

## Entering a new era of profitable growth

We anticipate Vaisala's profitable growth journey to take a leap in 2025 aided by acquisitions. Going forward, we see that the company has multiple drivers helping it to continue the strategy execution well in line with the updated financial targets. We retain our TP at EUR 56 and revise our recommendation to ACCUMULATE (prev. BUY) to match the updated recommendation methodology (see page 45).

### A truly global high-end measurements company

Vaisala designs, develops, manufactures, and markets equipment, systems, and services for weather, environmental, and industrial measurements. The company is headquartered in Finland yet has customers in more than 150 countries with net sales split relatively evenly across the globe. Vaisala is the market leader in many of the niches where it operates, and the company invests ~12% of its net sales in R&D annually to ensure its technology leadership. Vaisala has built its business model around multiple megatrends that change the world and consuming behavior; climate change being perhaps the most influential. Other crucial trends, such as artificial intelligence and process optimization, resource efficiency, and well-being and health drive demand for the company's measurement solutions.

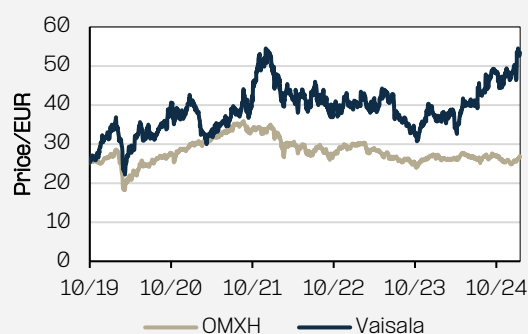
### Multiple profitable growth levers going forward

Vaisala introduced its updated financial targets and gave insights into its group-wide strategy and strategic priorities for the business segments in its CMD in late 2024. While the company kept its average sales growth target at 7%, it updated its profitability goal to target systematically improving EBITA %. We estimate that a gradually improving market will boost demand for the IM segment yet see the greatest mid-term potential in its traditionally lower-margin W&E segment. Key profitable growth drivers for W&E include improving profitability in its legacy business, rising renewable product sales, and expansion in SaaS/DaaS, helped by the recent acquisitions, with a goal to achieve profitability in the current strategy period. We anticipate that the mentioned drivers will continue to contribute to the company's profitable growth in 2025 after a strong finish to 2024.

### ACCUMULATE (BUY) with a TP of EUR 56.0

Our valuation of Vaisala is based on the company's peer group, historical valuation levels, and the fair value determined through our DCF model. Vaisala is priced at adj. EV/EBIT of 18–15x and adj. P/E of 23–20x on our estimates for 2025–2026E. After only minor changes to estimates, we retain our TP at EUR 56 and revise our recommendation to ACCUMULATE (prev. BUY).

## Rating + Accumulate



Share price, EUR (Last trading day's closing price)	<b>52.40</b>
Target price, EUR	56.0
Latest change in recommendation	04-Feb-25
Latest report on company	17-Jan-25
Research paid by issuer:	YES
No. of shares outstanding, '000's	36 285
No. of shares fully diluted, '000's	36 285
Market cap, EURm	1 901
Free float, %	
Exchange rate	
Reuters code	VAIAS.HE
Bloomberg code	VAIAS FH
Average daily volume, EURm	0.0
Next interim report	18-Feb-24
Web site	vaisala.com/en/investors
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+ BUY + ACCUMULATE - REDUCE - 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
2022	514.1	62.5	12.2%	-12.3	1.25	31.6	2.8	23.1	-0.9%	0.72
2023	540.4	66.6	12.3%	68.4	1.35	29.4	2.6	21.2	4.8%	0.75
2024E	565.0	83.0	14.7%	-20.5	1.77	29.5	3.4	23.2	-1.1%	0.98
2025E	638.2	92.5	14.5%	67.3	1.93	27.1	3.0	20.4	3.5%	1.06
2026E	678.0	111.5	16.4%	82.4	2.38	22.0	2.7	16.6	4.3%	1.31

Market cap, EURm	1 901	Gearing 2024E, %	7.1%	CAGR EPS 2023–26, %	20.8%
Net debt 2024E, EURm	22	Price/book 2024E	6.2	CAGR Sales 2023–26, %	7.9%
Enterprise value, EURm	1 923	Dividend yield 2024E, %	1.9%	ROE 2024E, %	22.5%
Total assets 2024E, EURm	536	Tax rate 2024E, %	21.3%	ROCE 2024E, %	22.0%
Goodwill 2024E, EURm	86	Equity ratio 2024E, %	56.9%	PEG, P/E 24/CAGR	2.3

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

## Investment summary

A global leader in measurement solutions

Vaisala, a leader in weather, environmental, and industrial measurement solutions provides business-critical measurement solutions for its clients across the globe. Along with measurement equipment, Vaisala provides installation, testing, training, maintenance, calibration, and digital solutions. Serving both public and private sectors in weather and environmental markets, and primarily private clients in industrial markets, Vaisala operates in over 150 countries with 24 offices. Headquartered in Vantaa, Finland, the company employs over 2,300 people, with ~30% working in R&D. Vaisala's operations are based on high-mix/low-volume model, as it holds a portfolio of 300 product families that is composed of approximately 9,000 different products. Products are the main revenue source, accounting for 74% of 2023 net sales, with the Weather and Environment segment contributing over half of the sales.

R&D investments to retain competitive advantage

As a high-tech company, research and development play a crucial role in maintaining the company's competitive position in various markets. Vaisala is a global technology leader in most of its markets which requires long-term commitment and investments in R&D. Vaisala's research and development scope range from silicon chips to complete systems, software, and digital solutions. The company's average level of R&D investment has varied around 12–13% of net sales in recent years. Previously, W&E has accounted for two-thirds, while IM has represented a third of total R&D costs. However, with its robust revenue growth, IM has been increasing its absolute R&D investments. Jointly with its in-house R&D, Vaisala also collaborates with research institutes, consortiums, and universities across various scientific and technological fields.

Business model well-catered towards multiple megatrends

Vaisala is well-positioned to benefit from several megatrends, including climate change, AI, process optimization, energy transition, decarbonization, and health and wellbeing. The company provides solutions to help clients understand, mitigate, and adapt to climate change, by for example helping its clients to optimize industrial processes and by providing measurement solutions that gather accurate and reliable data of environment. For energy transition, Vaisala provides solutions for renewable energy, electric vehicles, and battery manufacturing. Additionally, Vaisala supplies instruments for the life science and pharmaceutical industry where the demand is driven by the aging of global population.

Should continue execution of the strategy well in line with the financial targets

Vaisala's updated long-term financial targets include an average sales growth of 7%, a systematic improvement in EBITA percentage, and maintaining strong cash conversion over time. We see that the company has multiple drivers helping it to reach the financial targets. While a gradually improving market should boost demand for the IM segment, the W&E business holds the greatest mid to long-term potential for profitability improvement in our view. We find several profitable growth levers in W&E; ongoing improvement in the legacy product and project business, increasing share of renewable product sales and growth in SaaS/DaaS business backed by recently made acquisitions and goal to turn to profit in the business during the current strategy period.

A compelling narrative supported by robust financials comes at a premium

Based on our estimates, Vaisala is priced at 18–15x adj. EV/EBIT and 23–20x adj. P/E for 2025–2026E. The pricing is significantly higher compared to the average multiples for OMXH yet is in our view warranted due to the company's profitable growth prospects and capital efficiency. The company trades at a discount compared to our peer group consisting of R&D-focused electrical equipment and measurement solutions providers on our estimates for 2025–2026E. The pricing is neutral compared to Vaisala's own historical multiple levels. Our DCF-based valuation points towards a fair value of EUR 56. After only minor estimate adjustments, we keep our TP intact at EUR 56 and revise our recommendation to ACCUMULATE (prev. BUY) to match the updated recommendation scale (see page 45).

**Company overview**

Business critical partner providing accurate measurement solutions

Vaisala is a global leader in developing, manufacturing, and selling equipment for weather, environmental, and industrial measurements. The company's accurate measurements are integral to its customers' operations, making them a critical component of their businesses, and generating substantial value-add. In addition to measurement equipment, the company provides installation, testing, and training as well as maintenance, calibration, and digital services (D/SaaS). Moreover, Vaisala designs and implements large-scale weather and environmental projects around the globe. The company provides services to both public and private clients within the weather and environmental measurement markets, while primarily catering to private clients in the industrial measurement markets.

Nearly 90 years of experience in measuring the environment

The company was founded in 1936 by a Finnish meteorologist and physicist, Professor Vilho Väisälä, when the first radiosonde pieces were sold to the MIT. The company was listed on the Helsinki OTC-list in 1988 and has been listed on the Helsinki primary stock exchange since 1994. Vaisala operates in 150+ countries and has 24 offices in 17 different countries. The company is headquartered in Vantaa, Finland with an R&D center, offices, and production facilities. Vaisala has direct sales organizations in 20 countries and the company uses distributors or agents in over 100 countries. The company sells its products also through its online store. Vaisala employs over 2,300 persons, with ~30% working in R&D.

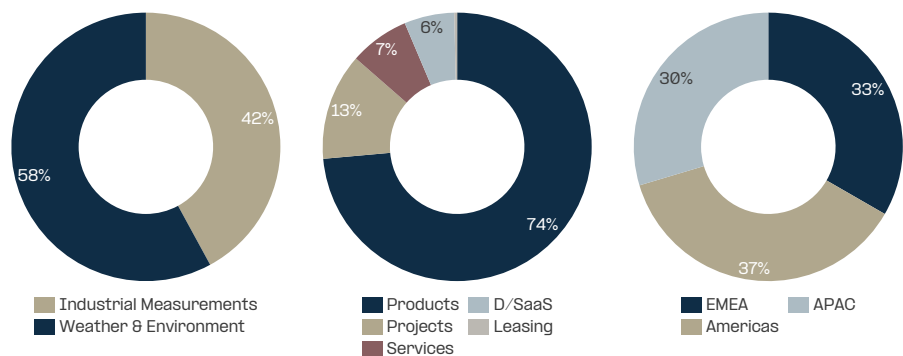
Global operations support the high-mix/low-volume model

Vaisala's Operations unit manufactures products for both business areas and ensures that high-mix/low-volume procedure is functioning efficiently. The company holds a portfolio of 300 product families that is composed of approximately 9,000 different products. Vaisala operates manufacturing facilities in Vantaa (Finland), Boulder (Colorado, USA), Paris/Saclay (France), and Shanghai (China), where it produces critical components, assembles, calibrates, and tests measuring equipment in-house. Vaisala produces sensors and critical chips in its cleanroom in Vantaa (Finland). Meanwhile, the company outsources standardized, less critical, and asset-intensive processes to trusted partners. Final assembly, calibration, and testing are conducted in Vaisala's four factories. Within VPS and other operations, the company is constantly seeking opportunities to increase efficiency to further scale the business accordingly with its strategy.

Products are the primary source of revenue

Vaisala reports revenue by segment and by type including products, services, projects, leasing income, and D/SaaS services. Products account for the largest share of Vaisala's net sales, constituting 74% of the total net sales in 2023. Projects, exclusively from the Weather and Environment business area, contributed to 13% of the group's net sales. Services represented 7% of the total net sales, while D/SaaS revenue accounted for 6% in 2023. Licensing income constituted merely 0.4% of the group's net sales in 2023. The Weather and Environment (W&E) segment accounted for approximately 60% of the company's net sales, making it the largest contributor to revenue by segment.

Figure 1: Net sales split by segment, type and by geography, 2023 data

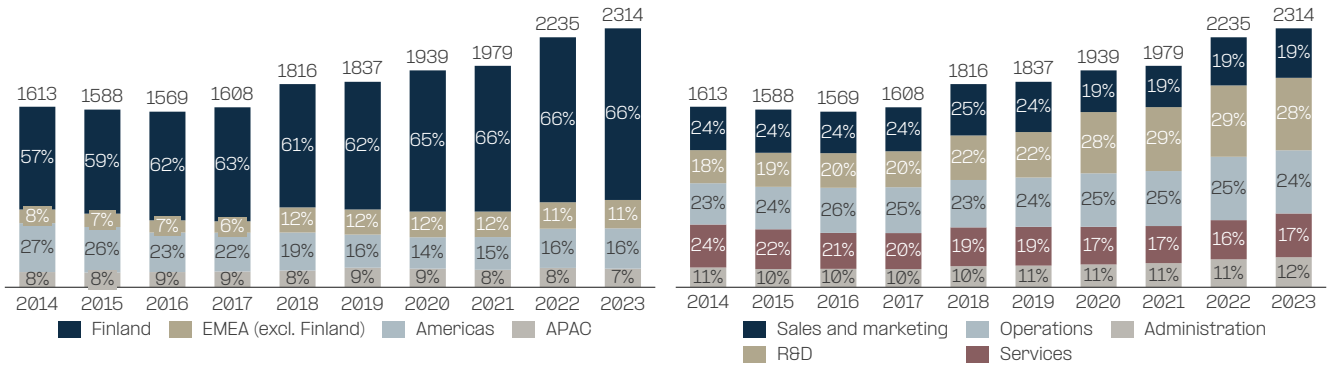


Source: Vaisala, Evli Research

R&D is at the core of Vaisala

Vaisala has an asset-light business model that allows for strong returns on capital. One of its key success factors is its continuous investments in R&D activities. The company invests ~12% of its net sales in R&D annually to ensure its technology leadership, modernize outdated (or commoditized) products and develop completely new products and technologies. Through this investment, Vaisala also fights against competition and price erosion. The share of personnel working in R&D has increased from less than 20% in 2014–2015 to 28–29% during 2020s.

Figure 2: Employee count by geography (lhs) and by function (rhs), 2014–2023



Source: Vaisala, Evli Research

Providing highly customized solutions

Vaisala emphasizes its high-mix/low-volume operations and focuses mostly on high value-adding products. The company aims to be a valuable partner by addressing customers' business-critical challenges. Vaisala leverages its scientific research and expertise to produce high-end technology that can be utilized in challenging environments such as space, data centers, offshore wind farms, and maritime. A significant share of Vaisala's products is customized and made on-demand to meet the specific needs of customers, except for products such as radiosondes which are produced in mass production. Additionally, Vaisala offers near-product services and comprehensive weather and environmental projects. Through R&D and acquisitions, Vaisala has initiated scalable weather and environment data services (D/SaaS) that are based on valuable recurring revenue.

Bolt-on acquisitions to bring new technologies and market access

M&A has also played a key part in Vaisala's business development. In the past, Vaisala has acquired multiple companies and technologies mainly for supporting its Weather and Environment business area. Through acquisitions, Vaisala aims to enter new technologies and markets as well as gain new competencies. In January 2022, Vaisala announced the acquisition of the US-based software company AeriWeather which provides weather and environmental data services. Through the acquisition of AeriWeather, Vaisala grew its digital business (D/SaaS), obtained crucial development tools and capabilities, and expanded further its customer base and offering. In 2024, Vaisala has continued to boost the digital business growth within W&E by acquiring three companies. The largest acquisition in 2024 was completed in December as the company acquired US-based Maxar Intelligence's WeatherDesk business related assets. WeatherDesk provides global weather forecasts and observations. According to our understanding, the acquisition complements the Speedwell Climate deal (closed in Q4/24) as it further enhances Xweather's position in the insurance and finance vertical.

