

Navigating through the tougher market

Vaisala delivered strong profitability amid a difficult market for Q3. Net sales fell short of our estimates, yet EBIT was robust. After minor estimate revisions, we adjust our TP to EUR 37.0 (prev. EUR 39.0) with BUY rating intact.

Solid Q3 figures despite the difficult market

Vaisala's net sales decreased by 2% (+2% excl. FX) to EUR 130.4m, below our estimates (139.2/137.8m Evli/cons.). The sales decline was mostly driven by the IM segment and FX effects for both of the segments. Through improved gross margin and cost discipline in OPEX, the company's EBIT improved to EUR 25.2m (EUR 22.0m Q3/22). The main driver behind the gross margin improvement was the significantly lower impact of the spot component purchases. W&E order intake was 2% lower (+2% FX) yet the backlog at the end of the period increased 7% y/y to EUR 131.5m. IM order intake decreased 14% (-8% FX) and the order backlog stood at EUR 34.3m at the end of period, down 12% y/y. Vaisala now sees that the markets for high-end industrial instruments and life science have somewhat declined and do not expect recovery this year.

Slower growth expected, yet margins stay firm

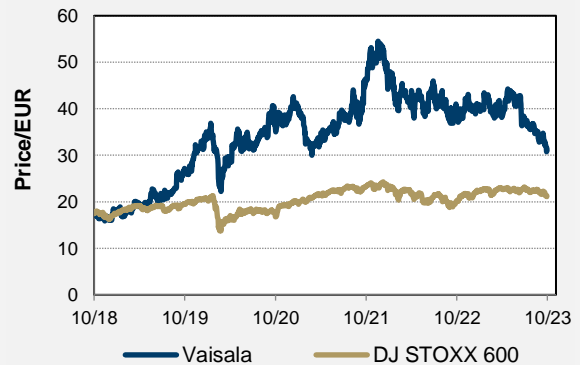
With the lower than anticipated sales for IM and declined outlook for some of the markets, we have taken growth estimates down for both Q4 2023 and 2024E. We also updated our growth projections for W&E, and despite the revisions, we continue to anticipate y/y growth in the fourth quarter of 2023. Moreover, we have slightly reduced our W&E growth predictions for 2024E. In terms of profitability, we upgraded our estimates for IM as the Q3 showed a quick rebound from the lower levels of Q2. With the estimate adjustments, we now expect net sales of EUR 538.1m and reported EBIT of EUR 68.9m for FY 2023. Our updated estimate is well within the guidance range as Vaisala kept its guidance for 2023 unchanged at net sales of EUR 530-560m and EBIT of EUR 65-75m.

BUY with a TP of EUR 37.0 (39.0)

With the slight adjustments to our estimates and lower peer group multiples, we revise our TP to EUR 37.0 (39.0) while keeping the rating at BUY. We continue to consider Vaisala as moderately valued, trading at a roughly 10% discount compared to our peer group on adj. EV/EBIT basis (23-24E).

Rating

BUY



Share price, EUR (Last trading day's closing price) 31.50

Target price, EUR 37.0

Latest change in recommendation 19-Jul-23

Latest report on company 20-Oct-23

Research paid by issuer: YES

No. of shares outstanding, '000's 36,399

No. of shares fully diluted, '000's 36,399

Market cap, EURm 1,147

Free float, %

Exchange rate EUR/USD 0.000

Reuters code VAIAS.HE

Bloomberg code VAIAS FH

Average daily volume, EURm

Next interim report 14-Feb-24

Web site vaisala.com/en/investors

Analyst Atte Jortikka

E-mail atte.jortikka@evli.com

Telephone +358 400 543 725

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	538.1	68.9	12.8%	56.5	1.38	22.8	2.1	16.3	4.9	0.76
2024E	556.8	77.2	13.9%	55.0	1.63	19.3	2.0	14.2	4.8	0.93
2025E	586.1	86.2	14.7%	55.7	1.83	17.2	1.8	12.5	4.9	1.01
Market cap, EURm		1,147	Gearing 2023E, %			-8.2	CAGR EPS 2022-25, %			13.3
Net debt 2023E, EURm		-23	Price/book 2023E			4.2	CAGR sales 2022-25, %			4.5
Enterprise value, EURm		1,124	Dividend yield 2023E, %			2.4	ROE 2023E, %			19.1
Total assets 2023E, EURm		459	Tax rate 2023E, %			22.8	ROCE 2023E, %			21.2
Goodwill 2023E, EURm		49	Equity ratio 2023E, %			59.9	PEG, P/E 23/CAGR			1.9

