

Industrial demand softening

Some of Vaisala's industrial customers have recently postponed their investment decisions which was reflected in the BU's preliminary Q2 figures. W&E experienced better-than-expected growth and profitability during Q2. With revised guidance and milder Q2, we cut our 23-24E EBIT estimates by approx. 9%.

23E EBIT guidance reduced, industrial demand soft

Vaisala revised its 23E net sales guidance to a range of EUR 530-560m (prev. 530-570m) and reduced its EBIT expectations to EUR 65-75m (prev. 70-85m). Our view is that the decrease in EBIT is primarily attributed to the weakened market environment of IM. Meanwhile, the demand for W&E was strong with its recurring service sales and renewable energy showing robust growth. In the preliminary Q2 figures, the overall topline saw a 9% increase, reaching EUR 130.8 million, largely driven by W&E's remarkable 18% y/y growth. Meanwhile, IM experienced a 3% decline in revenue, facing challenges from soft demand in the markets. Q2 EBIT improved to EUR 11.9m (9.1% margin) with the help of W&E, while IM's EBIT saw a significant decline due to soft sales and an unfavorable sales-mix. Preliminary Q2 figures show that pressures in fixed costs have eased, and W&E's 23E EBIT is likely to come in above our previous expectations.

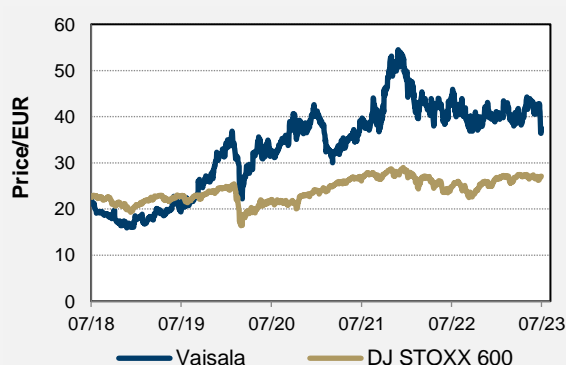
We made some estimate adjustments

In light of the new guidance and preliminary Q2 figures, we adjusted our group estimates downwards. Our 23-24E EBIT estimates saw a significant downgrade of approximately 9%, primarily attributed to the weaker-than-expected performance of IM. However, the decline is partly offset by revisions made to W&E's estimates. Our 23E EBIT estimate now stands at EUR 66.2 million, which nears the lower end of the company's new guidance range. We foresee that achieving the EBIT target of 15% in 2024 is likely to become even more challenging due to the softness of the industrial market.

Valuation favorable

We value Vaisala with 23-24E EV/EBIT of 23-18x, which, with estimate revisions, implies a target price of EUR 42.0 (44.0). In our view, Vaisala's current valuation portrays a more turbulent performance outlook than we anticipate. With that, we raise our rating to BUY (HOLD), reflecting moderate valuation relative to the company's history and its peers.

Rating BUY



Share price, EUR (Last trading day's closing price) 37.55

Target price, EUR 42.0

Latest change in recommendation 20-Jul-23

Latest report on company 12-Jun-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 1,358

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

Web site vaisala.com/en/investors

Analyst Arttu Heikura

E-mail arttu.heikura@evli.com

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 |
|--------------------------|---------------|--------------|-------------------------|-------------|------------|------------|-----------------------|----------------|----------------|------------|
| 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 | 554.3 | 66.2 | 12.0% | 55.9 | 1.39 | 27.0 | 2.4 | 20.2 | 4.1 | 0.77 |
| 2024E | 591.6 | 81.1 | 13.7% | 51.8 | 1.74 | 21.6 | 2.2 | 16.2 | 3.8 | 0.99 |
| 2025E | 622.8 | 89.3 | 14.3% | 58.6 | 1.94 | 19.4 | 2.1 | 14.4 | 4.3 | 1.07 |
| Market cap, EURm | | 1,358 | Gearing 2023E, % | | | -8.0 | CAGR EPS 2022-25, % | | | 15.4 |
| Net debt 2023E, EURm | | -22 | Price/book 2023E | | | 4.9 | CAGR sales 2022-25, % | | | 6.6 |
| Enterprise value, EURm | | 1,336 | Dividend yield 2023E, % | | | 2.0 | ROE 2023E, % | | | 19.2 |
| Total assets 2023E, EURm | | 467 | Tax rate 2023E, % | | | 20.6 | ROCE 2023E, % | | | 20.4 |
| Goodwill 2023E, EURm | | 49 | Equity ratio 2023E, % | | | 58.9 | PEG, P/E 23/CAGR | | | 2.1 |