## Well-positioned for several secular trends

Megatrends drive the market growth

Vaisala has built its business model around multiple megatrends that change the world and consuming behavior; climate change being perhaps the most influential. Other crucial trends, such as artificial intelligence and process optimization, resource efficiency, and well-being and health, provide Vaisala with new avenues for applying its technologies and know-how, creating fresh business opportunities. Vaisala places great emphasis on its "handprint", referring to how its solutions can reduce the effects of climate change.

### Climate change

More than a megatrend

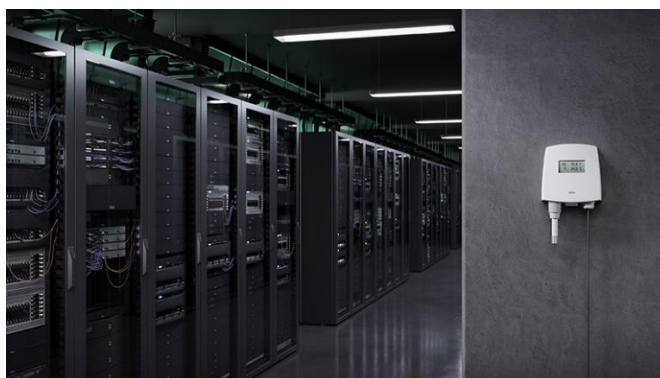
Vaisala's business model is built around helping its clients to understand, mitigate and adapt to climate change as the company provides its customers with products to make their business more sustainable. Climate change relates to all the other trends that drive demand for Vaisala's products; AI and process optimization, energy transition and decarbonization and health and wellbeing. Climate change results in more frequent and severe weather events, such as hurricanes, floods, and droughts. This increases the need for accurate and reliable weather monitoring and forecasting systems. Vaisala's advanced weather stations, sensors, and software solutions are crucial for governments, meteorological agencies, and organizations to prepare for and respond to extreme weather conditions. Another example is Vaisala's contribution to climate research. Vaisala's high-precision instruments and data analytics platforms support this field by providing comprehensive data on atmospheric conditions.

### Artificial intelligence and process optimization

Vaisala benefits from AI in many ways

Vaisala's offering caters well to the prevailing AI trend. The company's instruments generate stable, reliable, and accurate data for AI systems, enabling the optimization of various industrial processes for greater efficiency and sustainability. With Xweather (Vaisala's D/SaaS product), Vaisala transforms weather intelligence into reliable weather confidence by utilizing AI in forecasting and by delivering precise and actionable insights for companies operating in various industries. This empowers them to manage their operations with certainty. One of the verticals for the company's Industrial Measurements is data centers. AI and machine learning depend on large amounts of data and computing power, leading to a rapid increase in the number of data centers worldwide. A significant expense associated with operating these data centers is the cost of cooling and air conditioning. A slight change in the temperature can have major impact on the cost to run a data center. By employing Vaisala's advanced instruments to measure parameters such as humidity and temperature, data center operators can optimize their operations to achieve minimal energy consumption. This optimization offers both financial advantages and a reduced environmental impact.

Figure 3: Vaisala Humidity and Temperature Transmitter



Source: Vaisala

**Energy transition and decarbonization**

Advanced solutions for energy transition

Vaisala offers multitude of solutions for energy transition and decarbonization. The company's offerings for renewable energy consist of solutions for both solar and wind energy. Vaisala's WindCube wind lidar product offers developers, operators and manufacturers of windmills and wind farms accurate and reliable data that improves financing and protects profitability of operations. Vaisala's wind products can be used in every terrain, from complex onshore to remote offshore locations. Besides renewable energy, one of the major themes in energy transition and decarbonization is electric vehicles and batteries. Drying is one of the costliest operations in a battery manufacturing. Vaisala's instruments provide accurate moisture and liquid concentration measurements. The company's products suit the needs of lithium battery manufacturing from electrode production to cell finalization.

Figure 4: Vaisala WindCube



Source: Vaisala

**Health and wellbeing**

Ageing population drives demand for solutions related to health and wellbeing

Vaisala supplies instruments for monitoring the development, manufacturing, and supply chains of drugs and vaccines. According to data by the World Health Organization, by 2030, 1 in 6 people in the world will be aged 60 years or over. At this time the share of the population aged 60 years and over will increase from 1 billion in 2020 to 1.4 billion. As the global population ages, there is an increasing focus on healthy aging and managing chronic diseases. One of the examples of Vaisala's solutions for life science are the devices for warehouse measurement and monitoring. With Vaisala's Continuous Monitoring System, pharmaceutical companies can ensure their operations remain in full compliance with GxP regulations.

Figure 5: Vaisala Wireless Temperature & Humidity data logger



Source: Vaisala



**Research and development**

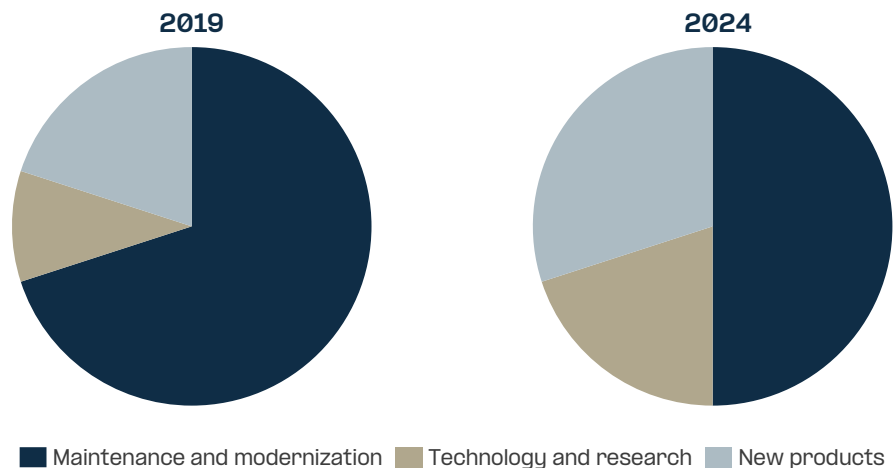
R&D is a core driver behind achieving and maintaining product leadership

Research and development play a crucial role in maintaining the company's competitive position in various markets. Vaisala is a global technology leader in most of its markets which requires long-term commitment and investments in R&D. Vaisala's research and development scope range from silicon chips to complete systems, software, and digital solutions. The company's average level of R&D investment has varied around 12–13% of net sales in recent years. Previously, W&E has accounted for two-thirds, while IM has represented a third of total R&D costs. However, with its robust revenue growth, IM has been increasing its absolute R&D investments. Jointly with its in-house R&D, Vaisala also collaborates with research institutes, consortiums, and universities across various scientific and technological fields.

Focus of R&D has changed in recent years

In its Capital Markets Day 2024, Vaisala presented figures on R&D spend during the recent years. The company's R&D efforts have transitioned from maintaining and modernizing its existing products, to focusing more on developing new products. Nowadays software development is an essential factor in Vaisala's R&D as all its products include some sort of software aspect. In addition, the company develops digital solutions which include more sophisticated IoT hardware as well as software and AI/machine learning algorithms. Ultimately, Vaisala's (weather) forecasts rely on observed data as well as models and algorithms designed by its engineers.

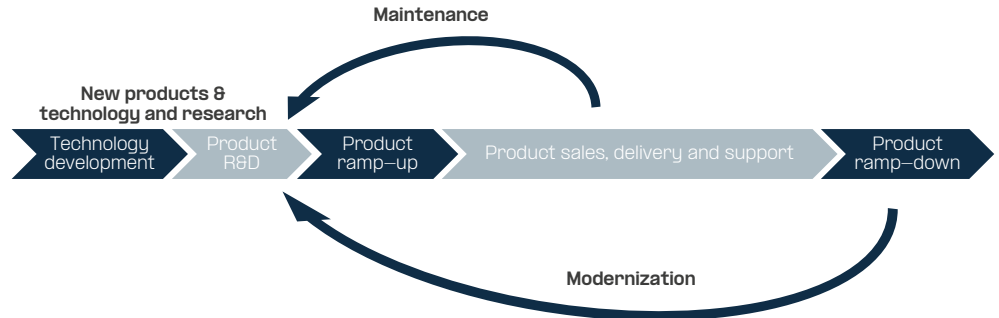
Figure 6: Approximation of Vaisala's R&D spend by type, 2019 vs. 2024, % of total R&D expenditure



Source: Vaisala CMD presentation 2024

Approximately half of the current R&D expenditures are related to the renewal of existing offerings and defending its current market position and product modernization whereas the development of new products accounts for ~30%. The rest ~20% of R&D expenditures is used for new technology pre-studies and research projects. Vaisala applies for patents selectively since the application process reveals valuable information to its competitors.

Figure 7: Illustration of the company's research and development funnel

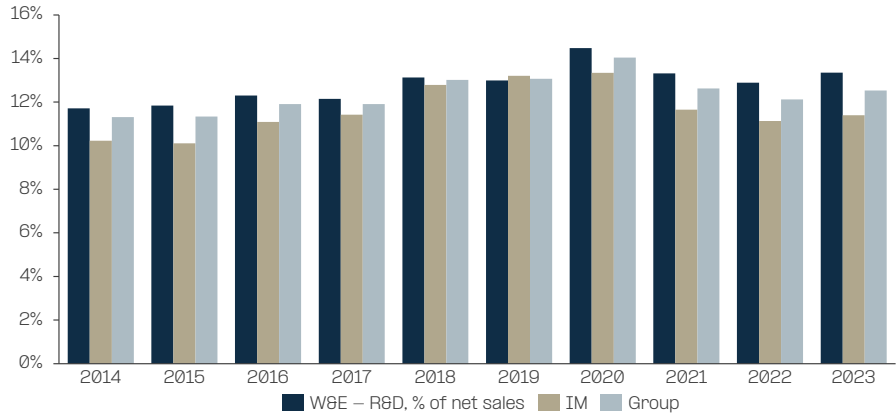


Source: Vaisala, Evli Research

W&E has higher share of R&D compared to net sales

In relative terms, W&E has had higher R&D-% costs as a percentage of net sales compared to IM. In 2023, research and development costs as % of net sales for W&E was at 13.4% and for IM at 11.4%, or EUR 42m and EUR 26m on absolute terms respectively. On average, W&E has had 1.2%-p. larger R&D-% during the last ten years. For the total group, R&D spend as % of net sales peaked in 2020 at 14% while the average has been approximately 12.4% during the last ten years. Part of the peak in 2020 is explained by COVID effect as the company could allocate more resources to R&D spend. Considering the longer time perspective, the relative level of R&D has however grown over time from approximately 10% to 12% during 2010–23. We consider a 12–13% allocation of R&D expenses sustainable for the company's future development.

Figure 8: Annual R&D costs as % of net sales, by segment (segment R&D to segment net sales) and for total group (group R&D to total group net sales), 2014–2023



Source: Vaisala, Evli Research



**Operations**

Low-volume, high-mix

Vaisala’s offering covers over 300 product families and approx. 9,000 products. The company’s products are typically highly customized and made on-demand according to customer specifications, resulting in limited inventories of finished products. In larger project deliveries, Vaisala utilizes external partners in areas such as civil engineering and on-site installation. Meanwhile, project consulting and training are conducted by Vaisala.

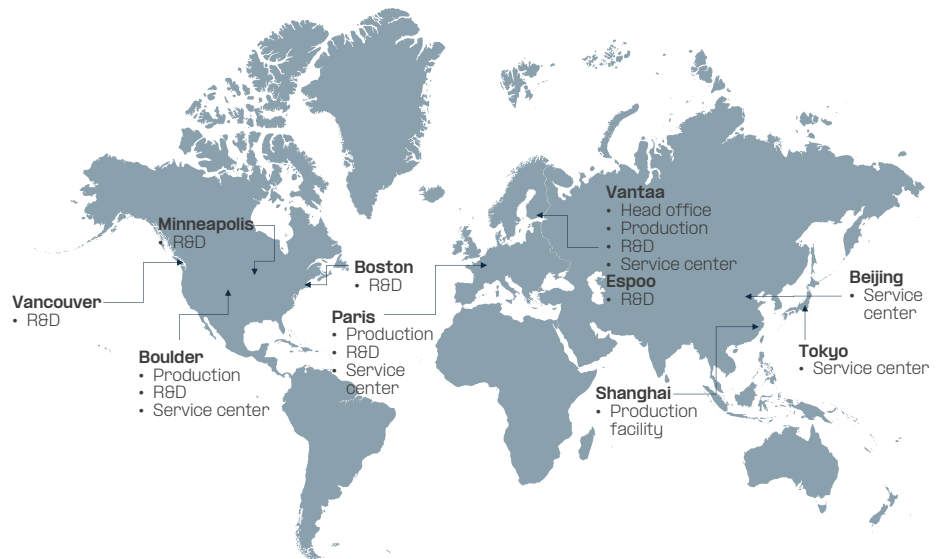
A truly global player

Vaisala’s Operations unit manufactures products for both business areas and ensures that high-mix/low-volume procedure is functioning efficiently. The command of a large product portfolio without compromising quality is one of Vaisala’s core strengths. Sensors and crucial chips, the most critical parts of Vaisala’s equipment, are manufactured in the company’s cleanroom in Vantaa, Finland. Meanwhile, the manufacturing of subassemblies is outsourced to partners such as Enics and Scanfil. Final assembly, calibration, and testing are conducted in Vaisala’s four factories. Vaisala’s main factory locates in Finland, while facilities in the US are primarily for the needs of American customers. Facilities in Paris/Saclay, France, and Shanghai, China were obtained through the acquisition of Leosphere, and today, LiDARs and some of IM’s products (Shanghai) are produced there.

Effect of tariffs in US should have limited impact on Vaisala

The newly elected President of the United States has imposed tariffs on imports from various countries. Roughly fifth of Vaisala’s net sales comes from the United States. In 2023, 9% of the company’s sourcing costs were from North America. We see the possible negative effects from tariffs quite limited for Vaisala, yet we expect some negative effect from for example components purchased from China. In addition, possible tariffs on imports from the Europe could bring additional costs. Vaisala has manufacturing operations in Boulder, Colorado that services the North American market. In addition, the company has R&D centers in Vancouver, Minneapolis, Boston and Boulder and a service center in Boulder.

Figure 9: Vaisala’s operations geographically



Source: Vaisala, Evli Research

Supplier network is constructed carefully

Vaisala's supplier management model has four different categories: potential, approved, preferred, and strategic suppliers. In addition to these categories, suppliers may be, for example, in phase-out when their contracts are being discontinued gradually or on a watch list when they are monitored closely due to serious issues experienced. The classification defines the relationship between Vaisala and the supplier and outlines the management model for each category. All suppliers are expected to meet certain requirements before they can be approved and categorized.