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

Margin improvement driven by lesser effect of spot component purchases

Vaisala's orders received decreased by 8% y/y while order book stood at EUR 165.8m (+2%). Group net sales decreased by 2% to EUR 130.4m, slightly below our estimates (139.2/137.8m Evli/cons.). Sales decline was mostly driven by the IM segment and FX effects for both of the segments. Gross margin improved to a very strong level of 58% (54.7% Q3/22). EBIT amounted to EUR 25.2m (23.8/24.5m Evli/cons.), reflecting a margin of 19.3%. EBIT improvement was mainly driven by the gross margin development. EPS amounted to EUR 0.51 (0.50/0.52m Evli/cons.). Despite IM's decline in sales, driven by unfavorable FX changes, the segment was able to bounce back to a solid profitability level after the soft Q2 result. The improvement was mainly driven by lesser effect of the spot component purchases which only had 0.7% negative impact on the segment's gross margin during Q3 2023 whereas during Q3 2022, the negative impact was 6.3%. W&E's performance was solid as the weakened market has not affected its end markets in such force as the customer base is mainly public sector related. W&E's profitability was roughly in line with our estimate during Q3 (13.5% EBIT Evli est. vs. 13.7% actual) as the improvement from lesser effect of spot component purchases came through as expected. Project sales continued to be lower when compared to 2022 as there were no major projects ongoing for the segment. Subscription sales growth slowed down to 7% while for the first nine months of the year the growth was at 17%. The management pointed out that this is primarily due to seasonal variations, such as some Nordic clients subscribing only for the winter season, which is when they require the service for winter road maintenance.

Table 1: Estimate changes

	2023E			2024E		
	Old	New	%	Old	New	%
Net sales	552.8	538.1	-3%	579.9	556.8	-4%
IM	233.3	229.6	-2%	243.8	235.4	-3%
W&E	319.5	308.4	-3%	336.1	321.4	-4%
EBIT	66.4	68.9	4%	78.2	77.2	-1%
IM	44.5	48.3	8%	49.6	50.6	2%
W&E	21.6	20.3	-6%	28.6	26.6	-7%

Slight estimate revisions for Q4 2023 and beyond

For Q4 2023, we decrease our net sales growth estimate for both IM and W&E. We see that despite the lower expected FX effect in Q4, IM will suffer from the weakened outlook of some of the key end-user segments. For W&E, we still expect nearly 5% growth for Q4 driven by the current order backlog and better performing end-markets. For 2024E, we have also revised our growth estimates down further as we do not expect a pick-up in IM demand, especially in the first half of 2024. We still see margin improvement for W&E in 2024E driven by the share of D/SaaS increasing which has a positive impact on the gross margin. For IM, we continue to expect a return towards its normalized levels which is further supported by the fact that we do not estimate effect from spot component purchases in 2024.