| ESTIMATE CHANGES | | | | | | |
|------------------|--------------|--------------|------------|--------------|--------------|------------|
| | 2023E | | | 2024E | | |
| | Old | New | | Old | New | |
| Net sales | 564.5 | 554.3 | -2% | 605.0 | 591.6 | -2% |
| IM | 253.2 | 234.0 | -8% | 274.7 | 250.8 | -9% |
| W&E | 311.3 | 320.3 | 3% | 330.3 | 340.8 | 3% |
| EBIT | 73.2 | 66.2 | -9% | 87.9 | 81.1 | -8% |
| IM | 58.8 | 43.8 | -26% | 68.6 | 52.4 | -24% |
| W&E | 14.3 | 22.2 | 55% | 19.3 | 28.7 | 49% |

| VAISALA PEER GROUP | MCAP MEUR | EV/Sales | | | EV/EBIT | | | P/E | | | Div. yield | | |
|----------------------|--------------|----------|------|------|---------|-------|-------|-------|-------|-------|------------|-------|-------|
| | | 23 | 24 | 25 | 23 | 24 | 25 | 23 | 24 | 25 | 23 | 24 | 25 |
| Hexagon | 26488 | 5.5x | 5.0x | 4.6x | 20.2x | 18.6x | 17.1x | 22.8x | 20.8x | 19.0x | 1.3 % | 1.5 % | 1.6 % |
| Keysight Tech | 27507 | 5.3x | 5.0x | 4.6x | 18.7x | 18.1x | 16.5x | 21.0x | 19.9x | 17.8x | 0.0 % | 0.0 % | 0.0 % |
| Trimble | 11881 | 4.0x | 3.6x | 3.1x | 15.9x | 14.3x | 12.7x | 20.6x | 18.4x | 15.7x | 0.0 % | 0.0 % | 0.0 % |
| National Instruments | 6677 | 4.3x | 3.9x | 3.6x | 20.1x | 18.0x | 16.6x | 21.9x | 19.5x | 17.4x | 2.0 % | 2.1 % | 2.2 % |
| Spectris | 4348 | 2.5x | 2.3x | 2.1x | 15.3x | 14.1x | 13.2x | 19.4x | 18.0x | 16.5x | 2.2 % | 2.4 % | 2.6 % |
| FARO Technologies | 278 | 0.9x | 0.7x | 0.6x | | 21.7x | 6.9x | | 33.6x | 8.6x | 6.1 % | 6.1 % | 6.1 % |
| Oxford Instruments | 1695 | 3.0x | 2.8x | 2.6x | 17.5x | 16.7x | 16.0x | 23.0x | 22.4x | 21.5x | 0.8 % | 0.8 % | 0.9 % |
| Sensirion Holding | 1210 | 4.1x | 3.5x | 2.9x | 52.8x | 32.0x | 23.7x | 68.2x | 41.9x | 31.2x | 0.0 % | 0.0 % | 0.0 % |
| Halma | 9842 | 4.6x | 4.3x | 3.9x | 22.5x | 20.9x | 19.6x | 28.3x | 26.4x | 24.8x | 0.9 % | 1.0 % | 1.1 % |
| Peer Group Average | 8777 | 3.8x | 3.4x | 3.1x | 22.9x | 19.4x | 15.8x | 28.2x | 24.5x | 19.2x | 1.5 % | 1.5 % | 1.8 % |
| Peer Group Median | 4348 | 4.1x | 3.6x | 3.1x | 19.4x | 18.1x | 16.5x | 22.3x | 20.8x | 17.8x | 0.9 % | 1.0 % | 1.3 % |
| Vaisala (Evli est.) | 1358 | 2.4x | 2.2x | 2.1x | 20.2x | 16.2x | 14.4x | 27.0x | 21.6x | 19.4x | 2.0 % | 2.6 % | 2.8 % |

