

Decent quarter expected in a soft market

Vaisala will report Q4 earnings on February 14th. We expect solid performance in W&E while IM continues to face challenges due to weak demand in some key verticals.

W&E driving growth and profitability, for now

Vaisala's net sales missed our estimates slightly for Q3 while the margins were stronger than we anticipated. The margins were supported by the company's OPEX discipline and reduced spot component purchases. The market situation has stayed relatively unchanged from Q3 as IM faces subdued demand driven by weak industrial activity globally in Q4. With slight negative adjustment to our net sales estimate for IM, we estimate revenue of EUR 58.4m for Q4/23, down 3% y/y. For W&E, we keep our net sales estimate for Q4/23 at EUR 85.2m resulting in group wide net sales of EUR 143.6m for Q4 (prev. EUR 145.1m) and for FY 2023 EUR 536.6m (prev. EUR 538.1m). We estimate EBIT of EUR 17.5m with a margin of 12.2% for Q4 and EUR 67.9m for FY 2023. The margin improvement is mainly driven by improved gross margin.

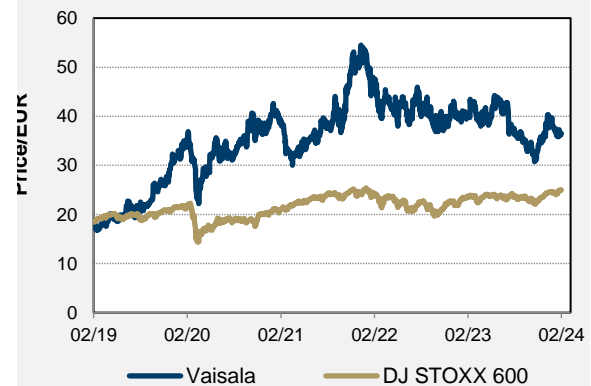
Market remains challenging for IM

In addition to Q4 figures, our interest lies in the comments and outlook for 2024. In the Q3 report, the company commented that markets for high-end industrial instruments and life science have somewhat declined and Vaisala doesn't expect recovery in Q4. The Eurozone industrial confidence has not improved during Q4/23 or start of 2024, on the other hand, the Chinese industrial production showed some signs of improvement during Q4. For 2024E, we make slight changes to our estimates as we expect continued growth, albeit at a slower pace driven by W&E as we expect softness in IM volumes to continue during H1. The FX headwind is estimated to decrease as the year progresses. Profitability wise, we estimate slight improvement driven by cost discipline and no further negative effects from spot purchases expected in 2024.

BUY with a TP of EUR 41

Vaisala trades at roughly 17-15x adj. EV/EBIT on our 23-24E estimates. Based on 23-24E adj. EV/EBIT, the current pricing represents a discount of roughly 10-15% when compared to our peer group. Additionally, Vaisala trades at a discount to its historic multiple levels and value derived from our DCF. We retain our rating at BUY yet increase our TP to EUR 41 (prev. EUR 37).

Rating + BUY



Share price, EUR (Last trading day's closing price) 36.55
Target price, EUR 41.0

Latest change in recommendation 20-Jul-23
Latest report on company 30-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 1,330
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 14-Feb-23
Web site vaisala.com/en/investor

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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	536.6	67.9	12.7%	56.3	1.36	26.9	2.4	19.3	4.2	0.75
2024E	551.8	76.1	13.8%	55.4	1.61	22.7	2.3	16.8	4.2	0.92
2025E	580.8	80.9	13.9%	51.5	1.72	21.3	2.2	15.6	3.9	0.94
Market cap, EURm			1,330	Gearing 2023E, %		-8.2	CAGR EPS 2022-25, %			10.8
Net debt 2023E, EURm			-22	Price/book 2023E		4.9	CAGR sales 2022-25, %			4.2
Enterprise value, EURm			1,308	Dividend yield 2023E, %		2.0	ROE 2023E, %			18.9
Total assets 2023E, EURm			458	Tax rate 2023E, %		22.8	ROCE 2023E, %			20.9
Goodwill 2023E, EURm			49	Equity ratio 2023E, %		59.8	PEG, P/E 23/CAGR			2.2

