

## Soft market opens a spot to BUY

Vaisala had a two-folded quarter with W&E delivering solid 18% growth while IM saw a decline due to a soft market. The outlook remains strong for W&E, but IM's markets remain uncertain which impacts the BU's growth prospects in H2.

### W&E delivered growth, IM was impacted by a weak market

Vaisala had a two-folded quarter. W&E grew nicely in orders received and net sales. Meanwhile, IM suffered from soft market demand and its orders received and net sales declined from the comparison period. In total, Vaisala's Q2 orders received grew by 5% y/y and net sales amounted to EUR 130.8m with a y/y growth of 9%. Gross margin was a bit below the comparison period at 51.1% and was negatively impacted by the unfavorable sales mix and price competition of IM. Despite lower volumes and softer gross margin of IM, group EBIT improved to EUR 11.9m (9.1% margin). Profitability was supported by an increased share of high-profitable businesses of W&E.

### Low industrial activity likely to decelerate net sales growth

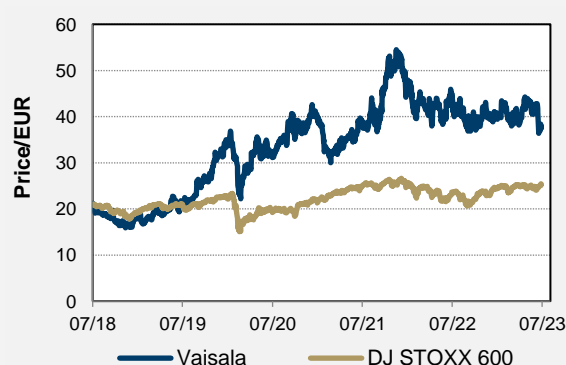
While the outlook for W&E seems bright with megatrend-driven investments continuing, we foresee IM's growth prospects in 2023 clearly weakening. A high share of W&E's revenue is funded by public entities that tend to be less cyclical. Meanwhile, industrial activity has decreased, and uncertainty is elevated. Additional uncertainty is brought by IM's short order book. After the Q2 result, we made no significant group-level changes to our estimates. In total, we expect Vaisala's group to continue growth during 2023-24, but with a gentler slope than seen recently. EBIT is also seen to improve but relative profitability takes a setback compared to that of the comparison period. Eventually, the period is characterized by strong development of W&E and uncertainty considering IM.

### Valuation remains attractive despite uncertainty

With no material reaction in the share price, we continue to view Vaisala as moderately valued. While Vaisala is priced with 23-24E EV/EBIT multiples of 20-16x, its peers are trading above that of the company. We view that Vaisala is benefiting from the robust underlying megatrends over time, despite temporary softness in customer demand, leading to a clear positive development in EPS. We retain our BUY rating and TP of 42.0, reflecting a moderate valuation.

Rating

BUY



Share price, EUR (Last trading day's closing price) 37.50

Target price, EUR 42.0

Latest change in recommendation 20-Jul-23

Latest report on company 28-Jul-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 1,365

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 27-Oct-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	553.0	66.5	12.0%	49.7	1.35	27.7	2.4	20.3	3.6	0.74
2024E	590.4	81.2	13.8%	51.2	1.72	21.8	2.2	16.3	3.8	0.98
2025E	621.3	88.2	14.2%	56.6	1.88	20.0	2.1	14.8	4.1	1.03
Market cap, EURm		1,365	Gearing 2023E, %			-5.8	CAGR EPS 2022-25, %			14.2
Net debt 2023E, EURm		-16	Price/book 2023E			5.0	CAGR sales 2022-25, %			6.5
Enterprise value, EURm		1,349	Dividend yield 2023E, %			2.0	ROE 2023E, %			18.8
Total assets 2023E, EURm		462	Tax rate 2023E, %			21.9	ROCE 2023E, %			20.5
Goodwill 2023E, EURm		49	Equity ratio 2023E, %			59.3	PEG, P/E 23/CAGR			2.2