Vaisala prem./disc. to peer median

-42% -38% -33% 4% -10% -13% 21% 4% 9% 118% 162% 114%

Source FactSet, Evli Research

| VALUATION RESULTS | BASE CASE DETAILS | VALUATION ASSUMPTIONS | ASSUMPTIONS FOR WACC | |
|--------------------------|----------------------------|-------------------------|--------------------------------|------|
| Current share price | 37.55 PV of Free Cash Flow | 557 Long-term growth, % | 2.5 Risk-free interest rate, % | 2.25 |
| DCF share value | 42.21 PV of Horizon value | 1,004 WACC, % | 7.4 Market risk premium, % | 5.8 |
| Share price potential, % | 12.4 Unconsolidated equity | 0 Spread, % | 0.0 Debt risk premium, % | 2.8 |
| Maximum value | 42.2 Marketable securities | 56 Minimum WACC, % | 7.4 Equity beta coefficient | 0.80 |
| Minimum value | 42.2 Debt - dividend | -89 Maximum WACC, % | 7.4 Target debt ratio, % | 10 |
| Horizon value, % | 64.3 Value of stock | 1,527 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 | 554 | 592 | 623 | 647 | 670 | 690 | 711 | 732 | 754 | 773 | 792 |
| <i>Sales growth, %</i> | <i>17.4</i> | <i>7.8</i> | <i>6.7</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 | 66 | 81 | 89 | 91 | 94 | 97 | 100 | 99 | 102 | 104 | 107 |
| <i>Operating income margin, %</i> | <i>12.2</i> | <i>12.0</i> | <i>13.7</i> | <i>14.3</i> | <i>14.1</i> | <i>14.0</i> | <i>14.0</i> | <i>14.0</i> | <i>13.5</i> | <i>13.5</i> | <i>13.5</i> | <i>13.5</i> |
| + Depreciation+amort. | 23 | 23 | 21 | 21 | 22 | 23 | 18 | 19 | 19 | 20 | 21 | |
| EBITDA | 85 | 89 | 102 | 110 | 113 | 117 | 115 | 118 | 118 | 122 | 125 | |
| - Paid taxes | -15 | -14 | -16 | -18 | -18 | -19 | -19 | -20 | -20 | -20 | -21 | |
| - Change in NWC | -38 | 4 | -5 | -4 | -3 | -3 | -3 | -3 | -3 | -3 | -3 | |
| <i>NWC / Sales, %</i> | <i>15.3</i> | <i>13.5</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> | |
| + Change in other liabs | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| - Operative CAPEX | -14 | -16 | -21 | -22 | -22 | 29 | -15 | -16 | -16 | -17 | -6 | |
| <i>opCAPEX / Sales, %</i> | <i>3.7</i> | <i>3.9</i> | <i>4.4</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 | 63 | 60 | 66 | 70 | 124 | 78 | 80 | 79 | 82 | 95 | 1,977 |
| = Discounted FCFF | | 61 | 54 | 55 | 55 | 90 | 52 | 50 | 47 | 45 | 48 | 1,004 |
| = DFCF min WACC | | 61 | 54 | 55 | 55 | 90 | 52 | 50 | 47 | 45 | 48 | 1,004 |
| = DFCF max WACC | | 61 | 54 | 55 | 55 | 90 | 52 | 50 | 47 | 45 | 48 | 1,004 |