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			Div. yield		
		23	24	25	23	24	25	23	24	25	23	24	25	23	24	25
Hexaon	27981	5.8x	5.5x	5.1x	15.6x	14.8x	13.5x	19.8x	19.2x	17.4x	23.8x	22.3x	19.9x	1.2 %	1.4 %	1.5 %
Keysight Tech	25150	4.9x	5.0x	4.7x	16.6x	16.5x	15.1x	19.0x	18.1x	16.2x	19.2x	21.7x	18.7x	0.0 %	0.0 %	0.0 %
Trimble	11973	4.2x	4.1x	3.9x	15.7x	15.2x	14.0x	17.0x	16.5x	15.4x	19.6x	19.0x	17.2x	0.0 %	0.0 %	0.0 %
Spectris	4302	2.4x	2.4x	2.3x	11.6x	11.1x	10.5x	13.7x	13.1x	12.1x	18.6x	17.7x	16.2x	2.2 %	2.4 %	2.6 %
FARO Technologies	394	1.0x	1.0x	0.9x	55.6x	12.2x	8.7x		19.3x	12.0x		36.8x	20.1x			
Oxford Instruments	1463	2.6x	2.5x	2.4x	13.3x	12.6x	11.7x	15.1x	14.4x	13.5x	20.0x	19.2x	17.7x	0.9 %	0.9 %	1.0 %
Sensirion Holding	1133	4.0x	3.5x	2.8x	51.4x	27.0x	16.2x	671.2x	63.9x	25.8x	2952.2x	85.6x	33.5x			
Halma	9562	4.5x	3.6x	3.0x	19.4x	17.9x	16.7x	21.8x	17.5x	14.3x	27.5x	22.8x	17.1x	1.0 %	1.0 %	1.1 %
Peer Group Average	10245	3.7x	3.4x	3.1x	24.9x	15.9x	13.3x	111.1x	22.7x	15.8x	440.1x	30.6x	20.0x	0.9 %	1.1 %	1.2 %
Peer Group Median	6932	4.1x	3.5x	2.9x	16.1x	15.0x	13.8x	19.0x	17.8x	14.9x	20.0x	22.0x	18.2x	0.9 %	1.0 %	1.1 %
Vaisala (Evli est.)	1147	2.1x	2.0x	1.8x	14.3x	12.8x	12.2x	17.2x	15.2x	14.4x	23.7x	20.5x	19.3x	2.4 %	2.9 %	3.2 %