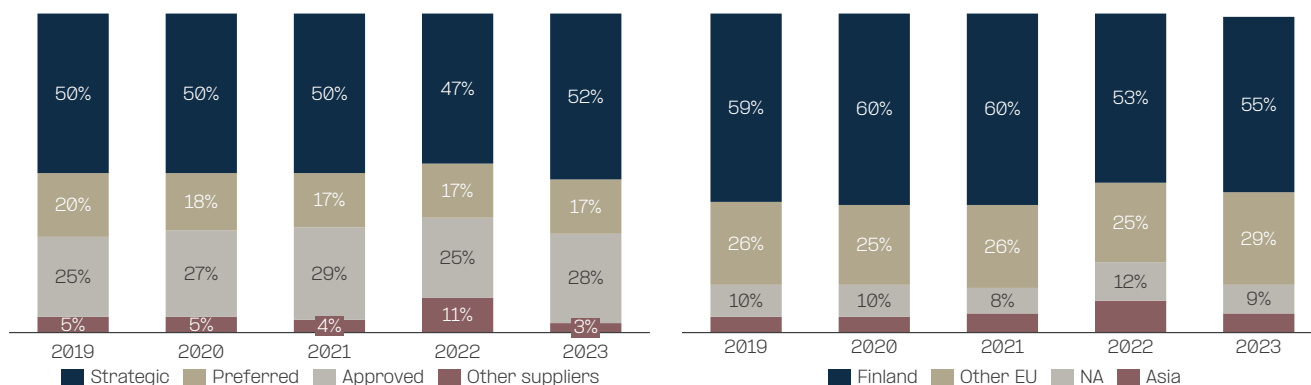
Most of the suppliers are located in Europe

Vaisala has optimized its supply chain by reducing the number of subcontractors over the past few years, which allows for more efficient procurement. Vaisala's direct suppliers are typically located near its factories and assembly centers. Subassemblies, components, and mechanical parts are sourced mainly from Finland and other European countries as well as the United States which in total represented majority of Vaisala's material spending in 2023.

Investments in delivery capabilities amid component shortages paid off

The COVID-19 crisis in 2020 led to global component shortage which affected Vaisala during 2020-2022. During the time period, the company had to refocus part of its R&D resources to mitigate component shortages. Vaisala mitigated the component shortage issues quite effectively. With its strong procurement, the company was able to secure all its components so that no order was delayed. However, that resulted in elevated material costs, due to spot-component purchases, that decreased Vaisala's gross margins. While the spot purchases affected margins negatively in the short-term, the company won market share due to the reliability of the company's deliveries.

Figure 10: Vaisala's suppliers by type (lhs) and geography (rhs), as % of total suppliers, 2019-2023



Source: Vaisala, Evli Research

## Strategy

Taking every measure for the planet

Vaisala updated its strategy and long-term financial targets in late 2024. The current strategy was first introduced in 2023 with the company's new purpose "Taking every measure for the planet". Vaisala's main success factors are the following: customer understanding and application know-how, product and technology leadership, excellence in supply chain, purpose-driven culture and talent. The current strategy works as an update to the well succeeded previous strategy as majority of the elements remain the same.

Commentary on strategy and financial targets

We see that Vaisala has a clear strategy to drive sustainable growth in its selected end-markets. Vaisala's strategy aligns well with the current secular trends that drive demand in both Weather and Environment and Industrial Measurement segments. Vaisala has a clear competitive advantage regarding its product portfolio quality and technological leadership. Over the past decade, Vaisala has generally operated in line with its updated financial targets. Given the historical performance and current changes in its business mix, we regard the updated financial targets as realistic and attainable. We believe that the profitable growth is mainly driven by the shift in the company's sales mix. Vaisala's sales mix is evolving towards higher-growth and higher-margin businesses. Notably, within the traditionally lower-margin W&E segment, there is an increasing portion of revenue coming from higher-margin recurring revenue streams. Additionally, on the product side, the proportion of renewable energy products, which inherently have higher margins, is expanding. Meanwhile, the share of traditional, lower-margin W&E net sales is decreasing. Additionally, Vaisala is enhancing its profitability in this area.

## Strategic success drivers

Customer understanding and application know-how

The company's measurement solutions are founded on a thorough understanding of its customers' requirements in various applications, including both Weather & Environment and Industrial Measurements. To enhance customer service and comprehension, Vaisala engages as a dedicated collaborator from the initial design phase through to ongoing services post-product delivery.

Product and technology leadership

As mentioned previously, Vaisala invests heavily on research and development and R&D costs have historically formed roughly 12% of total sales per year. Vaisala's success relies on research and all its technologies are based on scientific innovations. The company invests in R&D in order to innovate and create new technologies and defend and grow its market share in selected niche markets. The current focus of R&D investments is in new products and technology and research while maintenance and modernization make roughly half of the R&D investments. Vaisala's high-quality and reliable technologies range from sensors to digital solutions.

Excellence in supply chain

Vaisala's portfolio includes hundreds of product families and thousands of products, and the company serves customers through various sales channels in over 150 countries. Engineering changes are regularly incorporated into Vaisala's products, necessitating on-demand manufacturing and a strong emphasis on operational excellence. This is supported by the development of corresponding work methods and scalable product platforms. Both business areas utilize the same R&D facilities and personnel, as well as ERPs, which by finetuning provide potential for scalability.

Purpose-driven culture and talent

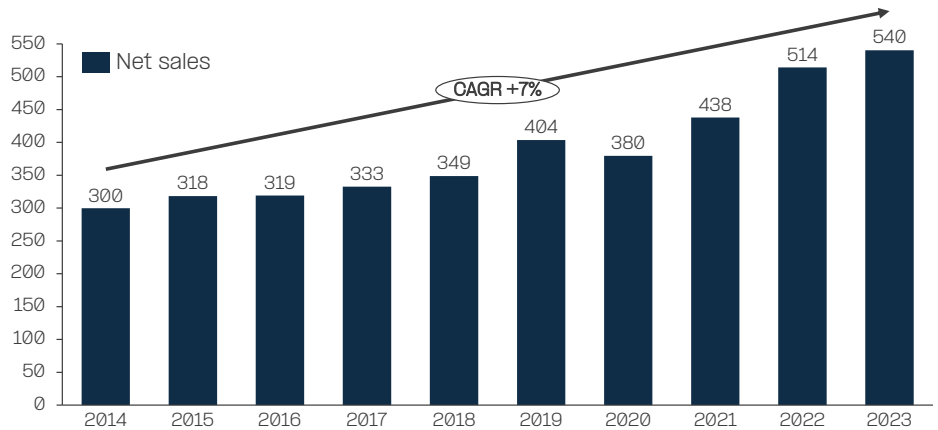
Vaisala offers versatile opportunities for talented and motivated professionals who value work with a purpose and learning opportunities. The company supports the well-being of its employees and is committed to ensuring that they have opportunities for professional development within the organization. In an annual employee survey, the company monitors how its employees are feeling about their work. Additionally, Vaisala founded a work group to find new ways of working and ensure that its employees stay motivated also in the years to come. The company has achieved an employee engagement score of 4.1 out of 5.

**Financial targets**

Sales growth target remains unchanged and well in line with historical growth rate

Vaisala updated its financial targets in connection with the Capital Markets Day 2024. The company maintains its target for revenue growth at an average annual sales increase of 7%. Historically, the company has consistently achieved this growth rate, as evidenced by a compound annual growth rate (CAGR) of 7% from 2014 to 2023. It is important to note that historical data includes acquisitions, whereas the financial target excludes assumptions of inorganic growth. We consider the growth target realistic, as most of the company's markets are expected to grow 5–10% per annum in the mid-term. Only the W&E legacy business in meteorology, aviation, and roads has slower growth by nature.

Figure 11: Historic net sales per annum, in EURm, 2014–2023

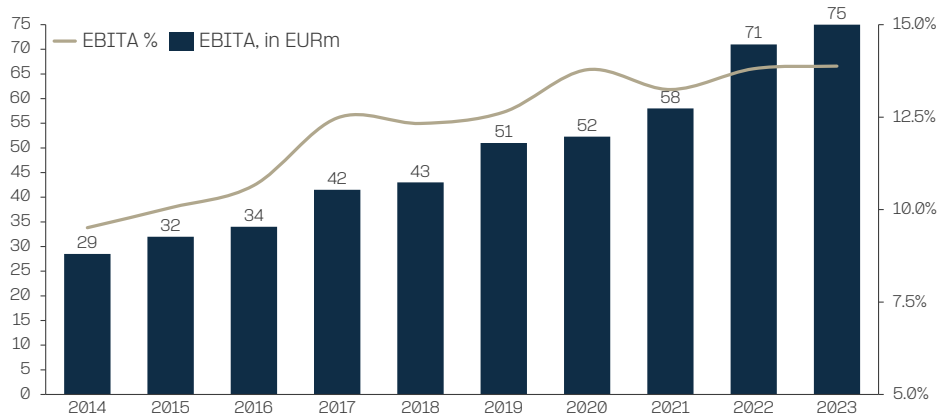


Source: Vaisala, Evli Research

Growth has resulted in systematically improving profitability

The most significant revision in the company's long-term financial objectives pertains to profitability. Vaisala now aims for a systematic improvement in the EBITA margin, whereas the previous target was a 15% EBIT margin. The parameter change from EBIT to EBITA margin is logical as it excludes amortization of intangible assets related to the acquired businesses. The current target, which is descriptive rather than numeric, reflects the uncertainty of the present market environment. Vaisala's profitability target aligns with its strategy, which emphasizes profitable growth in legacy businesses, expansion into new markets, and simplifying and scaling the high-mix low-volume business model. The company has also a consistent track record of profitable growth that aligns with the revised target.

Figure 12: Historic EBITA in EURm (lhs) and EBITA % (rhs), 2014–2023

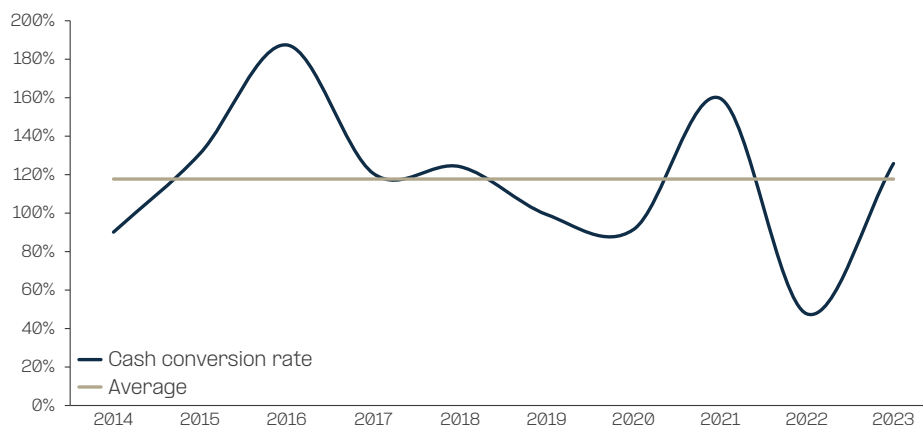


Source: Vaisala, Evli Research

New target for cash conversion

Vaisala has established a new long-term financial target concerning cash flow. The company intends to maintain strong cash conversion over time. Historically, the cash conversion rate (calculated as cash flow from operations divided by the operating result) has been approximately 120%, which is regarded as a robust level.

Figure 13: Historic cash conversion rate %, 2014–2023



Source: Vaisala, Evli Research

### Acquisitions

Enabling growth through small or mid-sized acquisitions

The company continues to utilize M&A as a strategic tool to bolster its profitable growth. Historically Vaisala, particularly W&E, has boosted its growth and technology portfolio as well as expanded into new markets with selected acquisitions. While W&E has been proactive in making acquisitions, IM has only made two acquisitions – Canadian Veriteq and K-Patents from Finland – in the 21st century. Vaisala's acquisition targets have been primarily small businesses with limited net sales but with a foothold in markets or technologies where Vaisala has a small market share or is not present yet. The recent acquisitions done in 2024 represent Vaisala's M&A strategy well. Vaisala acquired three companies in 2024 of which two with annual net sales below EUR 5m and one with annual net sales (2023) of USD 13m. While small, the acquisitions have given access to new markets, competences and capabilities. Vaisala is not interested in buying out larger competitors, rather enabling growth through small or mid-size transactions.

K-Patents is the latest acquisition for IM

In December 2018, Vaisala acquired the Finnish K-Patents Group to enter the liquid measurement market. K-Patents had net sales of EUR 11.4m in 2017, and the purchase price was EUR 12.5m, representing a 1.1x EV/Sales multiple. The acquisition allowed Vaisala to expand IM's portfolio from gas measurements to high-end liquid measurements, thus strengthening its position in industrial measurements. K-Patents was a global market leader in in-line process refractometers with applications in various industries such as pulp and paper, food and beverage, pharmaceutical, and semiconductor. Its liquid measurement applications range from measuring the sugar content of soft drinks and juices to measuring the concentration of paper-coating chemicals.

Acquisitions have focused on growth areas in W&E

Vaisala's recent acquisitions in W&E have focused on the company's renewable energy and subscription businesses. In 2018, Vaisala made its largest acquisition to date when it acquired Leosphere, a French manufacturer of remote wind sensing LiDAR instruments for wind energy, aviation, meteorology, and air quality applications. Leosphere had net sales of EUR 27m in 2017, and the deal was valued at EUR 38m, representing an EV/Sales multiple of 1.4x. Leosphere has been an integral part of W&E growth and Vaisala's entry to renewable energy segment. In 2019, Vaisala reinforced its weather forecasts and digital abilities by acquiring Foreca's B2B weather forecast business, which serves professional customers in the fields of meteorology, transportation, energy, and other industries. To

complement the 2019 acquisition, at the beginning of 2022, Vaisala acquired AerisWeather, a US-based weather software company that provides weather and environmental data services on a subscription basis. AerisWeather had net sales of USD 3.2m and a break-even operating profit in 2021, and the deal was valued at USD 26m, representing an 8.1x EV/Sales multiple. According to our understanding, the main idea behind the acquisition of AerisWeather was to acquire a platform to distribute and sell the weather data and forecasts.

WeatherDesk to bolster  
SaaS/DaaS growth

In December 2024, Vaisala announced the acquisition of assets related to the WeatherDesk business from US-based Maxar Intelligence. WeatherDesk provides global weather forecasts and observations. According to our understanding, the acquisition complements the Speedwell Climate (closed in Q4/2024) deal as it further enhances Xweather's position in the insurance and finance vertical. The purchase price was USD 70m and the acquisition will be financed mainly with interest-bearing debt. In 2023, WeatherDesk net sales amounted to USD 12.8m (growing 7% y/y), therefore the EV/Sales multiple sets to a level of roughly 5.4x. Although higher than Vaisala's estimated EV/Sales for 2024–2025E, the valuation aligns with typical SaaS company valuations according to data by Factset (LTM EV/Sales).

Few divestments made  
throughout the history

Vaisala has a history of divesting or writing down businesses that have either been commercialized or unsuccessful. The latest divestment was made in 2016 when the company divested some of its transportation products and services. As of 2000, Vaisala has divested four of its businesses and made two write-downs. While technological advancements could potentially result in further divestments in the future, we presently view Vaisala's product portfolio as highly competitive and do not anticipate any divestments in the near term.