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 | 130.8 | 139.2 | 152.5 | 554.3 | 591.6 | 622.8 |
| EBITDA | 23.1 | 16.1 | 27.9 | 18.2 | 85.4 | 19.1 | 17.7 | 29.5 | 23.0 | 89.2 | 101.7 | 110.3 |
| <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>13.5</i> | <i>21.2</i> | <i>15.1</i> | <i>16.1</i> | <i>17.2</i> | <i>17.7</i> |
| EBIT | 17.5 | 10.3 | 22.0 | 12.6 | 62.5 | 13.3 | 11.9 | 23.8 | 17.3 | 66.2 | 81.1 | 89.3 |
| <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>17.1</i> | <i>11.3</i> | <i>12.0</i> | <i>13.7</i> | <i>14.3</i> |
| Net financial items | -0.2 | -1.0 | -1.3 | -0.4 | -2.9 | -0.8 | -0.7 | -0.7 | -0.6 | -2.8 | -2.6 | -1.7 |
| Pre-tax profit | 17.3 | 9.3 | 20.7 | 12.2 | 59.6 | 12.5 | 11.2 | 23.1 | 16.7 | 63.4 | 78.5 | 87.6 |
| Tax | -3.6 | -3.0 | -4.7 | -3.2 | -14.5 | -2.9 | -2.2 | -4.6 | -3.3 | -13.1 | -15.7 | -17.5 |
| <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 | 9.0 | 18.4 | 13.3 | 50.4 | 62.8 | 70.1 |
| EPS | 0.38 | 0.18 | 0.45 | 0.25 | 1.25 | 0.27 | 0.25 | 0.51 | 0.37 | 1.39 | 1.74 | 1.94 |
| EPS adjusted (diluted no. of shares) | 0.39 | 0.18 | 0.45 | 0.25 | 1.26 | 0.27 | 0.25 | 0.51 | 0.37 | 1.39 | 1.74 | 1.94 |
| Dividend per share | 0.00 | 0.00 | 0.00 | 0.00 | 0.72 | 0.00 | 0.00 | 0.00 | 0.00 | 0.77 | 0.99 | 1.07 |
| SALES, EURm | | | | | | | | | | | | |
| Weather and Environment | 65.7 | 65.9 | 75.7 | 81.3 | 288.6 | 68.8 | 78.0 | 83.1 | 90.4 | 320.3 | 340.8 | 354.5 |
| Industrial Measurements | 53.1 | 54.7 | 57.6 | 60.2 | 225.5 | 63.0 | 52.8 | 56.1 | 62.1 | 234.0 | 250.8 | 268.4 |
| Total | 118.8 | 120.5 | 133.3 | 141.5 | 514.1 | 131.8 | 130.8 | 139.2 | 152.5 | 554.3 | 591.6 | 622.8 |
| SALES GROWTH, YYY % | | | | | | | | | | | | |
| <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>9.8</i> | <i>11.2</i> | <i>11.0</i> | <i>6.4</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>-2.5</i> | <i>3.1</i> | <i>3.8</i> | <i>7.2</i> | <i>7.0</i> |
| Total | 29.2 | 10.1 | 19.5 | 13.3 | 17.4 | 10.9 | 8.5 | 4.5 | 7.8 | 7.8 | 6.7 | 5.3 |
| EBIT, EURm | | | | | | | | | | | | |
| Weather and Environment | 2.9 | -1.0 | 7.5 | 1.8 | 11.1 | -1.7 | 4.9 | 12.0 | 6.9 | 22.2 | 28.7 | 25.2 |
| Industrial Measurements | 14.6 | 11.5 | 14.6 | 10.8 | 51.5 | 15.0 | 6.8 | 11.6 | 10.3 | 43.8 | 52.4 | 64.1 |
| 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 | 23.8 | 17.3 | 66.2 | 81.1 | 89.3 |
| 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>14.5</i> | <i>7.6</i> | <i>6.9</i> | <i>8.4</i> | <i>7.1</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>20.7</i> | <i>16.7</i> | <i>18.7</i> | <i>20.9</i> | <i>23.9</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 | 17.1 | 11.3 | 12.0 | 13.7 | 14.3 |