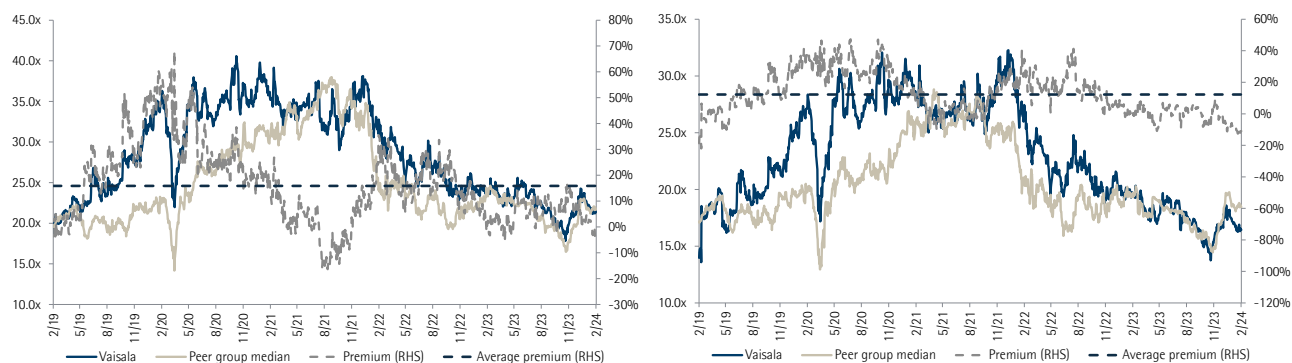
Vaisala prem./disc. to peer median

Vaisala multiples adj. for PPA amortization

Source Bloomberg, Evli Research

-49% -44% -37% -12% -14% -12% -10% -15% -3% 18% -7% 6% 158% 194% 196%

Figure 1: FWD P/E (lhs) and EV/EBIT (rhs), peer group median vs. Vaisala



Source: Factset

Source: Factset

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC	
Current share price	36.55 PV of Free Cash Flow	557 Long-term growth, %	2.5 Risk-free interest rate, %	2.25
DCF share value	41.00 PV of Horizon value	978 WACC, %	7.4 Market risk premium, %	5.8
Share price potential, %	12.2 Unconsolidated equity	0 Spread, %	0.0 Debt risk premium, %	2.8
Maximum value	41.0 Marketable securities	85 Minimum WACC, %	7.4 Equity beta coefficient	0.80
Minimum value	41.0 Debt - dividend	-62 Maximum WACC, %	7.4 Target debt ratio, %	10
Horizon value, %	63.7 Value of stock	1,501 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	537	552	581	604	625	643	663	683	703	721	739
<i>Sales growth, %</i>	<i>17.4</i>	<i>4.4</i>	<i>2.8</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	68	76	81	89	92	93	93	92	95	97	100
<i>Operating income margin, %</i>	<i>12.2</i>	<i>12.7</i>	<i>13.8</i>	<i>13.9</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	23	23	24	25	20	21	22	22	23	
EBITDA	85	92	100	104	113	117	114	114	114	117	120	
- Paid taxes	-15	-16	-15	-16	-18	-18	-19	-19	-18	-19	-19	
- Change in NWC	-38	1	-2	-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	-13	-19	-24	-24	23	-17	-18	-18	-19	-9	
<i>opCAPEX / Sales, %</i>	<i>3.7</i>	<i>3.4</i>	<i>4.4</i>	<i>5.1</i>	<i>4.8</i>	<i>-2.8</i>	<i>3.6</i>	<i>3.6</i>	<i>3.6</i>	<i>3.6</i>	<i>2.1</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	63	59	68	119	75	74	74	76	89	1,851
= Discounted FCFF		65	59	52	55	90	53	49	45	43	47	978
= DFCF min WACC		65	59	52	55	90	53	49	45	43	47	978
= DFCF max WACC		65	59	52	55	90	53	49	45	43	47	978

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	143.6	536.6	551.8	580.8
EBITDA	23.1	16.1	27.9	18.2	85.4	19.1	18.0	31.4	23.2	91.8	99.6	103.7
<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>16.1</i>	<i>17.1</i>	<i>18.0</i>	<i>17.9</i>
EBIT	17.5	10.3	22.0	12.6	62.5	13.3	11.9	25.2	17.5	67.9	76.1	80.9
<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>12.2</i>	<i>12.7</i>	<i>13.8</i>	<i>13.9</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	16.9	64.1	73.1	78.1
Tax	-3.6	-3.0	-4.7	-3.2	-14.5	-2.9	-2.5	-5.7	-3.5	-14.6	-14.6	-15.6
<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	13.3	49.5	58.5	62.5
EPS	0.38	0.18	0.45	0.25	1.25	0.26	0.22	0.51	0.37	1.36	1.61	1.72
EPS adjusted (diluted no. of shares)	0.39	0.18	0.45	0.25	1.26	0.26	0.22	0.51	0.37	1.36	1.61	1.72
Dividend per share	0.00	0.00	0.00	0.00	0.72	0.00	0.00	0.00	0.00	0.75	0.92	0.94
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	58.4	228.1	230.4	246.5
Total	118.8	120.5	133.3	141.5	514.1	131.8	130.8	130.4	143.6	536.6	551.8	580.8
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>-3.0</i>	<i>1.2</i>	<i>1.0</i>	<i>7.0</i>
Total	29.2	10.1	19.5	13.3	17.4	10.9	8.5	-2.2	1.5	4.4	2.8	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	27.4
Industrial Measurements	14.6	11.5	14.6	10.8	51.5	15.0	6.8	14.7	10.8	47.3	49.5	53.5
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	17.5	67.9	76.1	80.9
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>8.2</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>18.5</i>	<i>20.7</i>	<i>21.5</i>	<i>21.7</i>
<i>Other</i>	<i>50,000.0</i>		<i>0.0</i>	<i>0.0</i>	<i>-12,500.0</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	12.2	12.7	13.8	13.9

