

Expecting slower growth

Vaisala reports its Q3 earnings on 27th of October. Low industrial activity slowed down IM's growth during Q2 which we estimate to have continued during Q3. We continue to see the valuation attractive despite the temporary market pressure.

Slight adjustments to estimates ahead of Q3

Despite the current weak market sentiment, especially on the IM side of Vaisala's business, we expect group level net sales in Q3/23 to grow to EUR 139.2m, with y/y growth of 4.5%. In terms of profitability, we estimate group EBIT of EUR 23.8m for Q3/23 with slightly improved margins when compared to Q3/22. For W&E, we expect y/y net sales growth of 9.8% during Q3 while for IM we expect a slight net sales decrease of 2.5% y/y. For IM, we see continued gross margin pressure as a result of price competition especially in the Chinese market. In addition to gross margin pressure, we expect overall lower profitability driven by the soft net sales development. For W&E, we estimate margin improvement for Q3 y/y driven by higher volumes and continued strong gross margin development stemming from improved sales mix and lower amount of spot component purchases. Our projected net sales for 2023 are EUR 552.8m, with reported EBIT reaching EUR 66.4m, both within the guidance range that was updated ahead of the Q2 earnings release.

Market conditions in Q3 remained largely unchanged

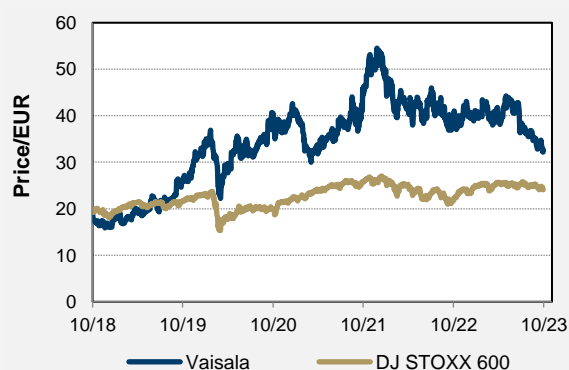
Vaisala's Q2 was two-folded as the demand continued strong for W&E side of the business while IM business area suffered from lower demand driven by slowed down industrial activity. We estimate that the development seen during Q2 has largely continued to Q3. We see no improvement in the economic data when looking at the industrial production globally, on the other hand, there has been no major negative shift when compared to Q2. W&E is different story as it has a larger proportion of public clients, reducing the business area's susceptibility to economic cycles. Hence, we anticipate continuation of strong performance.

BUY with a TP of EUR 39 (42)

We revise our TP slightly downwards driven by our estimate changes and lower peer group multiples. We continue to consider Vaisala moderately valued, trading at a 10-15% discount compared to our peer group on adj. EV/EBIT basis.

Rating

BUY



Share price, EUR (Last trading day's closing price) 32.20

Target price, EUR 39.0

Latest change in recommendation 19-Jul-23

Latest report on company 31-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 1,172

Free float, % 0.0

Exchange rate EUR/USD 0.000

Reuters code VAIAS.HE

Bloomberg code VAIAS FH

Average daily volume, EURm

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	552.8	66.4	12.0%	49.7	1.35	23.9	2.1	17.4	4.2	0.74
2024E	579.9	78.2	13.5%	52.7	1.65	19.5	1.9	14.5	4.5	0.94
2025E	610.5	89.6	14.7%	57.9	1.91	16.9	1.8	12.3	4.9	1.05
Market cap, EURm		1,172	Gearing 2023E, %			-5.8	CAGR EPS 2022-25, %			14.8
Net debt 2023E, EURm		-16	Price/book 2023E			4.3	CAGR sales 2022-25, %			5.9
Enterprise value, EURm		1,156	Dividend yield 2023E, %			2.3	ROE 2023E, %			18.7
Total assets 2023E, EURm		462	Tax rate 2023E, %			21.9	ROCE 2023E, %			20.4
Goodwill 2023E, EURm		49	Equity ratio 2023E, %			59.3	PEG, P/E 23/CAGR			1.6