Table 1: Overview of transaction history

Year	Type	Target name	Revenue, millions	Deal/charge value, millions	Curr.	Revenue year	EV/S multiple	Details
2001	Acquisition	Meteorological Systems Unit of <b>Radian International LLC</b> , USA	5	–	EUR	2000	–	The acquired unit was a global market leader in wind profilers.
2002	Acquisition	<b>Global Atmospheric Corporation</b> , USA	15.3	14	USD	2001	0.9	
2005	Acquisition	<b>Sigmat Corporation</b> , USA	8.8	16.5	EUR	2005	1.9	Weather radar signal processor and application software company
	Acquisition	<b>OLH Inc.</b> , USA	3.1	2.8	EUR	2004	0.9	Automated weather observing systems and related services for the US airports
2008	Acquisition	<b>Aviation Systems Maintenance, Inc (ASMI)</b> , USA	1.8	2.3	EUR	2008 est.	1.3	An airport service company
2009	Acquisition	<b>Quixote Transportation Technologies, Inc. (QTT)</b> , USA	22.6	20	USD	2009	0.9	Road weather and information technology company
2010	Divestment	Oxygen measurement technology and business	–	–	–	–	–	
	Acquisition	<b>Veriteq Instruments Inc.</b> , Canada	5	8.5	EUR	2009	1.7	Continuous monitoring systems and data loggers for life science market
2012	Divestment	Wind profiler business						
2013	Acquisition	<b>3TIER Inc.</b> , USA	6.3	11.5	EUR	2012	1.8	A renewable energy assessment and forecasting services company
	Acquisition	<b>Second Wind Systems Inc.</b> , USA	7	1.4	EUR	2012	0.2	Remote sensing technology and data services for the wind energy industry
	Impairment charge	Goodwill and intangible assets related to <b>Veriteq Instruments Inc.</b>	–	4.3	EUR	–	–	
	Divestment	Three non-weather road transportation product lines	–	–	–	–	–	
2016	Acquisition	Technology and air quality monitoring products from <b>Envitem Oy</b> , Finland	–	–	–	–	–	
	Divestment	Certain Transportation products and field services	–	–	–	–	–	
	Write-down	Related to <b>Second Wind Systems Inc. and 3TIER Inc</b> intangible assets	–	10.5	EUR	–	–	
2017	Acquisition	<b>Vionice</b> , Finland	0.2	3.7	EUR	2016	18.5	Computer vision and artificial intelligence
2018	Acquisition	<b>Leosphere SAS</b> , France	27	38	EUR	2017	1.4	LiDAR wind measurement equipment
2018	Acquisition	<b>K-Patents</b> , Finland	11.4	12.5	EUR	2017	1.1	High-end liquid measurement instruments
2019	Acquisition	<b>Foreca B2B Weather Services</b> , Finland	–	7	EUR	–	–	Professional Business-to-Business weather services
2022	Acquisition	<b>AerisWeather</b> , USA	3.2	26	USD	2021	8.1	Weather and environmental data solutions, SaaS business
2024	Acquisition	<b>Speedwell Climate</b> , United Kingdom	4		GBP	2023	–	Software and data for climate risk transfer contracts
	Acquisition	<b>Nevis Technology</b> , United Kingdom	1.5		GBP	2023	–	Helideck and environmental monitoring systems and data portals
	Acquisition	<b>Maxar Intelligence's WeatherDesk business</b> , United States	13	70	USD	2023	5.4	Weather intelligence for business decisions

Source: Vaisala, Evli Research

**Market overview**

Based on assessment by the company, the total relevant market for Vaisala is approximately EUR 4.1–4.7b. While the company’s segments share some synergies by using the same production lines, cleanroom and ERPs, they cater to two different customer segments. In the Industrial Measurements, Vaisala serves mostly private sector clients of which many through distributors. On the other hand, in W&E, the company’s serves mostly large public sector clients.

W&E: market leader in meteorology, aviation & roads

W&E’s flagship markets – meteorology, aviation, and road winter maintenance – constitute approximately 70% of the business area’s net sales, while the remaining 30% is covered by renewable energy and subscription (DaaS & SaaS) sales. Vaisala estimates the addressable market size for W&E to range between EUR 2.4–3.0bn. Despite the flagship markets experiencing modest annual growth ranging from 0% to 5%, Vaisala holds a leading position in all of them and continues to make strategic investments to maintain its market position. According to our understanding, Vaisala’s market share in this market is approximately 20–30%. In contrast, the growth and emerging markets are expected to increase at a higher annual rate, prompting Vaisala to invest more heavily in this area. Although Vaisala’s current market share in renewable energy and subscriptions is smaller compared to the legacy markets, the company’s strategic investments position it to tap into a significant source of growth. According to our understanding, the company is the leading Western manufacturer of wind lidars. In addition to few other Western suppliers, majority of competition comes from China.

IM: Big fish in many small ponds

IM is a prominent market leader in its flagship markets with an extensive experience of 30–50 years. The largest market segment in IM is industrial where Vaisala is active in various sectors such as automotive, pulp & paper, semiconductor, data centers and food & beverage. These markets account for well over half of the segment’s revenue. Industrial markets are estimated to be worth EUR 1.2b according to the company’s assessment with annual growth of 5–10%. IM’s other markets consist of life science and power. Currently, these markets contribute to a less than half of the business area’s sales according to our assessment. Similar to industrial end-market, Vaisala expects life science and power markets to grow approximately 5–10% p.a. According to our understanding, the company has relatively high market share in life science yet lower in the power market.

Figure 14: Overview of Vaisala’s end-markets

End-markets	Market share*	Segments	Total market
Industrial EUR 1200m	10–15%	Industrial Measurements EUR 1700m ~5–10% CAGR	Weather and Environment and Industrial Measurements markets relevant for Vaisala  EUR ~4.1–4.7b ~5–10% CAGR*
Life science EUR 300m	~20%		
Power EUR 200m	~10%		
Meteorology, aviation & roads EUR 800–1000m, CAGR <5%	20–30%	Weather and Environment EUR 2400–3000m ~5–10% CAGR*	
Renewable energy EUR 400–500m, CAGR ~10%	~15%		
Subscriptions* EUR 1200–1500m, CAGR >5%	<5%		

\*Subscription is not an end-market on its own; the demand for subscriptions arises from other W&E end-markets

\*Market shares and aggregate growth rates are based on estimates by Evli Research

Source: Vaisala, Evli Research

### Competitors

Fragmented end–  
markets

Vaisala operates in various niche markets globally and therefore, the competitive field is very fragmented. Contrary to Vaisala, its competitors tend to focus on specific types of products or applications, which makes it difficult to identify direct competitors. The competition in industrial instruments is more global and competitors include also larger companies. Meanwhile, the number of listed competitors especially in many weather–focused niche markets is limited and potential competitors are usually smaller non–listed and local companies. Moreover, many competitors have also other businesses outside the industries of weather, environmental and industrial measurements. Example of a larger competitor that has businesses also outside of the Vaisala’s focus markets is Leonardo which is a global industrial group that operates in aerospace, defense and security sectors. While major part of Leonardo’s revenue is related to the defense sector, its wholly owned German subsidiary manufactures weather radar systems that competes with Vaisala’s big–ticket radar products.

Table 2: Examples of Vaisala’s competitors from different segments

Competitor	Business	Segment
Aeroqual	W&E	Air quality
Campbell Scientific	W&E	Multiple
E+E	IM	Multiple
Ecotech	W&E	Air quality
EKO Instruments	W&E	Solar
Ellab	IM	Life science
Endress+Hauser	IM	Multiple
Honeywell	IM	Multiple
HORIBA	W&E/IM	Multiple
Hukseflux	W&E	Solar
Kipp & Zonen	W&E	Solar
Lufft	W&E	Multiple
Met One Instruments	W&E/IM	Multiple
NRG Systems	W&E	Lidars
Siemens	IM	Multiple
Teledyne Technologies	W&E/IM	Air quality
Tomorrow.io	W&E	W&E data and software
TSI Inc	IM	Air quality
ZX Lidars	W&E	Lidars
Leonardo Germany	W&E	Weather radar systems
Windar Photonics	W&E	Lidars

Source: Evli Research

**Competitive advantages**

Vaisala competes with quality and reliability

Vaisala operates in the field of high-technology measurements that require specialized expertise. The company serves customers who value the high level of technology and are willing to pay the corresponding price. Typically, Vaisala's solutions represent a small portion of its customers' overall costs, excluding large-scale projects which are typically funded by governments or municipalities. This, coupled with the company's position as a high-tech leader, often enables Vaisala to apply solid pricing power. In this context, Vaisala generally competes on the basis of quality and reliability, rather than price, particularly in the Industrial Measurements business area. This approach enables the company to avoid engaging in price competition. Although we believe Vaisala possesses significant pricing power, its end-markets vary, with certain geographies and niches being more price-sensitive. For instance, China represents a particularly competitive market in terms of pricing, which is especially relevant for the company's IM segment.

R&D supports Vaisala's technology leadership and competitive position

Vaisala's annual investments in R&D play a critical role in maintaining and enhancing its technology leadership. The company has an extensive experience in the measurement industry for over 85 years. Due to the high technology intensity, the industry's entry barriers are also quite high. The company operates its own cleanroom, which promotes seamless collaboration between production and R&D and results in improved lead times. Furthermore, the cleanroom enables Vaisala to make rapid product changes and adapt to changes in the environment. For instance, in response to a component shortage during 2021-22, Vaisala made additional engineering changes to its products.

Value-add with high rate of product customization

Vaisala uses its high-mix/low-volume operations to offer customized solutions or alternative products that meet customers' specific needs. The company's ability to combine quick delivery times and on-demand production is notable. For example, while a significant portion of IM's orders are made on-demand, the delivery times range from one day to a few days.

Strong and close customer relationships

Vaisala's strong relationships with clients and partners confer a substantial competitive advantage. According to the company's management, certain customers favor Vaisala's products as part of their solutions, even when alternatives are available at lower prices. This preference is ascribed to Vaisala's technological leadership, superior customer experience, and reliability. By positioning itself as an indispensable partner, Vaisala strengthens these customer relationships and enhances its pricing power.

Figure 15: Competitive advantages



Source: Evli Research

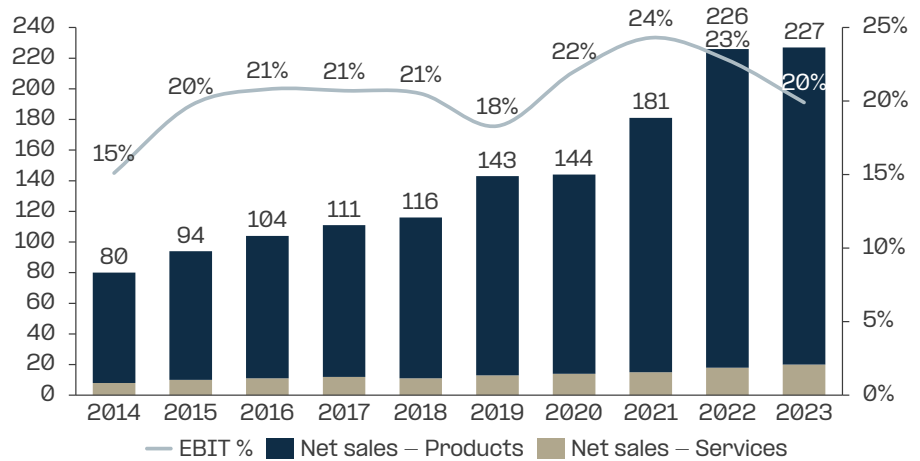
**Industrial Measurements**

Industrial Measurements (IM) business area serves customers in selected industrial applications, providing measuring systems that help clients to improve product quality, productivity, energy efficiency, maintenance activities, and regulatory compliance. IM specializes in manufacturing and development of instruments, systems, and related services for a diverse range of clients. IM operates within specific niche industrial sectors where precise measurement is a crucial aspect of operations, and the measurement conditions are often challenging. This necessitates extensive expertise and high technology know-how.

Profitable growth during the last ten years

The company's IM segment has grown at 12% CAGR during 2014–2023 while the segments EBIT has grown at 16% CAGR. The growth has primarily been organic, as IM has executed only two acquisitions during the period. The segments profitability scales well with volumes due to operational leverage in its manufacturing. Majority of the net sales are from product sales while services are related to for example product calibration. Since most of the segment's customers are from the industrial sector, global macroeconomic conditions influence the demand. Market conditions have remained challenging through 2023–2024, with sales growth stagnating and consequently leading to weakened profitability.

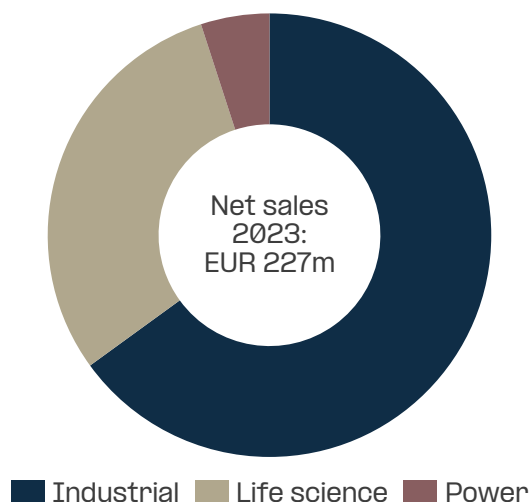
Figure 16: Net sales in EURm (lhs) by type, EBIT margin % (rhs), annual data, 2014–2023



Source: Vaisala, Evli Research

To our understanding, IM primarily serves private customers, including system integrators, OEMs, and other end users. IM classifies its customer base into three categories: key customers, non-active but significant customers, and retail customers. While the company is well-acquainted with its key customers and to some extent non-active customers, its understanding of retail customers is relatively limited according to our assessment. In line with its renewed strategy, the company is placing greater emphasis on customer understanding and investing resources in improving its knowledge of retail customers.

Figure 17: Evli's estimate of net sales in 2023 divided by main markets



Source: Vaisala, Evli Research

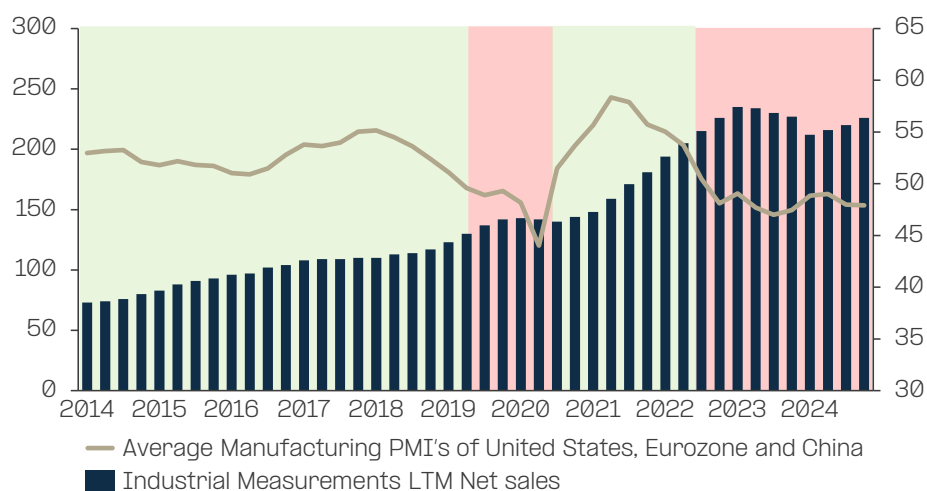
Underlying market growth at 5–10% p.a. across the key IM markets

Vaisala's Industrial Measurements segment is a market leader in many of its flagship markets with an extensive experience of 30–50 years. Vaisala estimates that the IM markets will grow at roughly 5–10% p.a. going forward. With the fast pace of change in product characteristics and manufacturing processes as well as technological development and digitalization, the ways of measurement change quite rapidly. There is a growing demand for accurate and dependable measurements in complex and demanding industrial processes, which creates new business prospects for Vaisala. Examining the individual end–markets, the industrial market continues to be the largest. Beyond the digitalization that fuels demand across all the end–markets, the industrial market growth is primarily driven by global GDP expansion and industrial investments. Industrial sectors where Vaisala's solutions are used include market such as automotive, battery manufacturing, pulp & paper and the semiconductor industry. Similar to the current revenue mix, the life science market is the second largest market for IM. In life science, the market growth is driven by themes such as the overall health and wellbeing trend and aging of global population. Vaisala's solutions are used across the life science value chain from research to production and warehousing. Power market is the smallest single end–market for Vaisala with market size of approximately EUR 200m. Growth in the power market is driven by the electrification and renewable energy trends. In power, Vaisala offers products and solutions for safeguarding critical assets by for example monitoring and protecting utilities and plants.