Electronic Equipment & Instruments/Finland, February 7, 2024
Preview

INCOME STATEMENT, EURm	2018	2019	2020	2021	2022	2023E	2024E	2025E
Sales	348.8	403.6	379.5	437.9	514.1	536.6	551.8	580.8
<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>4.4</i>	<i>2.8</i>	<i>5.3</i>
EBITDA	51.1	64.7	65.9	71.7	85.4	91.8	99.6	103.7
<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>17.1</i>	<i>18.0</i>	<i>17.9</i>
Depreciation	-12.1	-23.6	-21.1	-21.6	-22.8	-23.8	-23.5	-22.8
EBITA	39.0	41.1	44.8	50.1	62.5	67.9	76.1	80.9
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	67.9	76.1	80.9
<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>12.7</i>	<i>13.8</i>	<i>13.9</i>
Reported EBIT	39.0	41.1	44.8	50.1	62.5	67.9	76.1	80.9
<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>12.7</i>	<i>13.8</i>	<i>13.9</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	64.1	73.1	78.1
Taxes	-8.0	-6.5	-8.5	-8.8	-14.5	-14.6	-14.6	-15.6
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	49.5	58.5	62.5
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	115	116	122
Goodwill	25	30	30	29	49	49	49	49
Right of use assets	12	12	13	11	12	12	13	13
Inventory	32	40	45	50	62	64	66	70
Receivables	93	105	93	107	131	123	127	134
Liquid funds	73	56	45	78	56	85	108	122
Total assets	347	361	352	408	440	458	488	519
Liabilities								
Shareholder's equity	183	198	205	230	251	274	305	335
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	13
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	107	110	116
Other interest-free debt	9	7	8	7	7	7	7	7
Total liabilities	347	361	352	408	440	458	488	519
CASH FLOW, EURm								
+ EBITDA	51	65	66	72	85	92	100	104
- Net financial items	-1	-1	-3	-2	-3	-4	-3	-3
- Taxes	-9	-9	-8	-9	-14	-15	-15	-16
- Increase in Net Working Capital	-4	-16	-7	17	-38	1	-2	-4
+/- Other	11	2	-6	3	0	0	0	0
= Cash flow from operations	48	41	41	80	30	74	80	81
- Capex	-14	-38	-35	-22	-19	-18	-24	-29
- Acquisitions	-52	0	0	0	-23	0	0	0
+ Divestments	0	0	0	0	0	0	0	0
= Free cash flow	-18	3	6	58	-12	56	55	52
+/- New issues/buybacks	5	3	-4	8	0	0	0	0
- Paid dividend	-37	-21	-22	-22	-25	-26	-27	-33
+/- Other	31	-1	9	-12	15	-1	-5	-4
Change in cash	-19	-16	-11	33	-22	29	24	14

Electronic Equipment & Instruments/Finland, February 7, 2024
Preview

KEY FIGURES	2019	2020	2021	2022	2023E	2024E	2025E
M-cap	1,159	1,454	1,924	1,437	1,330	1,330	1,330
Net debt (excl. convertibles)	-5	9	-30	8	-22	-51	-69
Enterprise value	1,154	1,466	1,899	1,445	1,308	1,280	1,262
Sales	404	380	438	514	537	552	581
EBITDA	65	66	72	85	92	100	104
EBIT	41	45	50	63	68	76	81
Pre-tax	40	41	48	60	64	73	78
Earnings	34	33	39	45	50	58	62
Equity book value (excl. minorities)	198	205	230	251	274	305	335
Valuation multiples							
EV/sales	2.9	3.9	4.3	2.8	2.4	2.3	2.2
EV/EBITDA	17.8	22.2	26.5	16.9	14.3	12.8	12.2
EV/EBITA	28.1	32.7	37.9	23.1	19.3	16.8	15.6
EV/EBIT	28.1	32.7	37.9	23.1	19.3	16.8	15.6
EV/OCF	28.3	35.8	23.7	48.5	17.6	16.1	15.6
EV/FCFF	141.5	115.8	30.3	-308.4	20.4	20.4	21.3
P/FCFE	413.9	259.7	33.0	-116.8	23.6	24.0	25.8
P/E	34.6	44.2	49.4	31.6	26.9	22.7	21.3
P/B	5.8	7.1	8.4	5.7	4.9	4.4	4.0
Target EV/EBITDA	0.0	0.0	0.0	0.0	16.0	14.5	13.7
Target EV/EBIT	0.0	0.0	0.0	0.0	21.6	18.9	17.6
Target EV/FCF	0.0	0.0	0.0	0.0	26.1	26.0	27.6
Target P/B	0.0	0.0	0.0	0.0	5.4	4.9	4.5
Target P/E	0.0	0.0	0.0	0.0	30.1	25.5	23.9
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	1.36	1.61	1.72
Operating cash flow per share	1.14	1.14	2.22	0.83	2.04	2.19	2.22
Free cash flow per share	0.08	0.16	1.62	-0.34	1.55	1.52	1.42
Book value per share	5.53	5.69	6.36	6.96	7.53	8.39	9.19
Dividend per share	0.61	0.61	0.68	0.72	0.75	0.92	0.94
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	2.5	2.6
FCF yield, %	0.2	0.4	3.0	-0.9	4.2	4.2	3.9
Efficiency measures							
ROE	17.6	16.3	17.9	18.8	18.9	20.2	19.5
ROCE	17.0	17.7	18.6	21.2	20.9	21.7	21.5
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	14.5
Operative CAPEX/sales, %	9.4	9.3	4.9	3.7	3.4	4.4	5.1
CAPEX/sales (incl. acquisitions), %	9.4	9.3	4.9	-0.8	3.4	4.4	5.1
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	59.8	62.6	64.5
Gearing, %	-2.5	4.4	-13.1	3.2	-8.2	-16.5	-20.5