Table 2: Peer group overview

VAISALA PEER GROUP	MCAP MEUR	EV/Sales			EV/EBITDA			EV/EBIT			P/E		
		23	24	25	23	24	25	23	24	25	23	24	25
Hexacon	20335	4.4x	4.0x	3.6x	12.8x	11.3x	10.4x	15.9x	14.7x	13.4x	18.2x	16.4x	14.8x
Keysight Tech	20027	3.7x	3.6x		12.0x	12.4x		13.0x	13.3x	11.6x	14.7x	15.3x	13.1x
Trimble	10816	3.6x	3.2x	2.8x	14.6x	13.5x	12.1x	15.8x	14.4x	12.9x	17.4x	15.7x	14.0x
National Instruments	7529												
Spectris	3440	1.9x	1.8x	1.6x	9.7x	9.2x	8.6x	11.6x	10.9x	10.2x	15.0x	14.2x	13.0x
FARO Technologies	227	0.6x	0.6x	0.4x		8.5x	3.8x		15.2x	4.8x		22.5x	5.2x
Oxford Instruments	1143	2.0x	1.8x	1.6x	10.2x	9.8x	9.3x	12.0x	11.6x	11.0x	16.1x	15.7x	14.9x
Sensirion Holding	1061	3.7x	3.1x	2.5x	49.4x	25.4x	15.2x	490.0x	53.0x	23.5x	1523.4x	74.6x	31.9x
Halma	7905	3.8x	3.5x	3.2x	16.5x	15.3x	14.3x	18.7x	17.3x	16.1x	23.1x	21.4x	20.0x
Peer Group Average	7199	3.0x	2.7x	2.3x	17.9x	13.2x	10.5x	82.4x	18.8x	12.9x	232.6x	24.5x	15.9x
Peer Group Median	3440	3.6x	3.2x	2.5x	12.8x	11.8x	10.4x	15.8x	14.5x	12.2x	17.4x	16.1x	14.4x
Vaisala (Evli est.)	1147	2.1x	2.0x	1.8x	12.1x	11.2x	10.1x	14.6x	12.9x	12.5x	19.6x	17.0x	17.2x
<i>Vaisala prem./disc. to peer median</i>		<i>-42%</i>	<i>-38%</i>	<i>-28%</i>	<i>-5%</i>	<i>-5%</i>	<i>-3%</i>	<i>-8%</i>	<i>-12%</i>	<i>2%</i>	<i>12%</i>	<i>6%</i>	<i>19%</i>
<i>Vaisala multiples adj. for PPA amortization</i>													
<i>Source FactSet, Evli Research</i>													

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC	
Current share price	31.50 PV of Free Cash Flow	553 Long-term growth, %	2.5 Risk-free interest rate, %	2.25
DCF share value	40.83 PV of Horizon value	967 WACC, %	7.4 Market risk premium, %	5.8
Share price potential, %	29.6 Unconsolidated equity	0 Spread, %	0.0 Debt risk premium, %	2.8
Maximum value	40.8 Marketable securities	56 Minimum WACC, %	7.4 Equity beta coefficient	0.80
Minimum value	40.8 Debt - dividend	-89 Maximum WACC, %	7.4 Target debt ratio, %	10
Horizon value, %	63.6 Value of stock	1,486 Nr of shares, Mn	36.4 Effective tax rate, %	25

DCF valuation, EURm	2022	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	Horizon
Net sales	514	538	557	586	609	630	649	669	689	710	727	745
<i>Sales growth, %</i>	<i>17.4</i>	<i>4.7</i>	<i>3.5</i>	<i>5.3</i>	<i>3.9</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	69	77	86	90	93	94	94	93	96	98	101
<i>Operating income margin, %</i>	<i>12.2</i>	<i>12.8</i>	<i>13.9</i>	<i>14.7</i>	<i>14.8</i>	<i>14.8</i>	<i>14.5</i>	<i>14.0</i>	<i>13.5</i>	<i>13.5</i>	<i>13.5</i>	<i>13.5</i>
+ Depreciation+amort.	23	24	21	21	22	22	18	18	19	19	20	
EBITDA	85	93	98	107	112	116	112	112	112	115	118	
- Paid taxes	-15	-16	-15	-17	-18	-19	-19	-19	-19	-19	-20	
- Change in NWC	-38	1	-3	-4	-3	-3	-3	-3	-3	-3	-3	
<i>NWC / Sales, %</i>	<i>15.3</i>	<i>14.5</i>	<i>14.5</i>	<i>14.5</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>	
+ Change in other liabs	0	0	0	0	0	0	0	0	0	0	0	
- Operative CAPEX	-14	-14	-17	-22	-21	26	-15	-15	-16	-16	-6	
<i>opCAPEX / Sales, %</i>	<i>3.7</i>	<i>3.4</i>	<i>4.0</i>	<i>4.6</i>	<i>4.4</i>	<i>-3.3</i>	<i>3.2</i>	<i>3.2</i>	<i>3.2</i>	<i>3.2</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	64	62	63	69	120	75	75	75	77	90	1,868
= Discounted FCFF		64	57	54	55	89	52	48	45	43	47	967
= DFCF min WACC		64	57	54	55	89	52	48	45	43	47	967
= DFCF max WACC		64	57	54	55	89	52	48	45	43	47	967