## Q2 result

Vaisala had a two-folded quarter. W&E grew nicely in orders received and net sales. Meanwhile, IM suffered from soft market demand and its orders received and net sales declined from the comparison period. In total, Vaisala's Q2 orders received grew by 5% y/y and net sales amounted to EUR 130.8m with a y/y growth of 9%. The growth was driven by W&E's renewable energy, road and automotive, and meteorology. The late growth driver of life science negatively impacted net sales development. Moreover, the orders received declined in high-end industrial instruments as well as in life science. Power and energy and liquid measurements saw an increase in orders received which eventually will drive IM's Q2 net sales growth.

The gross margin was a bit below the comparison period at 51.1%. W&E's margins improved with a higher share of more profitable businesses while IM's gross margin declined due to unfavorable sales mix and price competition faced. To our understanding, IM had to abstain from aggressive price increases, especially in China. Spot-component had a marginal impact on the group gross margin of which effect will be insignificant in H2 with improved component availability.

Despite a significant drop in IM's EBIT, group profitability improved to EUR 11.9m which reflects an EBIT margin of 9.1%. IM's EBIT was impacted by lower volumes, soft gross margin, and increased fixed costs. W&E's EBIT saw a significant improvement with a strong gross margin as well as higher volumes. Group EPS amounted to EUR 0.22.

## Estimates

### ESTIMATE CHANGES

	2023E			2024E		
	Old	New		Old	New	
<b>Net sales</b>	<b>554.3</b>	<b>553.0</b>	<b>0%</b>	<b>591.6</b>	<b>590.4</b>	<b>0%</b>
IM	234.0	232.7	-1%	250.8	245.0	-2%
W&E	320.3	320.3	0%	340.8	345.3	1%
<b>EBIT</b>	<b>66.2</b>	<b>66.5</b>	<b>0%</b>	<b>81.1</b>	<b>81.2</b>	<b>0%</b>
IM	43.8	44.1	1%	52.4	50.9	-3%
W&E	22.2	22.2	0%	28.7	30.4	6%

We made no significant changes to our estimates on a group level. We anticipate Vaisala to deliver decent growth and profitability in H2'23. With a softer market, we expect IM to decline also in H2 but step back on a growth path in 2024. Meanwhile, we anticipate W&E continuing growth with the momentum of its growing business segments. In total, we estimate 23E net sales to land at EUR 553.0m, which reflects y/y growth of 7.6%. Our 23E net sales estimate is a bit above the midpoint of the company's guidance. Furthermore, with the recovery of IM during next year and W&E growth continuing, we anticipate a 24E net sales of 590.4 (+6.7% y/y).

Group gross margin is expected to suffer from IM's soft performance. Our view is that IM's price competition in China continues with the country lacking from an economic perspective. Meanwhile, we anticipate W&E to see clear improvements from a year ago with a higher share of D/SaaS and other profitable businesses. In addition, we also expect the spot-component impact on the gross margin to fade away towards the year-end. For 2023, we forecast a group gross margin of 55%. In 2024, we foresee the share of D/SaaS

increasing which directly has a positive impact on W&E's gross margin. Meanwhile, we expect IM to recover toward its normalized levels. Our 24E gross margin amounts to 55.4%.

With IM's decreased volumes and gross margin, we expect BU's 23E EBIT to be below that of the comparison period. Meanwhile, with growth continuing within high-profitable businesses, we believe W&E's 23E EBIT to see significant improvement above the comparison period. Our 23E EBIT amounts to EUR 66.5m, with a margin of 12%. The recovery of IM and decent development of W&E improves 24E EBIT to EUR 81.2m, which reflects a margin of 13.8%. Vaisala's strategy period concludes in 2024 and reaching the margin target of 15% might be challenging given the current market conditions of IM. However, with precise cost treatments and growth picking up in 2024, the target is achievable but not likely in our view.