Electronic Equipment & Instruments/Finland, July 20, 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 | 554.3 | 591.6 | 622.8 |
| <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>7.8</i> | <i>6.7</i> | <i>5.3</i> |
| EBITDA | 51.1 | 64.7 | 65.9 | 71.7 | 85.4 | 89.2 | 101.7 | 110.3 |
| <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>16.1</i> | <i>17.2</i> | <i>17.7</i> |
| Depreciation | -12.1 | -23.6 | -21.1 | -21.6 | -22.8 | -23.0 | -20.5 | -21.0 |
| EBITA | 39.0 | 41.1 | 44.8 | 50.1 | 62.5 | 66.2 | 81.1 | 89.3 |
| 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 | 66.2 | 81.1 | 89.3 |
| <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>12.0</i> | <i>13.7</i> | <i>14.3</i> |
| Reported EBIT | 39.0 | 41.1 | 44.8 | 50.1 | 62.5 | 66.2 | 81.1 | 89.3 |
| <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>12.0</i> | <i>13.7</i> | <i>14.3</i> |
| Net financials | -1.4 | -1.0 | -3.4 | -2.1 | -2.9 | -2.8 | -2.6 | -1.7 |
| Pre-tax profit | 37.6 | 40.1 | 41.4 | 48.1 | 59.6 | 63.4 | 78.5 | 87.6 |
| Taxes | -8.0 | -6.5 | -8.5 | -8.8 | -14.5 | -13.1 | -15.7 | -17.5 |
| 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 | 50.4 | 62.8 | 70.1 |
| 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 | 119 | 124 | 130 |
| Goodwill | 25 | 30 | 30 | 29 | 49 | 49 | 49 | 49 |
| Right of use assets | 12 | 12 | 13 | 11 | 12 | 13 | 14 | 14 |
| Inventory | 32 | 40 | 45 | 50 | 62 | 66 | 71 | 75 |
| Receivables | 93 | 105 | 93 | 107 | 131 | 127 | 136 | 143 |
| Liquid funds | 73 | 56 | 45 | 78 | 56 | 83 | 89 | 93 |
| Total assets | 347 | 361 | 352 | 408 | 440 | 467 | 491 | 514 |
| Liabilities | | | | | | | | |
| Shareholder's equity | 183 | 198 | 205 | 230 | 251 | 275 | 310 | 345 |
| 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 | 14 |
| Deferred taxes | 9 | 8 | 8 | 7 | 4 | 4 | 4 | 4 |
| Interest bearing debt | 41 | 40 | 45 | 40 | 53 | 48 | 29 | 10 |
| Non-interest bearing current liabilities | 89 | 94 | 76 | 116 | 111 | 116 | 124 | 131 |
| Other interest-free debt | 9 | 7 | 8 | 7 | 7 | 7 | 7 | 7 |
| Total liabilities | 347 | 361 | 352 | 408 | 440 | 467 | 491 | 514 |
| CASH FLOW, EURm | | | | | | | | |
| + EBITDA | 51 | 65 | 66 | 72 | 85 | 89 | 102 | 110 |
| - Net financial items | -1 | -1 | -3 | -2 | -3 | -3 | -3 | -2 |
| - Taxes | -9 | -9 | -8 | -9 | -14 | -13 | -16 | -18 |
| - Increase in Net Working Capital | -4 | -16 | -7 | 17 | -38 | 4 | -5 | -4 |
| +/- Other | 11 | 2 | -6 | 3 | 0 | 0 | 0 | 0 |
| = Cash flow from operations | 48 | 41 | 41 | 80 | 30 | 77 | 78 | 87 |
| - Capex | -14 | -38 | -35 | -22 | -19 | -21 | -26 | -28 |
| - 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 | 52 | 59 |
| +/- New issues/buybacks | 5 | 3 | -4 | 8 | 0 | 0 | 0 | 0 |
| - Paid dividend | -37 | -21 | -22 | -22 | -25 | -26 | -28 | -36 |
| +/- Other | 31 | -1 | 9 | -12 | 15 | -2 | -19 | -18 |
| Change in cash | -19 | -16 | -11 | 33 | -22 | 28 | 6 | 5 |

