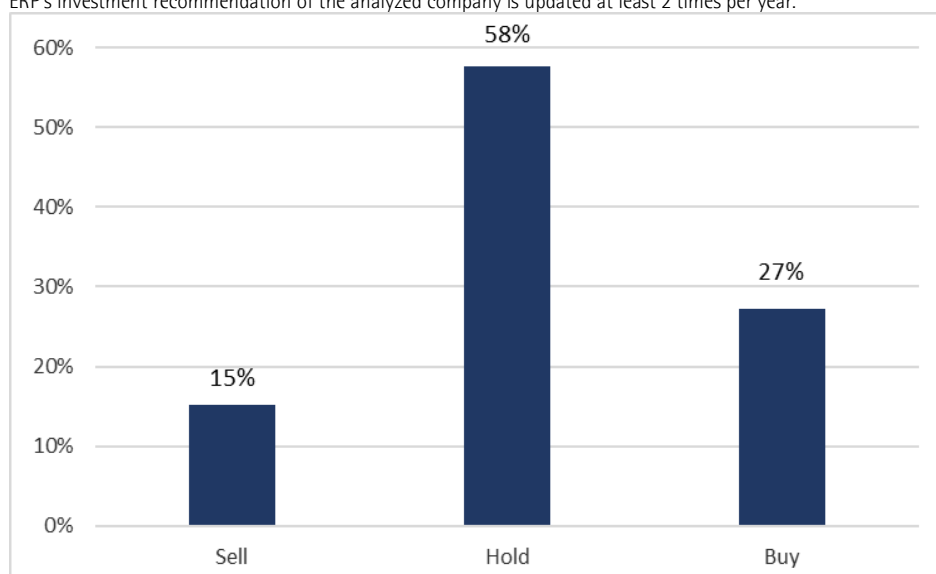
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Target price compared to share price	Recommendation
< -10 %	SELL
-10 – (+10) %	HOLD
> 10 %	BUY

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

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