## Valuation

With no significant changes made to our estimates and no special reaction in the share price, we continue to view Vaisala as moderately valued. While Vaisala is priced with 23-24E EV/EBIT and P/E multiples of 20-16x and 28-22x respectively. We view that Vaisala is over time benefiting from the robust underlying megatrends, despite temporary softness in customer demand, leading to a clear positive development in EPS. Our rating is intact at BUY, and with only marginal changes in our estimates, we reiterate our TP of EUR 42.0.

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	24022	5.1x	4.7x	4.2x	18.5x	17.2x	15.7x	21.3x	19.1x	17.2x	1.4 %	1.6 %	1.7 %
Keysight Tech	26296	5.0x	4.7x	4.3x	17.7x	17.0x	15.5x	19.8x	18.8x	16.8x	0.0 %	0.0 %	
Trimble	11914	3.9x	3.5x	3.1x	15.8x	14.2x	12.6x	20.3x	18.2x	15.5x	0.0 %	0.0 %	0.0 %
National Instruments	7077	4.6x	4.2x	3.8x	22.3x	19.5x	18.2x	23.9x	20.3x	18.2x	1.9 %	2.0 %	2.1 %
Spectris	4248	2.4x	2.2x	2.1x	14.7x	13.6x	12.7x	18.8x	17.4x	15.9x	2.3 %	2.5 %	2.7 %
FARO Technologies	275	0.8x	0.7x	0.6x		21.2x	6.7x		32.8x	8.4x	6.2 %	6.2 %	6.2 %
Oxford Instruments	1635	2.8x	2.6x	2.4x	16.6x	15.9x	15.2x	21.9x	21.4x	20.5x	0.8 %	0.9 %	0.9 %
Sensirion Holding	1220	4.2x	3.5x	2.9x	53.0x	32.2x	23.9x	68.5x	42.1x	31.4x	0.0 %	0.0 %	0.0 %
Halma	9932	4.6x	4.3x	3.9x	22.4x	20.8x	19.5x	28.3x	26.3x	24.7x	0.9 %	1.0 %	1.1 %
Peer Group Average	8555	3.7x	3.4x	3.0x	22.6x	19.1x	15.5x	27.8x	24.0x	18.7x	1.5 %	1.6 %	1.8 %
Peer Group Median	4248	4.2x	3.5x	3.1x	18.1x	17.2x	15.5x	21.6x	20.3x	17.2x	0.9 %	1.0 %	1.4 %
Vaisala (Evli est.)	1365	2.4x	2.2x	2.1x	20.3x	16.3x	14.8x	27.7x	21.8x	20.0x	2.0 %	2.6 %	2.8 %

Vaisala prem./disc. to peer median  
 Source FactSet, Evli Research

-4.1%   -3.6%   -3.1%   12%   -5%   -5%   28%   7%   16%   111%   159%   97%

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC	
Current share price	37.50 PV of Free Cash Flow	549 Long-term growth, %	2.5 Risk-free interest rate, %	2.25
DCF share value	41.73 PV of Horizon value	1,004 WACC, %	7.4 Market risk premium, %	5.8
Share price potential, %	11.3 Unconsolidated equity	0 Spread, %	0.0 Debt risk premium, %	2.8
Maximum value	41.7 Marketable securities	56 Minimum WACC, %	7.4 Equity beta coefficient	0.80
Minimum value	41.7 Debt - dividend	-89 Maximum WACC, %	7.4 Target debt ratio, %	10
Horizon value, %	64.6 Value of stock	1,519 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	553	590	621	646	668	688	709	730	752	771	790
<i>Sales growth, %</i>	<i>17.4</i>	<i>7.6</i>	<i>6.7</i>	<i>5.2</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	67	81	88	90	94	96	99	99	102	104	107
<i>Operating income margin, %</i>	<i>12.2</i>	<i>12.0</i>	<i>13.8</i>	<i>14.2</i>	<i>13.9</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	20	20	21	
EBITDA	85	90	102	109	112	117	115	118	118	122	125	
- Paid taxes	-15	-15	-16	-18	-18	-19	-19	-20	-20	-20	-21	
- Change in NWC	-38	-1	-6	-5	-4	-3	-3	-3	-3	-3	-3	
<i>NWC / Sales, %</i>	<i>15.3</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>	<i>14.6</i>	
+ Change in other liabs	0	0	0	0	0	0	0	0	0	0	0	
- Operative CAPEX	-14	-16	-21	-23	-22	28	-15	-16	-16	-17	-6	
<i>opCAPEX / Sales, %</i>	<i>3.7</i>	<i>3.9</i>	<i>4.5</i>	<i>4.6</i>	<i>4.3</i>	<i>-3.3</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	58	59	65	69	123	77	80	79	81	95	1,974
= Discounted FCFF		56	53	54	54	90	52	50	46	44	48	1,004
= DFCF min WACC		56	53	54	54	90	52	50	46	44	48	1,004
= DFCF max WACC		56	53	54	54	90	52	50	46	44	48	1,004