Electronic Equipment & Instruments/Finland, July 20, 2023
Company update

| KEY FIGURES | 2019 | 2020 | 2021 | 2022 | 2023E | 2024E | 2025E |
|--|--------|--------|--------|--------|--------|--------|--------|
| M-cap | 1,159 | 1,454 | 1,924 | 1,437 | 1,358 | 1,358 | 1,358 |
| Net debt (excl. convertibles) | -5 | 9 | -30 | 8 | -22 | -46 | -69 |
| Enterprise value | 1,154 | 1,466 | 1,899 | 1,445 | 1,336 | 1,312 | 1,289 |
| Sales | 404 | 380 | 438 | 514 | 554 | 592 | 623 |
| EBITDA | 65 | 66 | 72 | 85 | 89 | 102 | 110 |
| EBIT | 41 | 45 | 50 | 63 | 66 | 81 | 89 |
| Pre-tax | 40 | 41 | 48 | 60 | 63 | 79 | 88 |
| Earnings | 34 | 33 | 39 | 45 | 50 | 63 | 70 |
| Equity book value (excl. minorities) | 198 | 205 | 230 | 251 | 275 | 310 | 345 |
| Valuation multiples | | | | | | | |
| EV/sales | 2.9 | 3.9 | 4.3 | 2.8 | 2.4 | 2.2 | 2.1 |
| EV/EBITDA | 17.8 | 22.2 | 26.5 | 16.9 | 15.0 | 12.9 | 11.7 |
| EV/EBITA | 28.1 | 32.7 | 37.9 | 23.1 | 20.2 | 16.2 | 14.4 |
| EV/EBIT | 28.1 | 32.7 | 37.9 | 23.1 | 20.2 | 16.2 | 14.4 |
| EV/OCF | 28.3 | 35.8 | 23.7 | 48.5 | 17.3 | 16.8 | 14.9 |
| EV/FCFF | 141.5 | 115.8 | 30.3 | -308.4 | 21.1 | 22.0 | 19.6 |
| P/FCFE | 413.9 | 259.7 | 33.0 | -116.8 | 24.3 | 26.2 | 23.2 |
| P/E | 34.6 | 44.2 | 49.4 | 31.6 | 27.0 | 21.6 | 19.4 |
| P/B | 5.8 | 7.1 | 8.4 | 5.7 | 4.9 | 4.4 | 3.9 |
| Target EV/EBITDA | 0.0 | 0.0 | 0.0 | 0.0 | 16.8 | 14.5 | 13.1 |
| Target EV/EBIT | 0.0 | 0.0 | 0.0 | 0.0 | 22.6 | 18.2 | 16.2 |
| Target EV/FCF | 0.0 | 0.0 | 0.0 | 0.0 | 26.8 | 28.4 | 24.7 |
| Target P/B | 0.0 | 0.0 | 0.0 | 0.0 | 5.5 | 4.9 | 4.4 |
| Target P/E | 0.0 | 0.0 | 0.0 | 0.0 | 30.1 | 24.2 | 21.7 |
| 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 | 1.39 | 1.74 | 1.94 |
| Operating cash flow per share | 1.14 | 1.14 | 2.22 | 0.83 | 2.14 | 2.16 | 2.40 |
| Free cash flow per share | 0.08 | 0.16 | 1.62 | -0.34 | 1.55 | 1.43 | 1.62 |
| Book value per share | 5.53 | 5.69 | 6.36 | 6.96 | 7.61 | 8.58 | 9.53 |
| Dividend per share | 0.61 | 0.61 | 0.68 | 0.72 | 0.77 | 0.99 | 1.07 |
| 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 | 2.0 | 2.6 | 2.8 |
| FCF yield, % | 0.2 | 0.4 | 3.0 | -0.9 | 4.1 | 3.8 | 4.3 |
| Efficiency measures | | | | | | | |
| ROE | 17.6 | 16.3 | 17.9 | 18.8 | 19.2 | 21.5 | 21.4 |
| ROCE | 17.0 | 17.7 | 18.6 | 21.2 | 20.4 | 23.5 | 24.7 |
| 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 | 13.5 | 13.6 |
| Operative CAPEX/sales, % | 9.4 | 9.3 | 4.9 | 3.7 | 3.9 | 4.4 | 4.5 |
| CAPEX/sales (incl. acquisitions), % | 9.4 | 9.3 | 4.9 | -0.8 | 3.9 | 4.4 | 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 | 58.9 | 63.1 | 67.0 |
| Gearing, % | -2.5 | 4.4 | -13.1 | 3.2 | -8.0 | -14.9 | -20.0 |