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

Table 1: 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	22141	4.7x	4.3x	3.9x	13.6x	12.2x	11.2x	17.1x	15.8x	14.4x	19.7x	17.7x	15.9x
Keysight Tech	21233	3.9x	3.8x		12.6x	12.9x		13.7x	13.9x	12.1x	15.5x	16.0x	13.7x
Trimble	12152	3.9x	3.6x	3.1x	15.9x	14.7x	13.2x	17.2x	15.7x	14.1x	19.5x	17.6x	15.7x
National Instruments	7558							23.3x	17.5x		27.5x	19.8x	
Spectris	3661	2.0x	1.9x	1.7x	10.2x	9.7x	9.0x	12.3x	11.5x	10.7x	15.8x	14.9x	13.7x
FARO Technologies	241	0.7x	0.6x	0.5x		9.0x	4.0x		16.1x	5.1x	22.1x	5.5x	
Oxford Instruments	1252	2.2x	2.0x	1.8x	11.2x	10.7x	10.2x	13.2x	12.7x	12.1x	17.6x	17.1x	16.3x
Sensirion Holding	1184	4.1x	3.5x	2.8x	55.2x	28.4x	16.9x	546.6x	59.3x	26.2x	720.0x	82.6x	35.3x
Halma	7987	3.8x	3.5x	3.2x	16.6x	15.4x	14.4x	18.8x	17.4x	16.2x	23.2x	21.5x	20.2x
Peer Group Average	7642	3.2x	2.9x	2.4x	19.3x	14.1x	11.3x	82.8x	20.0x	13.9x	107.4x	25.5x	17.0x
Peer Group Median	3661	3.9x	3.5x	2.8x	13.6x	12.5x	11.2x	17.2x	15.8x	13.1x	19.6x	17.7x	15.8x
Vaisala (Evli est.)	1172	2.1x	1.9x	1.8x	12.9x	11.4x	10.0x	15.5x	13.1x	12.3x	20.4x	17.2x	16.9x

Vaisala prem./disc. to peer median
 Vaisala multiples adj. for PPA amortization
 Source FactSet, Evli Research

-46% -45% -36% -5% -9% -11% -10% -17% -6% 4% -3% 7%

Slight revisions in estimates, W&E estimates scaled down for both 23E & 24E

We have made minor changes to our estimates for both 2023 and 2024. We still expect margin improvement for W&E in 2023 and 2024 yet we have revised the ambition level slightly downwards. The main drivers behind the expected margin improvement for W&E continue to be estimated higher volumes, improved sales mix and lower effect from spot purchases (we estimate no spot purchase effect on gross margin for FY 2024). Overall, the estimate changes have no effect for FY 2023 group level estimates, for FY 2024, group level EBIT estimate decreases 4% to EUR 78.2m (prev. EUR 81.2m) with EBIT margin of 13.5% (prev. 13.8%).

Table 2: Estimate changes

	2023E			2024E		
	Old	New	%	Old	New	%
Net sales	553.0	552.8	-0%	590.4	579.9	-2%
IM	232.7	233.3	0%	245.0	243.8	-1%
W&E	320.3	319.5	-0%	345.3	336.1	-3%
EBIT	66.5	66.4	-0%	81.2	78.2	-4%
IM	44.1	44.5	1%	50.9	49.6	-2%
W&E	22.2	21.6	-3%	30.4	28.6	-6%

Source: Evli Research

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC
Current share price	32.20 PV of Free Cash Flow	561 Long-term growth, %	2.5 Risk-free interest rate, %
DCF share value	42.03 PV of Horizon value	1,002 WACC, %	7.4 Market risk premium, %
Share price potential, %	30.5 Unconsolidated equity	0 Spread, %	0.0 Debt risk premium, %
Maximum value	42.0 Marketable securities	56 Minimum WACC, %	7.4 Equity beta coefficient
Minimum value	42.0 Debt - dividend	-89 Maximum WACC, %	7.4 Target debt ratio, %
Horizon value, %	64.1 Value of stock	1,530 Nr of shares, Mn	36.4 Effective tax rate, %