Figure 18: Average global manufacturing PMI (US, Eurozone, China equal weight, rhs) vs. LTM net sales for Industrial Measurements in EURm (lhs), quarterly data, Q1/2014–Q4/2024

Market conditions have deteriorated since H2/2022: green = PMI >50, red = PMI <50



Source: Factset, Evli Research

### Offering

Vaisala's solutions within industrial measurements include transmitters, handheld devices, OEM modules, and continuous monitoring systems, all of which feature wireless options for added flexibility and convenience. Depending on customers' needs and requirements, the company is continuously exploring and expanding its range of parameters to measure. Vaisala is also expanding its Indigo IM product family. Indigo ecosystem consists of interchangeable smart probes, transmitters and software that improve the modularity of the product range. In November 2024, Vaisala also launched the Echo measurement infrastructure. With Echo, the company's clients can access data and alerts from all compatible devices such as mobile phones. Vaisala's offering in Industrial Measurement includes devices to measure for example (non-exhaustive list):














- **Humidity**
  - HUMICAP® Humidity and Temperature transmitters: For demanding industrial applications, such as the HMT330 series.
  - Dew Point Transmitters: For compressed air and dryer applications, like the DMT340 series.
- **Dew point**
  - DRYCAP® Dew Point transmitters: For industrial drying applications, such as the DMT340 series.
  - Portable Dew Point Meters: Like the DM70 for spot-checking applications.
- **Carbon dioxide**
  - CARBOCAP® Carbon Dioxide transmitters: For HVAC and industrial applications, such as the GMP343 series.
- **Moisture in oil**
  - Moisture in oil transmitters: For monitoring transformer and lubrication oils, such as the MMT330 series.
- **Dissolved gas in oil (DGA)**
  - DGA products for monitoring gas levels in transformer insulation liquids, such as the world's first maintenance-free multi-gas DGA monitor OPT100.

- **Pressure**
  - BAROCAP® Pressure transmitters: For industrial and meteorological applications, such as the PTU300 series.
- **Vaporized hydrogen peroxide**
  - Instruments for monitoring H2O2 in sterilization processes and other critical applications.
- **Weather**
  - Various sensors and systems for monitoring weather conditions in industrial environments.
- **Industrial Data Loggers and Monitoring Systems:**
  - For capturing and analyzing environmental data in industrial settings.

Systems and services compliment the product offering

Alongside the products, Vaisala offers Continuous Monitoring System (CMS) called Vaisala viewLinc. The CMS provides real-time monitoring, alarming and reports for temperature, humidity and other parameters in compliance with GxP and other regulations. In addition, other services that Vaisala offers its customers include calibration, consulting, warranties, technical support, and system maintenance.

Figure 19: Vaisala's IM product offering summary

Industries served	 Automotive	 Data centers	 Life science & pharmaceutical	
	 Battery manufacturing	 Food, beverage & agriculture	 Semiconductor	
	 Pulp, paper & wood	 Power	 Chemical	
Measurements	+ Carbon dioxide + Dissolved gas in oil + Humidity and dew point + Hydrogen	+ Liquid concentration + Methane + Moisture in oil + Pressure	+ Temperature + Vaporized hydrogen peroxide	
Offering	+ HVAC Transmitters + Industrial Transmitters + Power transformer monitoring + Probes & OEM modules	+ Handhelds + Polaris process refractometers + Biogas monitoring + Indoor environmental monitoring		
Product examples	DGA Monitor OPT100 	HMP3 Humidity and temperature probe 	PR53AC sanitary compact process refractometer 	HPP270 Vaporized hydrogen peroxide probe 

Source: Vaisala, Evli Research

**Strategy**

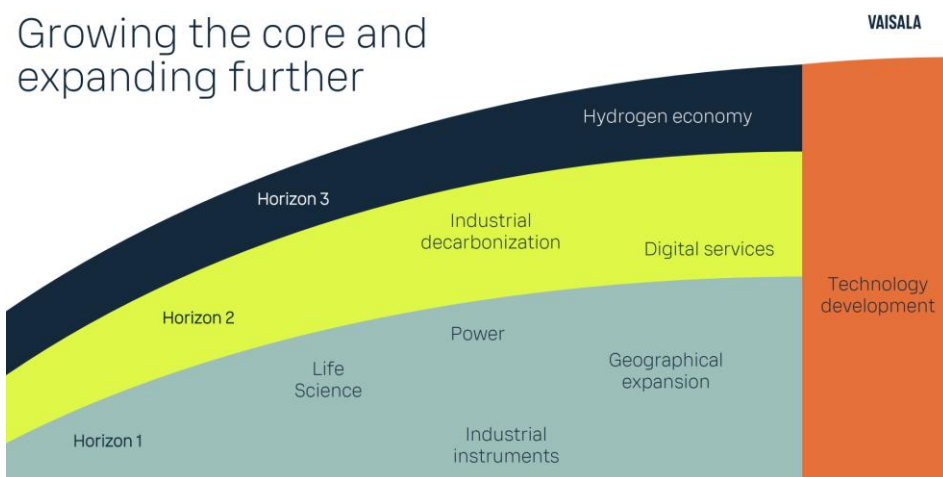
Product leadership in selected niches

Vaisala’s Industrial Measurements segment continues to focus on driving growth through product leadership in its selected niche markets. The IM segment achieves the leading position through top-of-class customer experience, superior sales channels and application expertise. IM is focused on operating in the high-end categories, particularly those that are business critical for the customers. This strategy enables Vaisala to maintain strong pricing power and avoid extensive competition. In case a product falls among price-competitive categories, Vaisala may consider either divesting or modernizing it to return to the high-end category.

Reaching for new horizons

The company’s current focus is on growing this core and also to expand further into areas such as industrial decarbonization, digital services and hydrogen economy. Based on the data in the Global Hydrogen Review 2023 by The International Energy Agency (IEA), the number of announced projects for low-emission hydrogen production is increasing. The annual production could reach 38Mt by 2030, compared to 24Mt in the IEA Global Hydrogen Review 2022. This represents an increase of almost 60%, indicating a growing number of hydrogen projects in pipeline globally. Vaisala has been involved in the hydrogen economy, meeting the demanding humidity measurement requirements of fuel cell research projects for years.

Figure 20: Current IM core (Horizon 1) and future growth areas (Horizon 2 & 3)



Source: Vaisala Capital Markets Day 2024 presentation

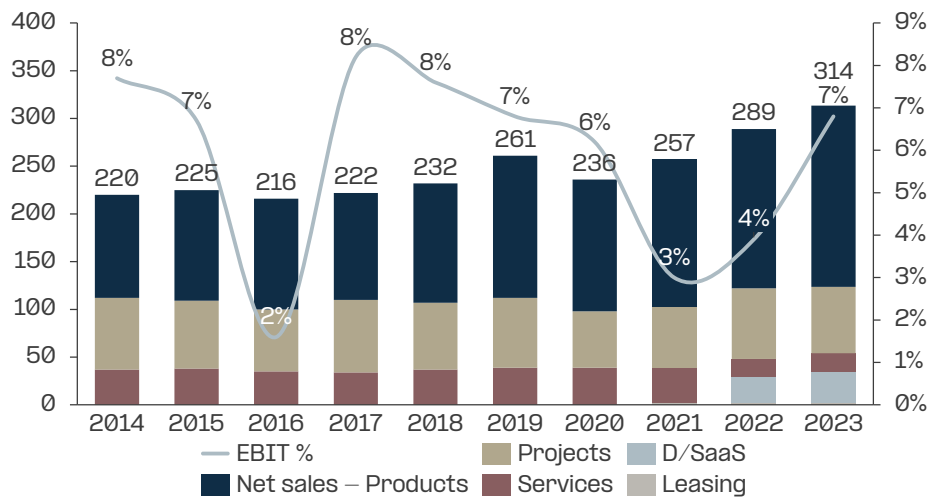
**Weather & Environment**

The weather and Environment business area serves selected weather-dependent customers with products, projects, and services to monitor real-time weather and environmental data. The business area provides measurements and decision-making support that focus on the safety of people, protection of property, and efficiency of operations under any environmental conditions. W&E serves customer segments such as meteorology, aviation, transportation, and renewable energy. While W&E has a considerable number of customers from the public sector, the company also caters to private corporations operating in various industries, such as automotive, maritime, and energy.

Slower historical growth in W&E compared to IM

Vaisala’s Weather and Environment segment has grown at 4% CAGR during 2014–2023. The company divides its W&E sales to product, project, service, subscription and leasing net sales. From the different types of net sales, product sales grew 6% p.a. during the same period while for example project sales have remained relatively flat and service sales have declined. Historically, project net sales have been steady at approximately EUR 60–70m p.a. depending on the number of larger projects. In 2022, Vaisala started reporting subscription sales which currently form roughly 10% of W&E total net sales.

Figure 21: Net sales in EURm (lhs) by type, EBIT margin % (rhs), annual data, 2014–2023

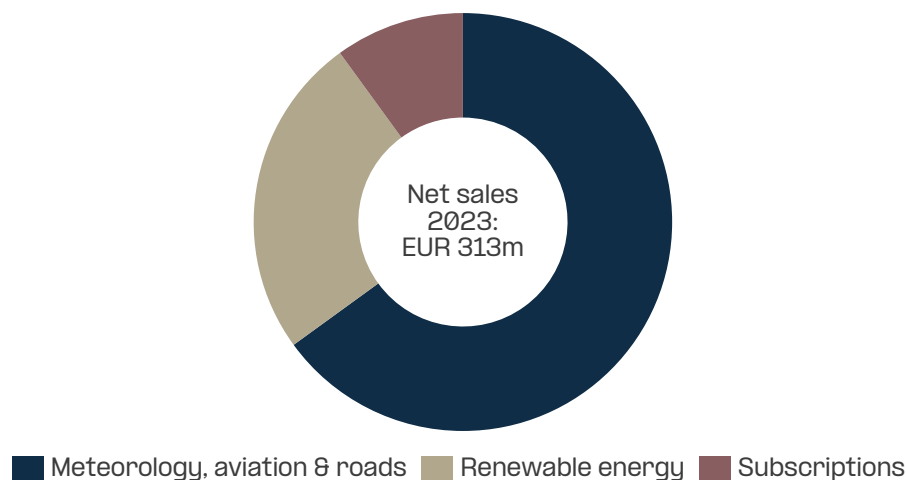


Source: Vaisala, Evli Research

Public customers represent the majority of W&E’s business

W&E provides solutions to public sector institutions, including meteorological institutes, airports, transportation agencies, military, and municipalities, as well as private corporations in industries such as district heat, wind energy, maritime, and automotive, among others. However, we estimate that over 70% of W&E’s revenue is derived from public funding, making the company somewhat reliant on the public sector’s budgetary allocations. Nevertheless, W&E’s business is largely driven by certain megatrends, which are currently being supported by public funding and should provide some insulation against economic volatility.

Figure 22: Evli's estimate of net sales in 2023 divided by main markets



Source: Vaisala, Evli Research












Clients in the field of meteorology, aviation and road weather make the majority of W&E's net sales. Renewable energy and subscriptions represent a smaller share of total sales but are growing rapidly. The large share of meteorology and aviation of total W&E sales is due to the company's strong history and leading position in the field. To our understanding, Vaisala's equipment can be found in almost every country's meteorological space. In addition, W&E's technologies power over 50% of the world's largest and most significant airports. Although developed nations already have extensive coverage of weather measuring equipment, W&E identifies opportunities for growth in the weather and environmental infrastructures of developing countries. The business area prioritizes the implementation of large-scale system projects, with a strong focus on improving weather-related capacity building in emerging economies.

### Offering

Vaisala's solutions within W&E include weather detection and environmental monitoring systems that provide accurate and reliable data in the most severe environments. Vaisala's product offering in Weather and Environment includes for example (non-exhaustive list):

- **Sounding products** are used for measuring upper-air atmosphere. Vaisala's offering mainly consists of dropsondes, radiosondes, and semiautomatic/automatic sounding stations.
- **Weather radar products** include radars, transmitters, receivers, and signal processors.
- **Weather stations and sensors** measure wind speed and direction, lightning, cloud height, visibility, air quality, surface temperature, water depth, precipitation, and rain.
- **Wind LiDAR systems** are used to measure the wind speed and direction from the distance. LiDARs are used in wind farms, aviation weather, meteorology, and maritime.
- **Life Cycle Agreements** for optimal life cycle maintenance of W&E products and systems.
- **Xweather subscription weather data services** for various industries.

Figure 23: Vaisala's W&E product offering summary

<b>Industries served</b>	 Aviation  Maritime  Roads  Renewable energy			
<b>Measurements</b>	 Defense  Meteorology  Energy, urban & industries			
<b>Offering</b>	<ul style="list-style-type: none"> <li>+ Atmospheric profiling</li> <li>+ Air quality</li> <li>+ Cloud height</li> <li>+ Lightning</li> <li>+ Multi-weather</li> <li>+ Precipitation</li> <li>+ Pressure</li> <li>+ Wind</li> <li>+ Solar irradiation</li> <li>+ Temperature &amp; humidity</li> <li>+ Visibility &amp; present weather</li> <li>+ Road &amp; surface condition</li> </ul>			
<b>Product examples</b>	<ul style="list-style-type: none"> <li style="width: 22%;">                     DA10 Atmospheric profiler   </li> <li style="width: 22%;">                     WindCube wind lidar   </li> <li style="width: 22%;">                     WRS300 Weather radar   </li> <li style="width: 22%;">                     RS41 Radiosonde   </li> </ul>			

Source: Vaisala, Evli Research

**Projects**

Significant project wins highlight the company's capabilities and quality of products

During 2023–2024, Vaisala has won three major project contracts (see figure below). According to the management, Vaisala has a strong position in these large system projects as the competitors do not have capabilities to conduct such turnkey deliveries globally. In addition, the project wins highlight the relevance of Vaisala's product portfolio. Vaisala's projects in W&E usually involve system deliveries, encompassing hardware, software, service, and training. Additionally, Vaisala categorizes the delivery of larger, high-complexity products as projects in its revenue reporting. At any given moment, the company has over a hundred active projects, with varying durations that typically range from 2 to 6 months. Some projects involve preparation and implementation that span several years. Vaisala's role can range from an integrator to a subcontractor, and it usually cooperates with meteorological institutes to deliver state of art solutions. We estimate that Vaisala's projects range in size from hundreds of thousands to tens of millions of euros, with the majority worth a few million euros or less. Due to the nature of the project business, it is typically lower margin business for Vaisala compared to pure product sales. Project profitability varies significantly depending on the proportion of product sales within the total project. Generally, projects with a higher proportion of product sales tend to have higher margins.