Electronic Equipment & Instruments/Finland, February 7, 2024
Preview

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	%
Nordea Nordic Small Cap Fund	35,237,364	1,287.926	96.8%
Skandinaviska Enskilda Banken Ab (publ) Helsinki Branch	22,745,160	831.336	62.5%
Voipio Mikko	12,712,240	464.632	34.9%
Caspers Anja	11,665,280	426.366	32.0%
Voipio Raimo Hannes	8,601,677	314.391	23.6%
Weisell-Säätiö Sr	1,700,710	62.161	4.7%
Citibank Europe Plc	1,344,893	49.156	3.7%
Ilmarinen Mutual Pension Insurance Company	889,275	32.503	2.4%
Ten largest	94,896,599	3,468.471	261%
Residual	-58,497,599	-2,138.087	-161%
Total	36,399,000	1,330.383	100%

EARNINGS CALENDAR

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

<p>ROE, %</p> $\frac{\text{Profit before extraordinary items and taxes - income taxes}}{\text{Shareholder's equity + minority interest + taxed provisions (average)}}$	
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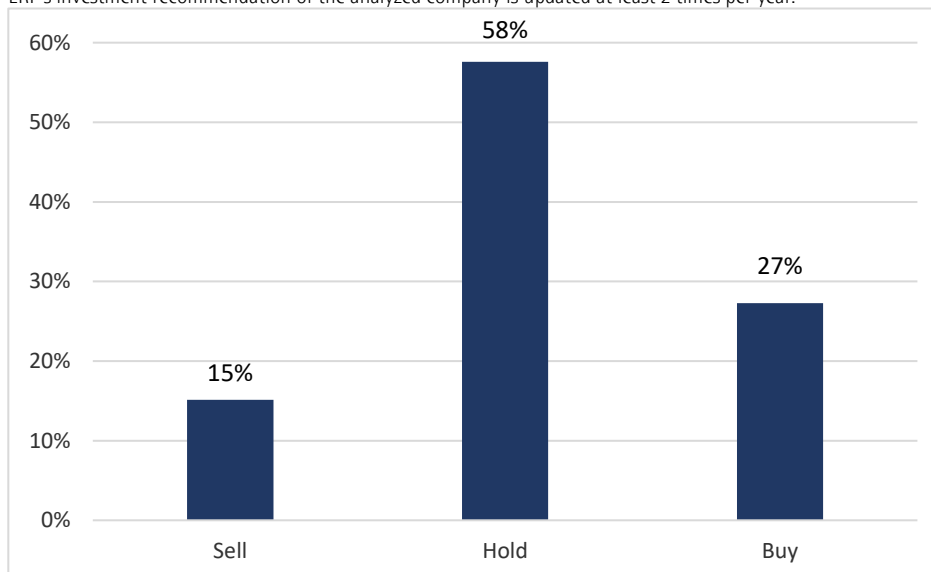
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Investment recommendations are defined as follows:

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

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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

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