DCF valuation, EURm	2022	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	Horizon
Net sales	514	553	580	610	634	657	676	697	718	739	758	776
<i>Sales growth, %</i>	<i>17.4</i>	<i>7.5</i>	<i>4.9</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	78	90	94	97	98	98	97	100	102	105
<i>Operating income margin, %</i>	<i>12.2</i>	<i>12.0</i>	<i>13.5</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	23	21	21	22	23	18	19	19	20	20	
EBITDA	85	90	99	111	116	120	116	116	116	120	123	
- Paid taxes	-15	-15	-16	-18	-19	-19	-20	-20	-19	-20	-20	
- Change in NWC	-38	-1	-4	-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	-19	-22	-22	28	-15	-16	-16	-16	-6	
<i>opCAPEX / Sales, %</i>	<i>3.7</i>	<i>3.9</i>	<i>4.2</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	60	66	72	125	79	78	78	80	93	1,939
= Discounted FCFF		57	55	56	57	93	54	50	46	44	48	1,002
= DFCF min WACC		57	55	56	57	93	54	50	46	44	48	1,002
= DFCF max WACC		57	55	56	57	93	54	50	46	44	48	1,002

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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	151.0	552.8	579.9	610.5
EBITDA	23.1	16.1	27.9	18.2	85.4	19.1	18.0	29.5	23.1	89.7	99.0	110.6
<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>21.2</i>	<i>15.3</i>	<i>16.2</i>	<i>17.1</i>	<i>18.1</i>
EBIT	17.5	10.3	22.0	12.6	62.5	13.3	11.9	23.8	17.4	66.4	78.2	89.6
<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>9.1</i>	<i>17.1</i>	<i>11.5</i>	<i>12.0</i>	<i>13.5</i>	<i>14.7</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	23.1	16.8	62.9	75.2	86.8
Tax	-3.6	-3.0	-4.7	-3.2	-14.5	-2.9	-2.5	-4.8	-3.5	-13.7	-15.0	-17.4
<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	18.2	13.3	49.1	60.1	69.5
EPS	0.38	0.18	0.45	0.25	1.25	0.26	0.22	0.50	0.36	1.35	1.65	1.91
EPS adjusted (diluted no. of shares)	0.39	0.18	0.45	0.25	1.26	0.26	0.22	0.50	0.36	1.35	1.65	1.91
Dividend per share	0.00	0.00	0.00	0.00	0.72	0.00	0.00	0.00	0.00	0.74	0.94	1.05
SALES, EURm												
Weather and Environment	65.7	65.9	75.7	81.3	288.6	68.8	78.0	83.1	89.6	319.5	336.1	349.6
Industrial Measurements	53.1	54.7	57.6	60.2	225.5	63.0	52.8	56.1	61.4	233.3	243.8	260.9
Total	118.8	120.5	133.3	141.5	514.1	131.8	130.8	139.2	151.0	552.8	579.9	610.5
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>10.2</i>	<i>10.7</i>	<i>5.2</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>-2.5</i>	<i>2.0</i>	<i>3.5</i>	<i>4.5</i>	<i>7.0</i>
Total	29.2	10.1	19.5	13.3	17.4	10.9	8.5	4.5	6.7	7.5	4.9	5.3
EBIT, EURm												
Weather and Environment	2.9	-1.0	7.5	1.8	11.1	-1.7	4.9	11.2	7.2	21.6	28.6	30.4
Industrial Measurements	14.6	11.5	14.6	10.8	51.5	15.0	6.8	12.4	10.2	44.5	49.6	59.2
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	23.8	17.4	66.4	78.2	89.6
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>6.3</i>	<i>13.5</i>	<i>8.0</i>	<i>6.8</i>	<i>8.5</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>22.2</i>	<i>16.7</i>	<i>19.1</i>	<i>20.3</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	17.1	11.5	12.0	13.5	14.7