## INTERIM FIGURES

EVLI ESTIMATES, EURm	2022Q1	2022Q2	2022Q3	2022Q4	2022	2023Q1	2023Q2	2023Q3E	2023Q4E	2023E	2024E	2025E
Net sales	118.8	120.5	133.3	141.5	514.1	131.8	130.8	139.2	151.2	553.0	590.4	621.3
EBITDA	23.1	16.1	27.9	18.2	85.4	19.1	18.0	30.3	22.5	89.9	102.0	109.5
<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>21.7</i>	<i>14.9</i>	<i>16.3</i>	<i>17.3</i>	<i>17.6</i>
EBIT	17.5	10.3	22.0	12.6	62.5	13.3	11.9	24.5	16.7	66.5	81.2	88.2
<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>17.6</i>	<i>11.1</i>	<i>12.0</i>	<i>13.8</i>	<i>14.2</i>
Net financial items	-0.2	-1.0	-1.3	-0.4	-2.9	-0.8	-1.4	-0.7	-0.6	-3.5	-3.0	-2.8
Pre-tax profit	17.3	9.3	20.7	12.2	59.6	12.5	10.5	23.8	16.1	63.0	78.2	85.3
Tax	-3.6	-3.0	-4.7	-3.2	-14.5	-2.9	-2.5	-5.0	-3.4	-13.8	-15.6	-17.1
<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>21.0</i>	<i>21.0</i>	<i>21.9</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	18.8	12.8	49.3	62.6	68.3
EPS	0.38	0.18	0.45	0.25	1.25	0.26	0.22	0.52	0.35	1.35	1.72	1.88
EPS adjusted (diluted no. of shares)	0.39	0.18	0.45	0.25	1.26	0.26	0.22	0.52	0.35	1.35	1.72	1.88
Dividend per share	0.00	0.00	0.00	0.00	0.72	0.00	0.00	0.00	0.00	0.74	0.98	1.03
<b>SALES, EURm</b>												
Weather and Environment	65.7	65.9	75.7	81.3	288.6	68.8	78.0	83.1	90.4	320.3	345.3	359.1
Industrial Measurements	53.1	54.7	57.6	60.2	225.5	63.0	52.8	56.1	60.8	232.7	245.0	262.2
<b>Total</b>	<b>118.8</b>	<b>120.5</b>	<b>133.3</b>	<b>141.5</b>	<b>514.1</b>	<b>131.8</b>	<b>130.8</b>	<b>139.2</b>	<b>151.2</b>	<b>553.0</b>	<b>590.4</b>	<b>621.3</b>
<b>SALES GROWTH, Y/Y %</b>												
<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>7.8</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>1.0</i>	<i>3.2</i>	<i>5.3</i>	<i>7.0</i>
<b>Total</b>	<b>29.2</b>	<b>10.1</b>	<b>19.5</b>	<b>13.3</b>	<b>17.4</b>	<b>10.9</b>	<b>8.5</b>	<b>4.5</b>	<b>6.9</b>	<b>7.6</b>	<b>6.7</b>	<b>5.2</b>
<b>EBIT, EURm</b>												
Weather and Environment	2.9	-1.0	7.5	1.8	11.1	-1.7	4.9	12.0	6.9	22.2	30.4	25.5
Industrial Measurements	14.6	11.5	14.6	10.8	51.5	15.0	6.8	12.4	9.8	44.1	50.9	62.7
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
<b>Total</b>	<b>17.5</b>	<b>10.3</b>	<b>22.0</b>	<b>12.6</b>	<b>62.5</b>	<b>13.3</b>	<b>11.9</b>	<b>24.5</b>	<b>16.7</b>	<b>66.5</b>	<b>81.2</b>	<b>88.2</b>
<b>EBIT margin, %</b>												
<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>8.8</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>22.2</i>	<i>16.2</i>	<i>18.9</i>	<i>20.8</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>
<b>Total</b>	<b>14.8</b>	<b>8.6</b>	<b>16.5</b>	<b>8.9</b>	<b>12.2</b>	<b>10.1</b>	<b>9.1</b>	<b>17.6</b>	<b>11.1</b>	<b>12.0</b>	<b>13.8</b>	<b>14.2</b>