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 | 141.802 | 10.4% |
| Nordea Nordic Small Cap Fund | 1,863,224 | 69.964 | 5.2% |
| Weisell-Säätiö Sr | 1,700,710 | 63.862 | 4.7% |
| Citibank Europe Plc | 1,331,296 | 49.990 | 3.7% |
| Voipio Mikko | 1,268,312 | 47.625 | 3.5% |
| Caspers Anja | 969,496 | 36.405 | 2.7% |
| Voipio Raimo Hannes | 920,053 | 34.548 | 2.5% |
| Ilmarinen Mutual Pension Insurance Company | 889,275 | 33.392 | 2.5% |
| Ten largest | 12,718,724 | 477.588 | 35% |
| Residual | 23,446,276 | 880.408 | 65% |
| Total | 36,165,000 | 1,357.996 | 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, % | $\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes}}{\text{Shareholder's equity} + \text{minority interest} + \text{taxed provisions (average)}}$ | | |

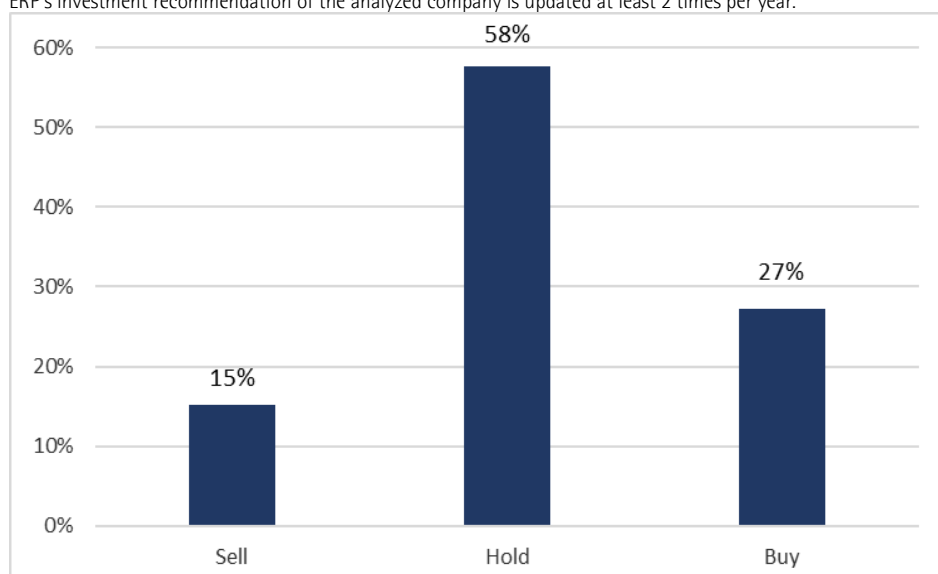
Important Disclosures

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): Heikura

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 19.7.2023, 9:20. This report has been published on 19.7.2023, 9:40.

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