Figure 24: Three large recent W&E projects announced

Indonesia	Spain	Kuwait
<ul style="list-style-type: none"> <li>Published 08/2024</li> <li>Project size EUR 25m</li> <li>Modernization of 14 airports in Indonesia</li> <li>Including AviMet Automated Weather Observing System (AWOS) to eight airports and a wind shear alert system to four airports</li> <li>The project is estimated to run for three years and start in 2025</li> </ul>	<ul style="list-style-type: none"> <li>Published 05/2024</li> <li>Project size EUR 25m</li> <li>18 weather radars to the State Meteorological Agency of Spain</li> <li>Radars will be installed by the end of 2026</li> <li>The contract includes a maintenance and service agreement for the period 2024–2026</li> </ul>	<ul style="list-style-type: none"> <li>Published 12/2023</li> <li>Project size EUR 20m</li> <li>Airport surface observation system to Kuwait International Airport for three runways. Start in 02/2024, fully operational in 2025</li> </ul>

Source: Vaisala, Evli Research

**Renewable energy**

Fast growth in renewable energy during the recent years

Vaisala acquired Leosphere SAS, a French company that specializes in developing, manufacturing and servicing turnkey wind lidar instruments in 2018. Leosphere's net sales in 2017 amounted to EUR 27m and its EBIT margin reached double-digit level. According to the comments made by Vaisala's management during the Capital Markets Day 2024, the company has been able roughly triple the net sales of Leosphere during the time of ownership. Based on our understanding, the growth has been propelled by the growth of the wind market as well as the increasing penetration of lidar technology within the overall market. Leosphere's revenue was approximately 12% of Vaisala's Weather and Environment segments' 2017 revenue. As earlier said, the company's net sales have roughly tripled during which it has been part of Vaisala, growing at approximately 20% CAGR during the time period of 2017–2023. The main technology that is competing with lidar, the met masts, are losing market share as the turbines are growing taller and wind farms are expanding across difficult terrains both onshore and offshore. According to the company, the market penetration of lidar's of the total wind energy measurement market is roughly 20% and growing. The benefits of wind lidars over met masts include faster and safer setup, higher data accuracy in addition to cost savings.

**Subscription services**

Subscription sales offer a high-growth, high-margin opportunity

W&E provides scalable weather and environmental data services based on monthly recurring payments under the brand Vaisala Xweather. The company started to report its D/SaaS revenue separately in 2022, in 2023, the business grew 14% y/y as net sales reached EUR 32.5m. During 2024, the growth has further picked up as the subscription sales grew 17% during the first nine months of the fiscal year. Vaisala's Xweather serves industries such as agriculture, automotive, consumer, energy and utilities, insurance, retail, smart home, telecommunications and transportation & logistics. The company's data and forecasts are sought after by a range of organizations, including road authorities, district heat producers, car manufacturers, and municipalities. Vaisala is currently making substantial OPEX-based investments in its D/SaaS business, which operates with healthy gross margins, although it is yet to achieve operational profitability. The company's goal is to achieve profitability in the D/SaaS business during the current strategy period. The growth in subscription business is further driven by M&A. In 2022, Vaisala acquired US-based Whether or Knot, LLC (dba AerisWeather), a subscription-based software company providing weather and environmental information. With the acquisition of AerisWeather, Vaisala acquired a platform to distribute and sell the data. In 2024, the company has acquired three companies to support the subscription business growth. SpeedWell Climate acquisition (announced 9/2024)

enables the company to enter the insurance segment. Speedwell Climate provides data and software to structure, price, and settle index-based climate risk transfer contracts. Nevis Technology acquisition (announced 10/2024) expands Vaisala's offering in the offshore wind market. Nevis specializes in providing and maintaining helideck and environmental monitoring systems and data portals for the offshore energy industry. The largest acquisition was announced in December as Vaisala announced acquisition of Maxar Intelligence's WeatherDesk business. The WeatherDesk deal, along with the Speedwell Climate acquisition, strengthens Xweather's role as a weather intelligence partner for insurance and finance vertical.

### Strategy

Defense on mature markets, offense in growth areas

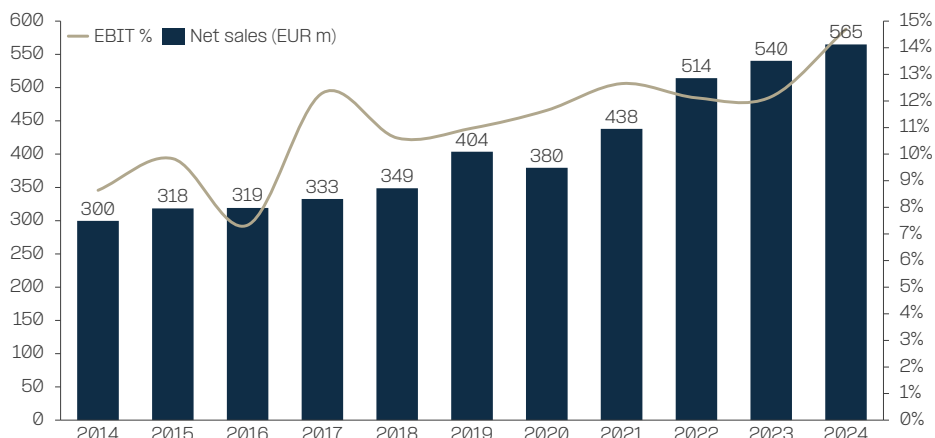
W&E's strategic targets are set to secure its position as a market leader in its flagship businesses and expand its presence in growing and emerging markets. Vaisala is the global leader in meteorology, aviation and roads. The company aims to maintain this global leadership and continue to win large projects. This is done by leveraging Vaisala's highly competitive product portfolio in the segments. The end-market size in W&E's mature markets is clearly the largest as the company expects the market to be roughly EUR 800–1000m growing at <5% p.a. In renewable energy, Vaisala is currently the global leader in wind lidars. The company aims to continue to drive growth in the business by expanding into wind operations, offshore and solar. In addition, the company aims to build value with new cloud product. In subscriptions, the strategy is to turn the business to profitability during the current strategy period. Despite the aim, the company also looks to continue to grow the business by scaling with end-to-end platform into new verticals. In addition to organic growth, Vaisala looks to continue to fuel growth with M&A.

**Financial performance**

Profitable growth in line with the strategy during the last 10-year period

Vaisala has achieved a compound annual growth rate (CAGR) of 7% in net sales from 2014 to 2023. At the same time, the company's EBIT has grown at 11% CAGR and EBIT-margin has improved from 4.5% to 12.2%. According to the preliminary figures for 2024, the company's net sales grew 4.6% while EBIT margin improved to 14.7%. Excluding 2020, the company has grown throughout the time period. Vaisala experienced a 6% decline in revenue in 2020 due to reduced investment activity amid the COVID-19 pandemic. However, the company rebounded strongly in 2021, by recording a 15% growth. Historic revenue growth has been supported by successful R&D investments in both of its businesses as well as selected acquisitions mostly made within its W&E business area. Moreover, during 2021-22, the company managed to win new customers with its reliable availability and lead times despite component shortages due to the supply chain disruptions related to COVID-19. On the segment level, the growth has been driven by the Industrial Measurements segment which has grown at 12% CAGR while W&E has grown at roughly 4% CAGR. Industrial Measurements segment has historically been more profitable and due to the increased portion of higher margin IM sales, the profitability has also improved on the group level.

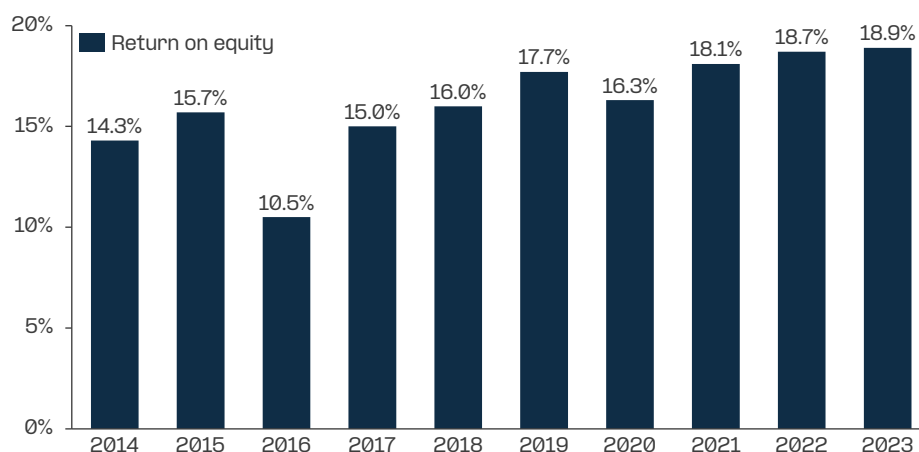
Figure 25: Vaisala net sales in EURm (lhs) and reported EBIT % (rhs), 2014-2024, p.a.



Source: Vaisala, Evli Research

In line with the improved profitability, Vaisala's return on equity has increased from the levels of approximately 15% during 2014-2017 to above 18% in 2021-2023. A substantial equity ratio exceeding 50% invariably influences the ROE. Return on invested capital (ROIC) has been strong by varying between 19-23% in recent years.

Figure 26: Vaisala ROE % 2024-2023



Source: Vaisala, Evli Research

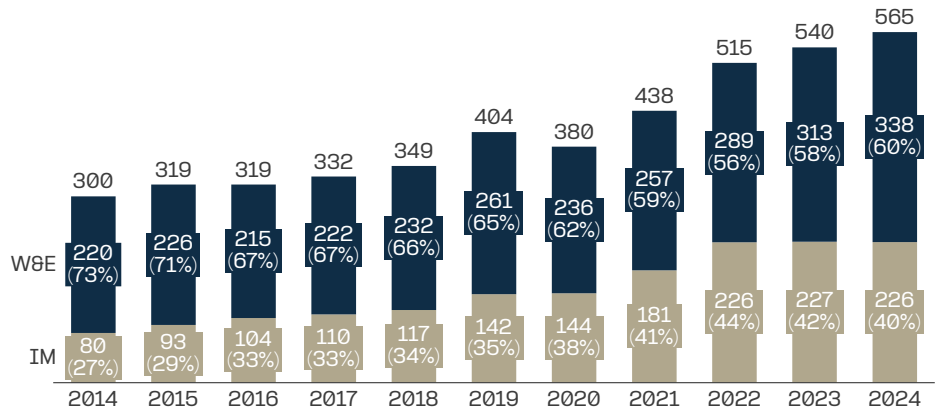
**Revenue**

Product sales is the largest source of revenue

Vaisala reports revenue by segment and by type including products, services, projects, leasing income, and D/SaaS services. Products account for the largest share of Vaisala's net sales, constituting 74% of the total net sales in 2023. Projects, exclusively from the Weather and Environment business area, contributed to 13% of the group's net sales. Services represented 7% of the total net sales, while D/SaaS revenue accounted for 6% in 2023. Licensing income constituted merely 0.4% of the group's net sales in 2023. Licensing income primarily stems from Vaisala's practice of leasing out various measuring devices, including advanced LiDAR equipment. Vaisala issued a profit warning in January 2025, citing better-than-expected revenue development in both of its segments. The share of W&E sales of the total decreased from 2014 to 2022, but has increased year over year since 2022 due to slower end-demand for IM and stronger growth of W&E.

Figure 27: Net sales in EUR m divided by segment (and % of total net sales), 2014–2024

Relative share of IM sales has increased during the last ten years

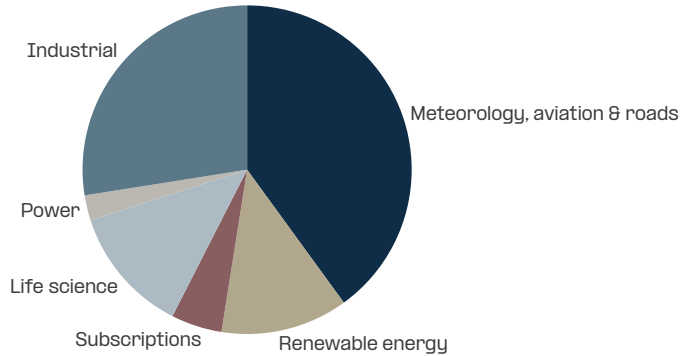


Source: Vaisala, Evli Research

Share of APAC has increased

Vaisala's revenue splits up smoothly between its three geographical regions, namely the EMEA and APAC regions and the Americas. From 2014 to date, Vaisala has grown its presence in the APAC region strongly while previously the Americas and the EMEA region have been the leading regions in terms of net sales generation. To our understanding, the growth in the APAC region has been primarily driven by Japan, South Korea, and China. China is an important region for the company's IM segment, according to our understanding, the region is roughly fifth of the segments sales.

Figure 28: Net sales in 2023 by end-market, % of total net sales by market, Evli's estimate based on the 2024 CMD presentation



Source: Vaisala, Evli Research

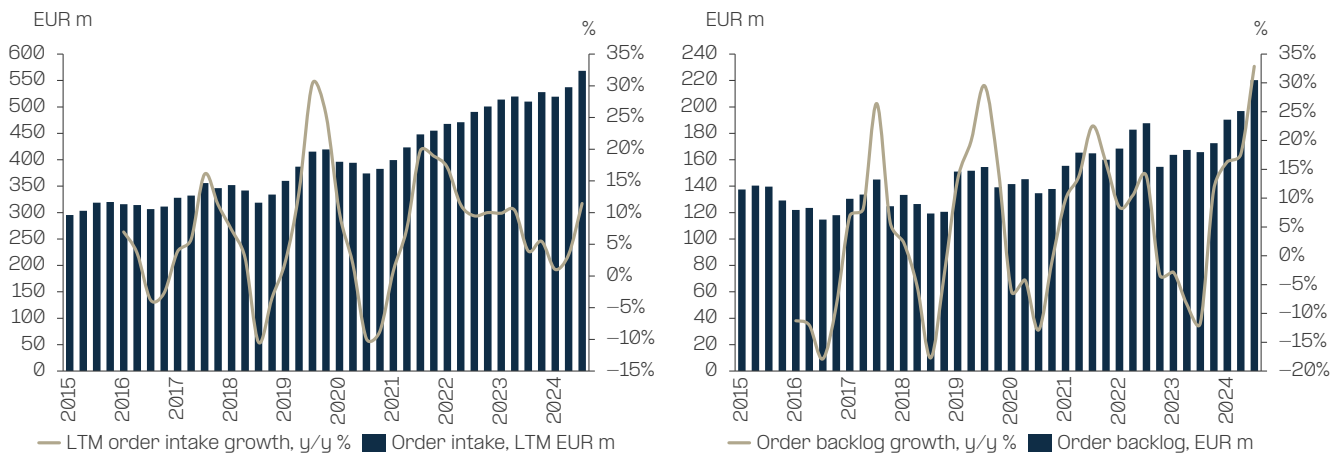
Slightly less than one fifth of current net sales from the high growth segments

A major part, or approximately 40%, of Vaisala's net sales come from the traditional meteorology, aviation & roads segments in Weather & Environment segment. As commented earlier, these segments are mature by nature and the underlying market growth is less than 5% p.a. Similar share comes from the Industrial Measurement segments including Industrial, Power and Life Science. The remaining part, approximately 15% come from the high growth W&E segments Renewable energy and Subscriptions. Subscription sales were 6% of 2023 net sales and grew 14.4% year-over-year. Renewable energy is a growth segment for W&E and Vaisala expects the underlying market to grow at approximately 10% p.a. In 2024, the company has completed three acquisitions related to the W&E subscription business, which will contribute to inorganic growth in the future.