Electronic Equipment & Instruments/Finland, October 28, 2023
Company update

INTERIM FIGURES

EVLI ESTIMATES, EURm	2022Q1	2022Q2	2022Q3	2022Q4	2022	2023Q1	2023Q2	2023Q3	2023Q4E	2023E	2024E	2025E
Net sales	118.8	120.5	133.3	141.5	514.1	131.8	130.8	130.4	145.1	538.1	556.8	586.1
EBITDA	23.1	16.1	27.9	18.2	85.4	19.1	18.0	31.4	24.1	92.7	97.8	106.8
<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>13.8</i>	<i>24.1</i>	<i>16.6</i>	<i>17.2</i>	<i>17.6</i>	<i>18.2</i>
EBIT	17.5	10.3	22.0	12.6	62.5	13.3	11.9	25.2	18.4	68.9	77.2	86.2
<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>9.1</i>	<i>19.3</i>	<i>12.7</i>	<i>12.8</i>	<i>13.9</i>	<i>14.7</i>
Net financial items	-0.2	-1.0	-1.3	-0.4	-2.9	-0.8	-1.4	-1.0	-0.6	-3.8	-3.0	-2.8
Pre-tax profit	17.3	9.3	20.7	12.2	59.6	12.5	10.5	24.2	17.8	65.1	74.2	83.5
Tax	-3.6	-3.0	-4.7	-3.2	-14.5	-2.9	-2.5	-5.7	-3.7	-14.8	-14.8	-16.7
<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>23.7</i>	<i>23.5</i>	<i>21.0</i>	<i>22.8</i>	<i>20.0</i>	<i>20.0</i>
Net profit	13.7	6.3	16.1	9.0	45.1	9.6	8.0	18.5	14.1	50.3	59.3	66.8
EPS	0.38	0.18	0.45	0.25	1.25	0.26	0.22	0.51	0.39	1.38	1.63	1.83
EPS adjusted (diluted no. of shares)	0.39	0.18	0.45	0.25	1.26	0.26	0.22	0.51	0.39	1.38	1.63	1.83
Dividend per share	0.00	0.00	0.00	0.00	0.72	0.00	0.00	0.00	0.00	0.76	0.93	1.01
SALES, EURm												
Weather and Environment	65.7	65.9	75.7	81.3	288.6	68.8	78.0	76.4	85.2	308.4	321.4	334.2
Industrial Measurements	53.1	54.7	57.6	60.2	225.5	63.0	52.8	53.9	59.9	229.6	235.4	251.9
Total	118.8	120.5	133.3	141.5	514.1	131.8	130.8	130.4	145.1	538.1	556.8	586.1
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>18.4</i>	<i>1.0</i>	<i>4.8</i>	<i>6.9</i>	<i>4.2</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>-3.4</i>	<i>-6.3</i>	<i>-0.5</i>	<i>1.8</i>	<i>2.5</i>	<i>7.0</i>
Total	29.2	10.1	19.5	13.3	17.4	10.9	8.5	-2.2	2.5	4.7	3.5	5.3
EBIT, EURm												
Weather and Environment	2.9	-1.0	7.5	1.8	11.1	-1.7	4.9	10.4	6.6	20.3	26.6	29.1
Industrial Measurements	14.6	11.5	14.6	10.8	51.5	15.0	6.8	14.7	11.8	48.3	50.6	57.2
Other	0.1	-0.1	0.0	0.0	0.0	0.0	0.2	0.1	0.0	0.3	0.0	0.0
Total	17.5	10.3	22.0	12.6	62.5	13.3	11.9	25.2	18.4	68.9	77.2	86.2
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>6.3</i>	<i>13.7</i>	<i>7.8</i>	<i>6.6</i>	<i>8.3</i>	<i>8.7</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>12.9</i>	<i>27.2</i>	<i>19.7</i>	<i>21.0</i>	<i>21.5</i>	<i>22.7</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>75,000.0</i>	<i>0.0</i>	<i>0.0</i>
Total	14.8	8.6	16.5	8.9	12.2	10.1	9.1	19.3	12.7	12.8	13.9	14.7