Electronic Equipment & Instruments/Finland, July 31, 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	553.0	590.4	621.3
<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>7.6</i>	<i>6.7</i>	<i>5.2</i>
EBITDA	51.1	64.7	65.9	71.7	85.4	89.9	102.0	109.5
<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>16.3</i>	<i>17.3</i>	<i>17.6</i>
Depreciation	-12.1	-23.6	-21.1	-21.6	-22.8	-23.3	-20.8	-21.3
EBITA	39.0	41.1	44.8	50.1	62.5	66.5	81.2	88.2
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	66.5	81.2	88.2
<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>12.0</i>	<i>13.8</i>	<i>14.2</i>
Reported EBIT	39.0	41.1	44.8	50.1	62.5	66.5	81.2	88.2
<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>12.0</i>	<i>13.8</i>	<i>14.2</i>
Net financials	-1.4	-1.0	-3.4	-2.1	-2.9	-3.5	-3.0	-2.8
Pre-tax profit	37.6	40.1	41.4	48.1	59.6	63.0	78.2	85.3
Taxes	-8.0	-6.5	-8.5	-8.8	-14.5	-13.8	-15.6	-17.1
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	49.3	62.6	68.3
Cash NRIs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-cash NRIs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>BALANCE SHEET, EURm</b>								
<b>Assets</b>								
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	79	99	115
Total assets	347	361	352	408	440	462	501	535
<b>Liabilities</b>								
Shareholder's equity	183	198	205	230	251	274	309	342
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	50	45	40
Non-interest bearing current liabilities	89	94	76	116	111	111	118	124
Other interest-free debt	9	7	8	7	7	7	7	7
Total liabilities	347	361	352	408	440	462	501	535
<b>CASH FLOW, EURm</b>								
+ EBITDA	51	65	66	72	85	90	102	109
- Net financial items	-1	-1	-3	-2	-3	-3	-3	-3
- Taxes	-9	-9	-8	-9	-14	-14	-16	-17
- Increase in Net Working Capital	-4	-16	-7	17	-38	-1	-6	-5
+/- Other	11	2	-6	3	0	0	0	0
= Cash flow from operations	48	41	41	80	30	71	78	85
- Capex	-14	-38	-35	-22	-19	-22	-27	-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	50	51	57
+/- New issues/buybacks	5	3	-4	8	0	0	0	0
- Paid dividend	-37	-21	-22	-22	-25	-26	-27	-36
+/- Other	31	-1	9	-12	15	-1	-4	-4
Change in cash	-19	-16	-11	33	-22	23	20	17