Order book at a record high level

Vaisala's order book was at EUR 220.4m at the end of Q3/24, up 28% compared to end of 2023. Increase in order book has been driven by strong order development in W&E due to number of large orders received during the past quarters.

Figure 29: LTM order intake (EURm) and y/y growth (in %, lhs) & order book (in EURm) and y/y growth (in %, rhs)

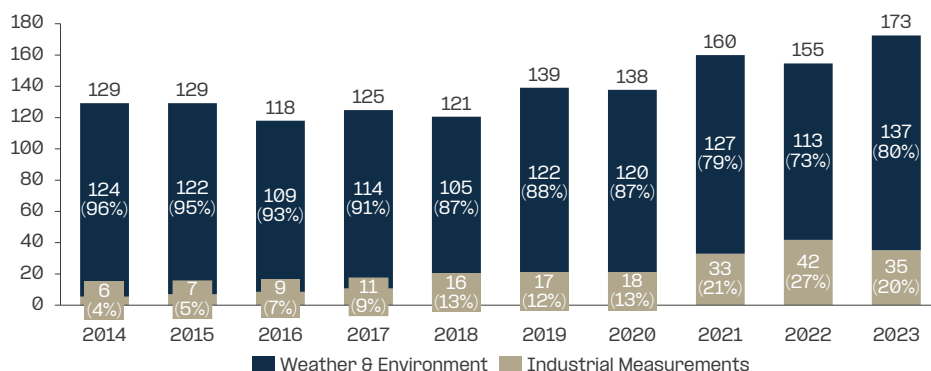


Source: Vaisala, Evli Research

IM order book provides limited visibility

IM's order book offers quite limited guidance due to the fact that most of the segment's orders are delivered on-demand, i.e., within the same quarter they are received. Conversely, the predictive power of W&E's order book is more prominent due to the larger project deliveries. During 2021–2022, IM's order book increased due to its customers' front-loaded orders driven by the component shortage. However, this trend seems to be largely over as the IM order book peaked in 2022 at EUR 42m. Despite the current challenging market environment in IM, the orders received during the first nine months of the fiscal year were in line with first nine months of 2023.

Figure 30: Order book at the end of the year divided by segment, in EURm (% of total)



Source: Vaisala, Evli Research

**Profitability**

High gross margins in IM evidence of the product leadership

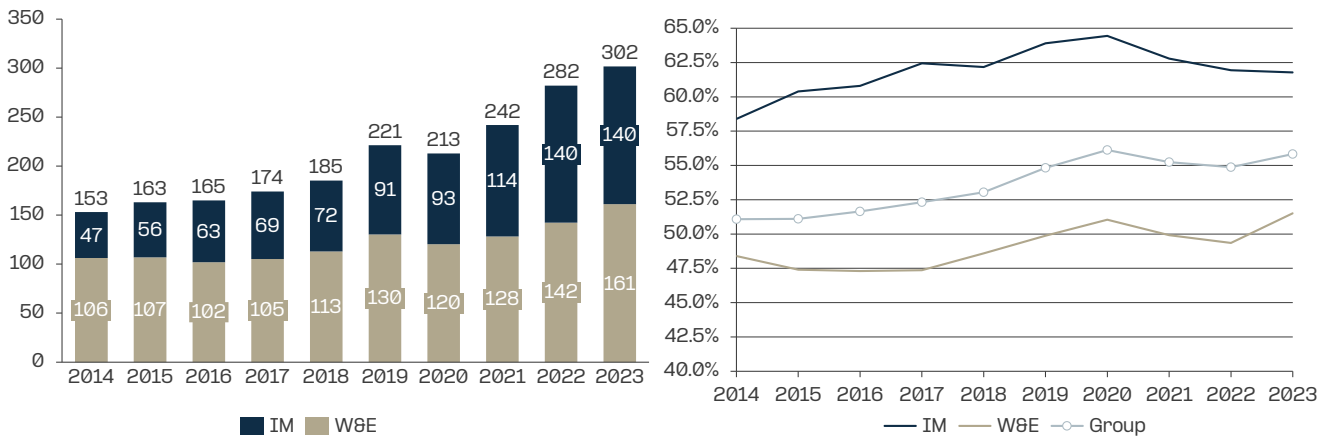
Vaisala has maintained a group gross margin exceeding 50% since 2014. IM has consistently exhibited a stronger gross margin compared to W&E, owing to its more scalable production capabilities. Additionally, IM enjoys favorable pricing positioning, while W&E often engages in publicly funded product and project deliveries that are subject to competitive tendering. In project deliveries, W&E usually outsources certain non-core tasks, such as civil engineering, which ultimately affects its overall margins. Despite the lower margins in W&E's project sales, Vaisala recognizes the significance of project business as it contributes to its long-term sales of higher-margin products and services. Looking ahead, we anticipate that W&E's gross margin will benefit from an increased proportion of scalable digital business and product sales related to the renewable energy segment.

The recent market slowdown has impacted IM's gross margin negatively

From 2014 to 2023, the gross margin of IM has varied between 58% and 64%, while the gross margin of W&E has been around 47–52%. In 2022, IM's gross margin was recorded at 62%, whereas W&E's gross margin was at 49%, contributing to an overall gross margin for the group of roughly 55%. During the period from 2020 to 2022, Vaisala experienced a gradual decline in gross margin due to increased material costs arising from component shortages and other disruptions in global supply chains. In 2023, the group level gross margin increased to approximately 56%, an improvement from the previous year, as the influence of component spot purchases on the margin decreased. While group level gross margin improved, IM's gross margin stayed roughly at the level seen during 2022. This was due to slower market activity and increased price competition especially in China.



Figure 31: Gross margin in EUR m by segment (lhs) and % by segment and for the group (rhs), 2014– 2023

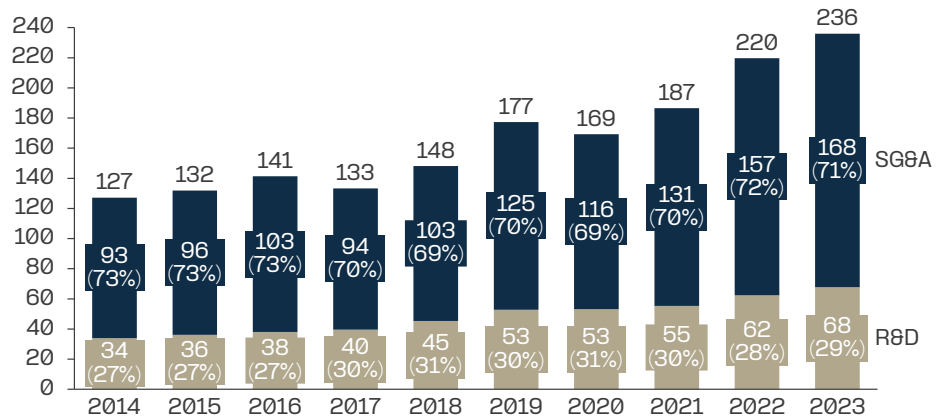


Source: Vaisala, Evli Research

Majority of operating expenses related to sales, marketing and administrative costs

Vaisala’s operating expenses are divided into R&D costs and sales, marketing and administrative costs (SG&A). Historically, SG&A has presented approximately two thirds of the total operating expenses while R&D has formed the remaining one third. R&D expenditures have shown relative stability in comparison to annual net sales, with a slight increase noted. From 2014 to 2017, R&D accounted for 11–12% of annual sales, whereas from 2018 to 2023, it has been approximately 12–14% of annual sales. More recently, during 2023–2024, the level of R&D of net sales has settled to approximately 12.5%. On the segment level, W&E has had higher R&D intensity; on average, W&E R&D costs have comprised nearly 13% of the segment’s net sales over the last ten years, whereas for IM, the share has been below 12%. SG&A costs have been approximately 28–32% of annual net sales. Personnel costs account for roughly half of the total SG&A expenses, while R&D costs are primarily personnel-related, as Vaisala conducts most of its R&D internally.

Figure 32: Main OPEX items in EUR m and as % of total, 2014–2023

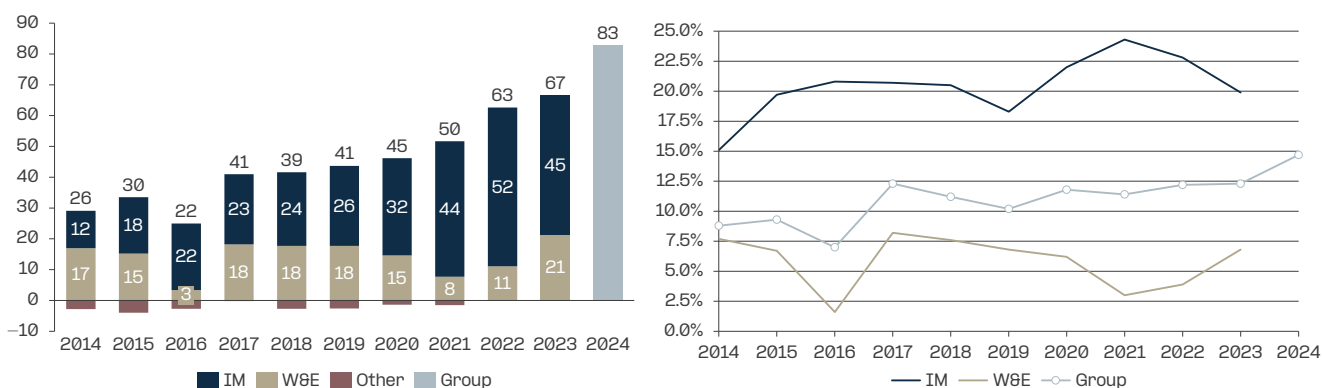


Source: Vaisala, Evli Research

Higher spend on R&D has been more than offset by improved GM

During the ten-year period from 2014 to 2023, Vaisala’s EBIT margin has increased from <10% to roughly 12%. The company has been able to more than offset the slightly higher levels of R&D (as % of net sales) with increased share of IM sales which has elevated the group level gross margin.

Figure 33: EBIT in EUR m by segment (lhs) and EBIT–margin % by segment and for the group (rhs), 2014–2024



Source: Vaisala, Evli Research

Margin target was updated

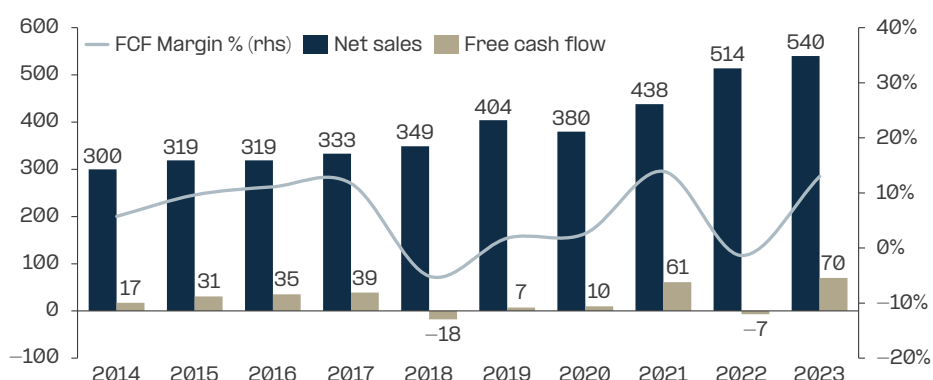
Partly due to the ongoing market uncertainty, the margin target has been updated from a numerical value to a descriptive one. According to the updated long-term financial targets, Vaisala targets systematically improving EBITA %. Previously, the company targeted 15% EBIT. In addition to the change to a descriptive profitability target, Vaisala updated its profitability target parameter from EBIT margin to EBITA margin. This change is logical, as the amortization of intangible assets related to the acquired businesses impacts EBIT. While Vaisala did not reach the previous margin target, we find it reachable in the long-term driven by expectations of improving market conditions for IM and continued margin improvement for W&E due to increased share of higher margin product and SaaS/DaaS sales.

**Cash flow**

Strong cash flow generation...

Vaisala is a growth company with a robust operational cash flow profile. Vaisala has attained a cash conversion ratio of over 100% in 2021 and 2023. In addition, the company's average cash conversion during the ten-year period 2024–2023 is well above the 100% mark. This indicates the company's ability to convert earnings into cash effectively. As previously mentioned, Vaisala's updated financial targets include a goal to maintain strong cash conversion over time. Vaisala's free cash flow has seen occasional declines, for example in 2018 and 2022, owing to capital expenditure (CAPEX) investments, acquisitions as well as tied working capital. These investments and capital requirements are however fundamental for the company's profitable growth strategy. For example, in 2018, Vaisala executed two strategic acquisitions through which its CAPEX saw a major increase, resulting in low FCF. Vaisala's business model requires low level of maintenance CAPEX investments. In 2024, the company announced that it will double the capacity in logistics by investing EUR 10m into a new logistics center. The center will also enable the conversion of current logistics space into production increasing the capacity by 20%.

Figure 34: FCF Margin % (rhs), net sales and FCF in EURm (lhs), 2014–2023



Source: Vaisala, Evli Research

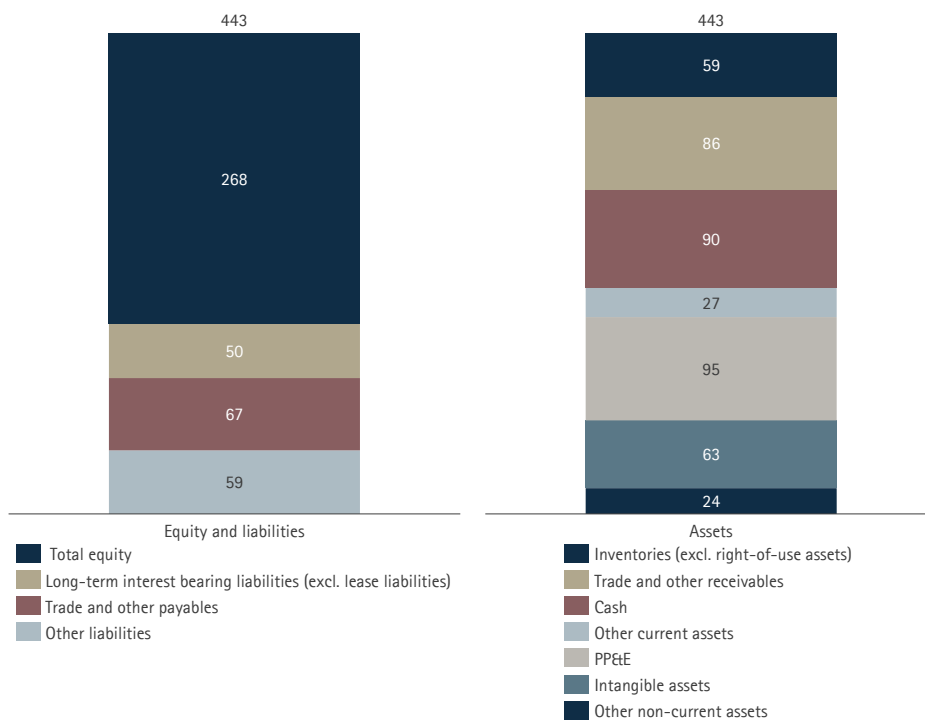
**Balance sheet**

... with a robust balance sheet

Vaisala has a strong balance sheet that provides stability and allows growth through selected acquisitions. At the end of 2023, Vaisala's balance sheet amounted to approx. to EUR 443m. Vaisala's intangible assets worth EUR 62.5m consists mostly of goodwill and technology-based intangible assets such as patents and trademarks. At the end of 2023, Vaisala's balance sheet contained goodwill worth EUR 45.9m which was entirely allocated to the W&E business area. Technology-based intangible assets amounted to EUR 12.7m. The company's property, plant & equipment (PP&E) amounted to EUR 95.0m which consists mostly of buildings, structures, machinery, and equipment. During 2020–22, Vaisala's inventories increased relatively fast, partly driven by increased component buffer due to component shortage. At the end of 2023, inventories amounted to EUR 58.8m, slightly down from EUR 61.6m at the end of 2022. Vaisala had a strong cash position, with cash and cash equivalents amounting to EUR 90.3m at the end of 2023. The company had current interest-bearing debt worth EUR 50.0m at the end of 2023. Net debt, excluding interest-bearing lease liabilities, at the end of 2023 amounted to EUR -40.3m. As previously mentioned, Vaisala has completed three acquisitions in 2024. Two of these acquisitions involved undisclosed purchase prices. The largest acquisition was Maxar Intelligence's WeatherDesk business, which was acquired for

USD 70 million. The acquisition will be primarily financed through interest-bearing debt, Vaisala's balance sheet can absorb the acquisitions made during 2024 with ease.