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INCOME STATEMENT, EURm	2018	2019	2020	2021	2022	2023E	2024E	2025E
Sales	348.8	403.6	379.5	437.9	514.1	552.8	579.9	610.5
<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>7.5</i>	<i>4.9</i>	<i>5.3</i>
EBITDA	51.1	64.7	65.9	71.7	85.4	89.7	99.0	110.6
<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>16.2</i>	<i>17.1</i>	<i>18.1</i>
Depreciation	-12.1	-23.6	-21.1	-21.6	-22.8	-23.3	-20.8	-20.9
EBITA	39.0	41.1	44.8	50.1	62.5	66.4	78.2	89.6
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	66.4	78.2	89.6
<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>12.0</i>	<i>13.5</i>	<i>14.7</i>
Reported EBIT	39.0	41.1	44.8	50.1	62.5	66.4	78.2	89.6
<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>12.0</i>	<i>13.5</i>	<i>14.7</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	62.9	75.2	86.8
Taxes	-8.0	-6.5	-8.5	-8.8	-14.5	-13.7	-15.0	-17.4
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	49.1	60.1	69.5
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	121	128
Goodwill	25	30	30	29	49	49	49	49
Right of use assets	12	12	13	11	12	13	13	14
Inventory	32	40	45	50	62	66	70	73
Receivables	93	105	93	107	131	127	133	140
Liquid funds	73	56	45	78	56	79	100	119
Total assets	347	361	352	408	440	462	496	533
Liabilities								
Shareholder's equity	183	198	205	230	251	274	307	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	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	111	116	122
Other interest-free debt	9	7	8	7	7	7	7	7
Total liabilities	347	361	352	408	440	462	496	533
CASH FLOW, EURm								
+ EBITDA	51	65	66	72	85	90	99	111
- Net financial items	-1	-1	-3	-2	-3	-3	-3	-3
- Taxes	-9	-9	-8	-9	-14	-14	-15	-17
- Increase in Net Working Capital	-4	-16	-7	17	-38	-1	-4	-5
+/- Other	11	2	-6	3	0	0	0	0
= Cash flow from operations	48	41	41	80	30	71	77	86
- Capex	-14	-38	-35	-22	-19	-21	-24	-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	53	58
+/- New issues/buybacks	5	3	-4	8	0	0	0	0
- Paid dividend	-37	-21	-22	-22	-25	-26	-27	-34
+/- Other	31	-1	9	-12	15	-1	-4	-4
Change in cash	-19	-16	-11	33	-22	23	21	19

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KEY FIGURES	2019	2020	2021	2022	2023E	2024E	2025E
M-cap	1,159	1,454	1,924	1,437	1,172	1,172	1,172
Net debt (excl. convertibles)	-5	9	-30	8	-16	-41	-65
Enterprise value	1,154	1,466	1,899	1,445	1,156	1,131	1,107
Sales	404	380	438	514	553	580	610
EBITDA	65	66	72	85	90	99	111
EBIT	41	45	50	63	66	78	90
Pre-tax	40	41	48	60	63	75	87
Earnings	34	33	39	45	49	60	69
Equity book value (excl. minorities)	198	205	230	251	274	307	342
Valuation multiples							
EV/sales	2.9	3.9	4.3	2.8	2.1	1.9	1.8
EV/EBITDA	17.8	22.2	26.5	16.9	12.9	11.4	10.0
EV/EBITA	28.1	32.7	37.9	23.1	17.4	14.5	12.3
EV/EBIT	28.1	32.7	37.9	23.1	17.4	14.5	12.3
EV/OCF	28.3	35.8	23.7	48.5	16.2	14.7	12.9
EV/FCFF	141.5	115.8	30.3	-308.4	20.0	18.7	16.8
P/FCFE	413.9	259.7	33.0	-116.8	23.6	22.3	20.2
P/E	34.6	44.2	49.4	31.6	23.9	19.5	16.9
P/B	5.8	7.1	8.4	5.7	4.3	3.8	3.4
Target EV/EBITDA	0.0	0.0	0.0	0.0	15.6	13.9	12.3
Target EV/EBIT	0.0	0.0	0.0	0.0	21.1	17.6	15.1
Target EV/FCF	0.0	0.0	0.0	0.0	28.2	26.2	23.4
Target P/B	0.0	0.0	0.0	0.0	5.2	4.6	4.1
Target P/E	0.0	0.0	0.0	0.0	28.9	23.6	20.4
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	1.35	1.65	1.91
Operating cash flow per share	1.14	1.14	2.22	0.83	1.95	2.11	2.36
Free cash flow per share	0.08	0.16	1.62	-0.34	1.37	1.45	1.59
Book value per share	5.53	5.69	6.36	6.96	7.52	8.43	9.40
Dividend per share	0.61	0.61	0.68	0.72	0.74	0.94	1.05
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	2.3	2.9	3.3
FCF yield, %	0.2	0.4	3.0	-0.9	4.2	4.5	4.9
Efficiency measures							
ROE	17.6	16.3	17.9	18.8	18.7	20.7	21.4
ROCE	17.0	17.7	18.6	21.2	20.4	22.3	23.5
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	14.6
Operative CAPEX/sales, %	9.4	9.3	4.9	3.7	3.9	4.2	4.6
CAPEX/sales (incl. acquisitions), %	9.4	9.3	4.9	-0.8	3.9	4.2	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	61.9	64.2
Gearing, %	-2.5	4.4	-13.1	3.2	-5.8	-13.5	-19.0