Electronic Equipment & Instruments/Finland, October 28, 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	538.1	556.8	586.1
<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>4.7</i>	<i>3.5</i>	<i>5.3</i>
EBITDA	51.1	64.7	65.9	71.7	85.4	92.7	97.8	106.8
<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>17.2</i>	<i>17.6</i>	<i>18.2</i>
Depreciation	-12.1	-23.6	-21.1	-21.6	-22.8	-23.8	-20.6	-20.5
EBITA	39.0	41.1	44.8	50.1	62.5	68.9	77.2	86.2
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	68.9	77.2	86.2
<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>12.8</i>	<i>13.9</i>	<i>14.7</i>
Reported EBIT	39.0	41.1	44.8	50.1	62.5	68.9	77.2	86.2
<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>12.8</i>	<i>13.9</i>	<i>14.7</i>
Net financials	-1.4	-1.0	-3.4	-2.1	-2.9	-3.8	-3.0	-2.8
Pre-tax profit	37.6	40.1	41.4	48.1	59.6	65.1	74.2	83.5
Taxes	-8.0	-6.5	-8.5	-8.8	-14.5	-14.8	-14.8	-16.7
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	50.3	59.3	66.8
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	116	117	123
Goodwill	25	30	30	29	49	49	49	49
Right of use assets	12	12	13	11	12	12	13	14
Inventory	32	40	45	50	62	65	67	70
Receivables	93	105	93	107	131	124	128	135
Liquid funds	73	56	45	78	56	85	108	125
Total assets	347	361	352	408	440	459	490	525
Liabilities								
Shareholder's equity	183	198	205	230	251	275	307	340
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	12	13	14
Deferred taxes	9	8	8	7	4	4	4	4
Interest bearing debt	41	40	45	40	53	50	45	40
Non-interest bearing current liabilities	89	94	76	116	111	108	111	117
Other interest-free debt	9	7	8	7	7	7	7	7
Total liabilities	347	361	352	408	440	459	490	525
CASH FLOW, EURm								
+ EBITDA	51	65	66	72	85	93	98	107
- Net financial items	-1	-1	-3	-2	-3	-4	-3	-3
- Taxes	-9	-9	-8	-9	-14	-15	-15	-17
- Increase in Net Working Capital	-4	-16	-7	17	-38	1	-3	-4
+/- Other	11	2	-6	3	0	0	0	0
= Cash flow from operations	48	41	41	80	30	75	77	83
- Capex	-14	-38	-35	-22	-19	-18	-22	-27
- 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	56	55	56
+/- New issues/buybacks	5	3	-4	8	0	0	0	0
- Paid dividend	-37	-21	-22	-22	-25	-26	-28	-34
+/- Other	31	-1	9	-12	15	-1	-5	-4
Change in cash	-19	-16	-11	33	-22	30	23	18