Electronic Equipment & Instruments/Finland, July 31, 2023  
Company update

KEY FIGURES	2019	2020	2021	2022	2023E	2024E	2025E
M-cap	1,159	1,454	1,924	1,437	1,365	1,365	1,365
Net debt (excl. convertibles)	-5	9	-30	8	-16	-40	-61
Enterprise value	1,154	1,466	1,899	1,445	1,349	1,325	1,304
Sales	404	380	438	514	553	590	621
EBITDA	65	66	72	85	90	102	109
EBIT	41	45	50	63	67	81	88
Pre-tax	40	41	48	60	63	78	85
Earnings	34	33	39	45	49	63	68
Equity book value (excl. minorities)	198	205	230	251	274	309	342
<b>Valuation multiples</b>							
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	13.0	11.9
EV/EBITA	28.1	32.7	37.9	23.1	20.3	16.3	14.8
EV/EBIT	28.1	32.7	37.9	23.1	20.3	16.3	14.8
EV/OCF	28.3	35.8	23.7	48.5	18.9	17.0	15.4
EV/FCFF	141.5	115.8	30.3	-308.4	23.4	22.4	20.2
P/FCFE	413.9	259.7	33.0	-116.8	27.4	26.7	24.1
P/E	34.6	44.2	49.4	31.6	27.7	21.8	20.0
P/B	5.8	7.1	8.4	5.7	5.0	4.4	4.0
Target EV/EBITDA	0.0	0.0	0.0	0.0	16.8	14.6	13.4
Target EV/EBIT	0.0	0.0	0.0	0.0	22.7	18.3	16.7
Target EV/FCF	0.0	0.0	0.0	0.0	30.4	29.1	26.0
Target P/B	0.0	0.0	0.0	0.0	5.6	4.9	4.5
Target P/E	0.0	0.0	0.0	0.0	31.0	24.4	22.4
<b>Per share measures</b>							
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	1.35	1.72	1.88
Operating cash flow per share	1.14	1.14	2.22	0.83	1.96	2.14	2.33
Free cash flow per share	0.08	0.16	1.62	-0.34	1.37	1.41	1.55
Book value per share	5.53	5.69	6.36	6.96	7.53	8.50	9.40
Dividend per share	0.61	0.61	0.68	0.72	0.74	0.98	1.03
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	3.6	3.8	4.1
<b>Efficiency measures</b>							
ROE	17.6	16.3	17.9	18.8	18.8	21.4	21.0
ROCE	17.0	17.7	18.6	21.2	20.5	23.0	23.1
<b>Financial ratios</b>							
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	14.6
Operative CAPEX/sales, %	9.4	9.3	4.9	3.7	3.9	4.5	4.6
CAPEX/sales (incl. acquisitions), %	9.4	9.3	4.9	-0.8	3.9	4.5	4.6
FCFF/EBITDA	0.1	0.2	0.9	-0.1	0.6	0.6	0.6
Net debt/EBITDA, book-weighted	-0.1	0.1	-0.4	0.1	-0.2	-0.4	-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	59.3	61.8	63.9
Gearing, %	-2.5	4.4	-13.1	3.2	-5.8	-12.9	-17.8

**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	141.613	10.4%
Nordea Nordic Small Cap Fund	1,863,224	69.871	5.1%
Weisell-Säätiö Sr	1,700,710	63.777	4.7%
Citibank Europe Plc	1,331,296	49.924	3.7%
Voipio Mikko	1,268,312	47.562	3.5%
Caspers Anja	969,496	36.356	2.7%
Voipio Raimo Hannes	920,053	34.502	2.5%
Ilmarinen Mutual Pension Insurance Company	889,275	33.348	2.4%
Ten largest	12,718,724	476.952	35%
Residual	23,680,276	888.010	65%
Total	36,399,000	1,364.963	100%

**EARNINGS CALENDAR**

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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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.

Recommendation	Percentage
Sell	15%
Hold	58%
Buy	27%

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

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