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	121.599	10.4%
Nordea Nordic Small Cap Fund	1,863,224	59.996	5.1%
Weisell-Säätiö Sr	1,700,710	54.763	4.7%
Citibank Europe Plc	1,331,296	42.868	3.7%
Voipio Mikko	1,268,312	40.840	3.5%
Caspers Anja	969,496	31.218	2.7%
Voipio Raimo Hannes	920,053	29.626	2.5%
Ilmarinen Mutual Pension Insurance Company	889,275	28.635	2.4%
Ten largest	12,718,724	409.543	35%
Residual	23,680,276	762.505	65%
Total	36,399,000	1,172.048	100%

EARNINGS CALENDAR	
October 27, 2023	Q3 report
OTHER EVENTS	

COMPANY MISCELLANEOUS	
CEO: Kai Öistämö	Vanha Nurmijärventie 21, 01670 Vantaa
CFO: Heli Lindfors	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, %	$\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes}}{\text{Shareholder's equity} + \text{minority interest} + \text{taxed provisions (average)}}$		

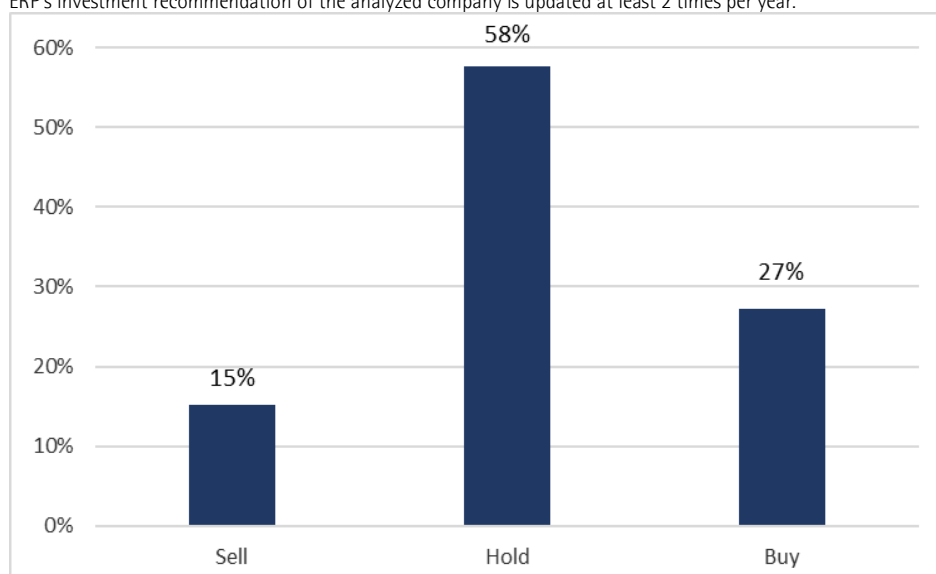
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Investment recommendations are defined as follows:

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

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

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