Electronic Equipment & Instruments/Finland, October 28, 2023
Company update

KEY FIGURES	2019	2020	2021	2022	2023E	2024E	2025E
M-cap	1,159	1,454	1,924	1,437	1,147	1,147	1,147
Net debt (excl. convertibles)	-5	9	-30	8	-23	-50	-72
Enterprise value	1,154	1,466	1,899	1,445	1,124	1,097	1,075
Sales	404	380	438	514	538	557	586
EBITDA	65	66	72	85	93	98	107
EBIT	41	45	50	63	69	77	86
Pre-tax	40	41	48	60	65	74	83
Earnings	34	33	39	45	50	59	67
Equity book value (excl. minorities)	198	205	230	251	275	307	340
Valuation multiples							
EV/sales	2.9	3.9	4.3	2.8	2.1	2.0	1.8
EV/EBITDA	17.8	22.2	26.5	16.9	12.1	11.2	10.1
EV/EBITA	28.1	32.7	37.9	23.1	16.3	14.2	12.5
EV/EBIT	28.1	32.7	37.9	23.1	16.3	14.2	12.5
EV/OCF	28.3	35.8	23.7	48.5	15.0	14.2	13.0
EV/FCFF	141.5	115.8	30.3	-308.4	17.5	17.6	17.0
P/FCFE	413.9	259.7	33.0	-116.8	20.3	20.9	20.6
P/E	34.6	44.2	49.4	31.6	22.8	19.3	17.2
P/B	5.8	7.1	8.4	5.7	4.2	3.7	3.4
Target EV/EBITDA	0.0	0.0	0.0	0.0	14.3	13.3	11.9
Target EV/EBIT	0.0	0.0	0.0	0.0	19.2	16.8	14.8
Target EV/FCF	0.0	0.0	0.0	0.0	23.4	23.6	22.9
Target P/B	0.0	0.0	0.0	0.0	4.9	4.4	4.0
Target P/E	0.0	0.0	0.0	0.0	26.8	22.7	20.2
Per share measures							
Number of shares	35,881	36,000	36,101	36,020	36,399	36,399	36,399
Number of shares (diluted)	35,881	36,000	36,101	36,020	36,399	36,399	36,399
EPS	0.93	0.91	1.08	1.25	1.38	1.63	1.83
Operating cash flow per share	1.14	1.14	2.22	0.83	2.06	2.12	2.28
Free cash flow per share	0.08	0.16	1.62	-0.34	1.55	1.51	1.53
Book value per share	5.53	5.69	6.36	6.96	7.55	8.43	9.33
Dividend per share	0.61	0.61	0.68	0.72	0.76	0.93	1.01
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	2.4	2.9	3.2
FCF yield, %	0.2	0.4	3.0	-0.9	4.9	4.8	4.9
Efficiency measures							
ROE	17.6	16.3	17.9	18.8	19.1	20.4	20.7
ROCE	17.0	17.7	18.6	21.2	21.2	22.0	22.8
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	20.0	20.0	20.0
NWC/sales, %	12.7	15.2	8.6	15.3	14.5	14.5	14.5
Operative CAPEX/sales, %	9.4	9.3	4.9	3.7	3.4	4.0	4.6
CAPEX/sales (incl. acquisitions), %	9.4	9.3	4.9	-0.8	3.4	4.0	4.6
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	-0.7
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	59.9	62.6	64.7
Gearing, %	-2.5	4.4	-13.1	3.2	-8.2	-16.3	-21.1

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	118.955	10.4%
Nordea Nordic Small Cap Fund	1,863,224	58.692	5.1%
Weisell-Säätiö Sr	1,700,710	53.572	4.7%
Citibank Europe Plc	1,331,296	41.936	3.7%
Voipio Mikko	1,268,312	39.952	3.5%
Caspers Anja	969,496	30.539	2.7%
Voipio Raimo Hannes	920,053	28.982	2.5%
Ilmarinen Mutual Pension Insurance Company	889,275	28.012	2.4%
Ten largest	12,718,724	400.640	35%
Residual	23,680,276	745.929	65%
Total	36,399,000	1,146.569	100%

EARNINGS CALENDAR

OTHER EVENTS

COMPANY MISCELLANEOUS

CEO: Kai Öistämö
CFO: Heli Lindfors
IR: Paula Liimatta

Vanha Nurmijärventie 21, 01670 Vantaa
Tel:

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

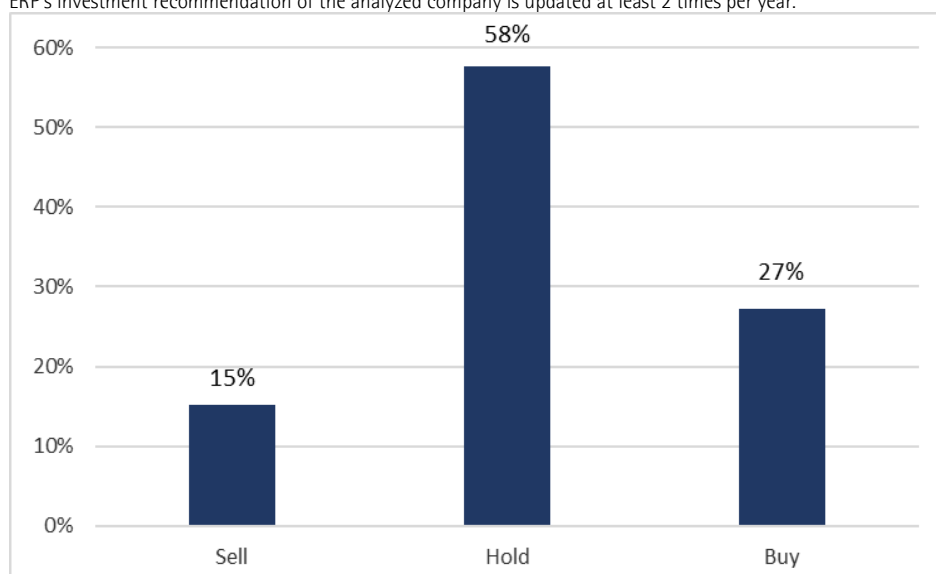
Important Disclosures

Evli Research Partners Plc ("ERP") uses 12-month target prices. Target prices are defined by utilizing analytical techniques based on financial theory including (but not limited to) discounted cash flow analysis and comparative valuation. The selection of valuation methods depends on different circumstances. Target prices may be altered on the basis of new information coming to light in the underlying company or changes in interest rates, changes in foreign exchange rates, other securities prices or market indices or outlook for the aforementioned factors or other factors that may change the conditions of financial markets. Recommendations and changes by analysts are available at [Analysts' recommendations and ratings revisions](#).

Investment recommendations are defined as follows:

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

ERP's investment recommendation of the analyzed company is updated at least 2 times per year.



The graph above shows the distribution of ERP's recommendations of companies under coverage in 11th of May 2020. If recommendation is not given, it is not mentioned here.

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

This research report has been prepared by Evli Research Partners Plc ("ERP" or "Evli Research"). ERP is a subsidiary of Evli Plc. Production of the investment recommendation has been concluded on 30.10.2023, 6:20. This report has been published on 30.10.2023, 6:30.

None of the analysts contributing to this report, persons under their guardianship or corporations under their control have a position in the shares of the company or related securities.

The date and time for any price of financial instruments mentioned in the recommendation refer to the previous trading day's closing price(s) unless otherwise stated in the report.

Each analyst responsible for the content of this report assures that the expressed views accurately reflect the personal views of each analyst on the covered companies and securities. Each analyst assures that (s)he has not been, nor are or will be, receiving direct or indirect compensation related to the specific recommendations or views contained in this report.

Companies in the Evli Group, affiliates or staff of companies in the Evli Group, may perform services for, solicit business from, hold long or short positions in, or otherwise be interested in the investments (including derivatives) of any company mentioned in the publication or report.

Neither ERP nor any company within the Evli Group have managed or co-managed a public offering of the company's securities during the last 12 months prior to, received compensation for investment banking services from the company during the last 12 months prior to the publication of the research report.

ERP has signed an agreement with the issuer of the financial instruments mentioned in the recommendation, which includes production of research reports. This assignment has a limited economic and financial impact on ERP and/or Evli. Under the assignment ERP performs services including, but not limited to, arranging investor meetings or –events, investor relations communication advisory and production of research material.

ERP or another company within the Evli Group does not have an agreement with the company to perform market making or liquidity providing services.

For the prevention and avoidance of conflicts of interests with respect to this report, there is an information barrier (Chinese wall) between Investment

Research and Corporate Finance units concerning unpublished investment banking services to the company. The remuneration of the analyst(s) is not tied directly or indirectly to investment banking transactions or other services performed by Evli Plc or any company within Evli Group.

This report has not been disclosed to the company prior to its dissemination.

This report is provided and intended for informational purposes only and may not be used or considered under any circumstances as an offer to sell or buy any securities or as advice to trade any securities.

This report is based on sources ERP considers to be correct and reliable. The sources include information providers Reuters and Bloomberg, stock-exchange releases from the companies and other company news, Statistics Finland and articles in newspapers and magazines. However, ERP does not guarantee the materialization, correctness, accuracy or completeness of the information, opinions, estimates or forecasts expressed or implied in the report. In addition, circumstantial changes may have an influence on opinions and estimates presented in this report. The opinions and estimates presented are valid at the moment of their publication and they can be changed without a separate announcement. Neither ERP nor any company within the Evli Group are responsible for amending, correcting or updating any information, opinions or estimates contained in this report. Neither ERP nor any company within the Evli Group will compensate any direct or consequential loss caused by or derived from the use of the information represented in this publication.

All information published in this report is for the original recipient's private and internal use only. ERP reserves all rights to the report. No part of this publication may be reproduced or transmitted in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, or stored in any retrieval system of any nature, without the written permission of ERP.

This report or its copy may not be published or distributed in Australia, Canada, Hong Kong, Japan, New Zealand, Singapore or South Africa. The publication or distribution of this report in certain other jurisdictions may also be restricted by law. Persons into whose possession this report comes are required to inform themselves about and to observe any such restrictions.

Evli Plc is not registered as a broker-dealer with the U. S. Securities and Exchange Commission ("SEC"), and it and its analysts are not subject to SEC rules on securities analysts' certification as to the currency of their views reflected in the research report. Evli is not a member of the Financial Industry Regulatory Authority ("FINRA"). It and its securities analysts are not subject to FINRA's rules on Communications with the Public and Research Analysts and Research Reports and the attendant requirements for fairness, balance and disclosure of potential conflicts of interest. This research report is only being offered in U.S. by Auerbach Grayson & Company, LLC (Auerbach Grayson) to Major U.S. Institutional Investors and is not available to, and should not be used by, any U.S. person or entity that is not a Major U.S. Institutional Investor. Auerbach Grayson is a broker-dealer registered with the U.S. Securities and Exchange Commission and is a member of the FINRA. U.S. entities seeking more information about any of the issuers or securities discussed in this report should contact Auerbach Grayson. The securities of non-U.S. issuers may not be registered with or subject to SEC reporting and other requirements.

ERP is not a supervised entity but its parent company Evli Plc is supervised by the Finnish Financial Supervision Authority.

Contact information**SALES, TRADING AND RESEARCH****Equity, ETF and Derivatives Sales**

Joachim Dannberg +358 9 4766 9123
Ari Laine +358 9 4766 9115
Kimmo Lilja +358 9 4766 9130

Trading

Lauri Vehkaluoto (Head) +358 9 4766 9120
Pasi Väisänen +358 9 4766 9120
Antti Kässi +358 9 4766 9120
Miika Ronkanen +358 9 4766 9120

Structured Investments

Heikki Savijoki +358 9 4766 9726
Aki Lakkisto +358 9 4766 9123

Equity Research

Arttu Heikura +358 40 082 8098
Joonas Ilvonen +358 44 430 9071
Jerker Salokivi +358 9 4766 9149

Evli Investment Solutions

Johannes Asuja +358 9 4766 9205



EVLI PLC
Aleksanterinkatu 19 A
P.O. Box 1081
FIN-00101 Helsinki, FINLAND
Phone +358 9 476 690
Internet www.evli.com
E-mail firstname.lastname@evli.com

**EVLI PLC,
STOCKHOLMSFILIAL**
Regeringsgatan 67 P.O. Box 16354
SE-103 26 Stockholm
Sverige
stockholm@evli.com
Tel +46 (0)8 407 8000