Figure 35: Balance sheet composition at the end of 2023, in EUR m



Source: Vaisala, Evli Research

## Estimates

2024 ended on a high note

Vaisala provided preliminary information on its FY 2024 result in January. Vaisala's Q4 turned out to be very strong as the operating result was higher than the company previously estimated due to higher than estimated sales in both W&E and IM and successful group-wide cost control. According to the unaudited preliminary figures, Vaisala's net sales were EUR 565m and EBIT EUR 83m. Prior to the positive profit warning, the company expected EBIT to be in the range of EUR 68–78m and its net sales to be in the range of EUR 540–570m. Both segments grew at considerably faster rate and with higher profitability than we had expected as we previously forecasted net sales of EUR 554m and EBIT of EUR 72m. The recovery in the industrial measurements market has clearly continued at a faster pace than we previously expected during Q4. W&E has also developed well with some additional boost from the acquisitions. Our estimates for Q4 remain unchanged, aligning with the preliminary figures.

Some improvement in market conditions expected for IM

The market outlook for Industrial Measurements remains uncertain; however, we anticipate that the segment will resume growth in 2025, following two slower years in 2023 and 2024. As earlier commented, in the industrial market, which is majority of the segments net sales, growth is primarily driven by global GDP expansion and the industrial investments. The manufacturing PMIs remain at low levels globally and we expect only slight improvements in the market environment during 2025. While the data remains relatively weak, the company saw gradual improvement in Q3/2024 for both the high-end industrial instruments and life science markets. This trend has clearly continued as IM grew by some 12% y/y in Q4/24. In addition to industrial instruments and life science, we expect power to continue to grow. The growth in Industrial Measurements is also still supported by the weaker comparison period especially in Q1/24 as the industrial actions in Finland coupled with ERP ramp-up affected the quarter's net sales. Overall, we estimate net sales of EUR 252m with growth of 11% y/y for 2025E. With the growth, we estimate adj. EBIT to climb to EUR 57.2m with a margin of 22.7%.

Both inorganic and organic growth drives W&E in 2025E

Vaisala acquired three smaller businesses to boost growth in W&E during 2024. Speedwell Climate (net sales of GBP 4m in 2023) and Maxar Intelligence (net sales of USD 12.8m in 2023) will boost the segments subscription sales while Nevis Technology (net sales of over GBP 1.5m in 2023) is part of the traditional W&E business. On the organic side, the traditional legacy product business is anticipated to maintain growth at a modest single-digit rate. Meanwhile, significant projects that were signed and/or published during 2023 and 2024 are expected to continue generating or begin to generate revenue. In the higher growth segments, renewable energy and subscription sales, we expect continued growth. Due to both inorganic and organic growth, we estimate net sales of EUR 386m for W&E in 2025E, growing 14% y/y. Due to acquisitions, the amortization of intangible assets from acquired businesses will increase, impacting negatively the reported EBIT. Our current assumption is that the effect of the acquisition will be approximately EUR ~6m increase in amortization related to the acquired businesses for 2025. This assumption is based on the following parameters: assumption for the purchase price for Nevis Technology and Speedwell Climate (not publicly disclosed), the purchase price of Maxar Intelligence, a 50% allocation of the total purchase price to goodwill (which is not subject to amortization), and an estimated amortization period of 7 years. While reported EBIT is negatively affected by the increase in amortization, we expect the organic and inorganic sales growth to result in improved adj. EBIT. One of the strategic priorities for W&E is to turn the subscription business to profitability during the current strategy period. We anticipate that, partly as a

result of the acquisitions, the subscription business will achieve profitability already in 2025E in terms of adjusted EBIT. Overall, we predict adj. EBIT of EUR 48m for W&E in 2025E with a margin of 12.5%.

M&A to fuel growth also in the future

Our future estimates do not reflect the impact of potential acquisitions beyond the currently published acquisitions. Considering Vaisala’s M&A history of bolt-on acquisitions, the fragmented market, and Vaisala’s financial position, acquisitions are likely to take place in the future. Vaisala leverages M&A as a strategic tool to bolster growth and speed up strategy execution. We see acquisition potential especially in the strategically important growth segments of its business such as the subscription business.

Many drivers for profitable growth going forward

Vaisala updated its long-term financial targets in its Capital Markets Day in 2024. Our projections for revenue growth from 2024 to 2027 exceed the company’s target, as we anticipate a compound annual growth rate (CAGR) of over 8% for the period. In contrast, Vaisala’s target for revenue growth is set at an average sales growth of 7%. Vaisala now aims for a systematic improvement in the EBITA margin, whereas the previous target was a 15% EBIT margin. The target parameter was changed to EBITA margin to exclude the effect of amortization of intangible assets related to the acquired businesses which now increase due to the recent acquisitions. We find the company to be in great place for profitable growth in both of its segments. In Industrial Measurements, the improving market should result in improved margins due to the segment’s operating leverage. While we expect IM to continue to operate well above 20% adj. EBIT margin going forward, we expect that the largest potential for profitability improvement in long-term is in the W&E business. We find several profitable growth levers in W&E; ongoing improvement in the legacy product and project business, increasing share of renewable product sales and growth in SaaS/DaaS business and goal to turn to profit in the business during the current strategy period. As mentioned earlier, we expect profitability on EBITA level for the subscription business already in 2025E, yet we estimate that the profitability will improve gradually over the coming years.

Table 3: Estimate summary

ESTIMATES	2 022	Q1'23	Q2'23	Q3'23	Q4'23	2 023	Q1'24	Q2'24	Q3'24	Q4'24E	2024E	2025E	2026E
Net sales	514.1	131.8	130.8	130.4	147.4	540.4	112.1	148.4	136.6	167.9	565.0	638.2	678.0
Weather & Environment	288.6	68.8	78.0	76.4	89.8	313.0	64.1	91.9	79.2	103.2	338.4	385.9	406.7
Industrial Measurements	225.5	63.0	52.8	53.9	57.6	227.3	48.0	56.5	57.4	64.7	226.6	252.4	271.3
<i>Net sales growth</i>	<i>17.4%</i>	<i>10.9%</i>	<i>8.5%</i>	<i>-2.2%</i>	<i>4.2%</i>	<i>5.1%</i>	<i>-14.9%</i>	<i>13.5%</i>	<i>4.8%</i>	<i>13.9%</i>	<i>4.6%</i>	<i>13.0%</i>	<i>6.2%</i>
<i>Weather &amp; Environment</i>	<i>12.3%</i>	<i>4.7%</i>	<i>18.4%</i>	<i>1.0%</i>	<i>10.5%</i>	<i>8.5%</i>	<i>-6.8%</i>	<i>17.8%</i>	<i>3.6%</i>	<i>14.9%</i>	<i>8.1%</i>	<i>14.0%</i>	<i>5.4%</i>
<i>Industrial Measurements</i>	<i>24.6%</i>	<i>18.6%</i>	<i>-3.4%</i>	<i>-6.3%</i>	<i>-4.3%</i>	<i>0.8%</i>	<i>-23.8%</i>	<i>7.0%</i>	<i>6.4%</i>	<i>12.3%</i>	<i>-0.3%</i>	<i>11.4%</i>	<i>7.5%</i>
Reported EBIT	62.5	13.3	11.9	25.2	16.1	66.7	7.1	23.7	24.1	28.1	83.0	92.5	111.5
<i>Reported EBIT margin</i>	<i>12.2%</i>	<i>10.1%</i>	<i>9.1%</i>	<i>19.3%</i>	<i>10.9%</i>	<i>12.3%</i>	<i>6.4%</i>	<i>16.0%</i>	<i>17.6%</i>	<i>16.7%</i>	<i>14.7%</i>	<i>14.5%</i>	<i>16.4%</i>
Adj. EBIT	70.6	15.4	14.0	27.3	18.0	74.9	8.8	25.4	26.2	30.5	90.9	105.3	118.0
Weather & Environment	11.1	-1.7	4.9	10.4	7.5	21.1	2.1	12.7	10.5	14.6	39.8	48.3	53.1
Industrial Measurements	51.5	15.0	6.8	14.7	8.7	45.2	6.7	12.5	15.9	15.9	51.0	57.2	64.9
Other operations	-0.1	0.0	0.2	0.1	0.1	0.4	0.0	0.2	-0.2	0.0	0.0	0.0	0.0
<i>Adj. EBIT margin</i>	<i>12.2%</i>	<i>11.7%</i>	<i>10.7%</i>	<i>21.0%</i>	<i>12.2%</i>	<i>13.9%</i>	<i>7.9%</i>	<i>17.1%</i>	<i>19.2%</i>	<i>18.2%</i>	<i>16.1%</i>	<i>16.5%</i>	<i>17.4%</i>
<i>Weather &amp; Environment</i>	<i>3.9%</i>	<i>-2.5%</i>	<i>6.3%</i>	<i>13.7%</i>	<i>8.3%</i>	<i>6.8%</i>	<i>3.3%</i>	<i>13.8%</i>	<i>13.3%</i>	<i>14.1%</i>	<i>11.8%</i>	<i>12.5%</i>	<i>13.1%</i>
<i>Industrial Measurements</i>	<i>22.8%</i>	<i>23.8%</i>	<i>12.9%</i>	<i>27.2%</i>	<i>15.1%</i>	<i>19.9%</i>	<i>13.9%</i>	<i>22.1%</i>	<i>27.7%</i>	<i>24.6%</i>	<i>22.5%</i>	<i>22.7%</i>	<i>23.9%</i>

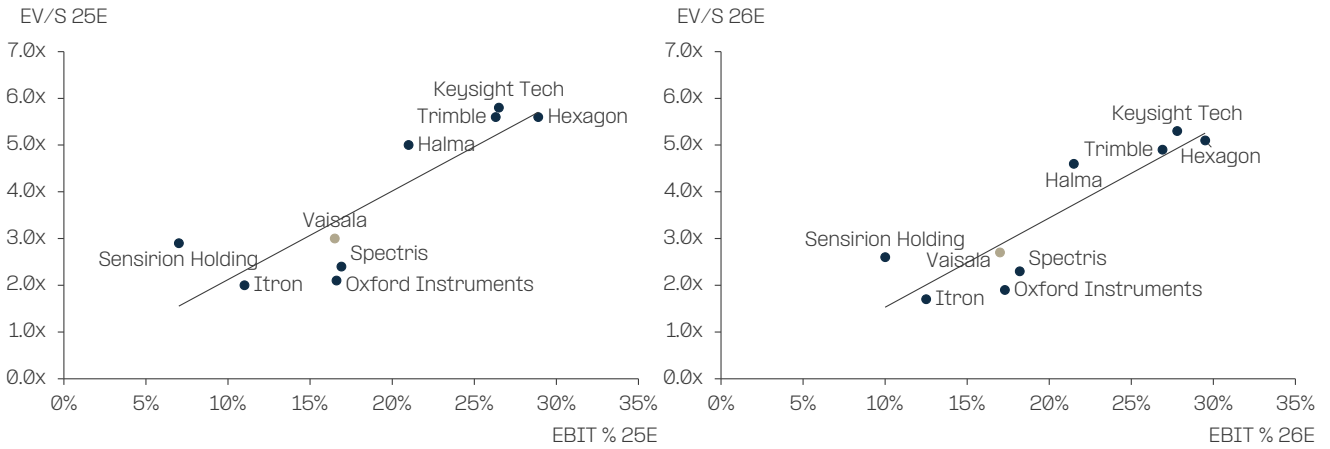
Source: Vaisala, Evli Research

## Valuation

<p>ACCUMULATE (prev. BUY) with a TP of EUR 56.0</p>	<p>After no major changes to our estimates, we retain our TP at EUR 56 and revise our recommendation to ACCUMULATE (prev. BUY) to match the updated recommendation scale (see page 45). Our valuation of Vaisala is based on Vaisala's peer group, historical valuation levels, and the fair value determined through our DCF model. Vaisala is currently priced at 18–15x adj. EV/EBIT and 23–20x adj. P/E based on our estimates for 2025–2026E. Our new TP is in line with the value derived from our DCF analysis, the target implies EV/EBIT of 19–17x based on our estimates for 2025–2026E which we find as a relatively neutral level for the company.</p>
<p>Trading close to historical average multiple levels</p>	<p>Historically, Vaisala has traded at approximately 19x FWD EV/EBIT and 24x FWD P/E (10-year historic average levels). During 2019–21, Vaisala's multiples provided a 20–80% premium to that of the levels today. We interpret those valuation levels as an outcome of zero interest rates as well as economic upswing. Now, the company is valued with 25–26E EV/EBIT and P/E of 18–15x and 23–20x, at slightly lower levels compared to historical figures, reflecting a more normalized macroeconomic environment. We weigh enterprise value-based multiples in valuation of Vaisala due to the company's strong net cash position. The multiples are adjusted for amortization related to acquisitions.</p>
<p>Slight discount to peers on our estimates for 2025–2026E</p>	<p>From 2016 to 2019, the company was valued approximately in line with or even below its peers, while from 2019 onwards Vaisala has been valued with a premium to its peer group median. The premium increased notably during 2019–21, when the company's growth outlook improved, and overall market multiples expanded. With interest rate hikes and poorer economic conditions, Vaisala's as well as its peer group's multiples have decreased towards more normalized levels. At the moment, Vaisala trades at slight discount compared to the peers.</p>
<p>Discounted cash flow points towards a discount compared to fair value, in line with TP</p>	<p>Vaisala's predictable cash flows reduce risks and offer a reliable basis also for discounted cash flow-based valuation. On the medium term, we model Vaisala reaching 16.5% EBIT margin (17.5% EBITA margin) in 2027E with net sales of EUR 715m resulting in EBIT of EUR 118m (EBITA EUR 126m). As commented earlier, we model stronger growth than Vaisala targets for 2024–2027E yet after that we expect growth to slow down. We assume terminal net sales growth rate of 2.5%. For profitability, we estimate terminal EBIT margin of 16%. As commented earlier, the company's business model is relatively asset light and requires low amount of capital investments. We assume annual capital expenditure of roughly EUR 15–25m for the estimate period. With WACC of 7.0%, our DCF points towards a fair value of approximately EUR 56 per share, higher than the current market pricing and in line with our updated target price.</p>

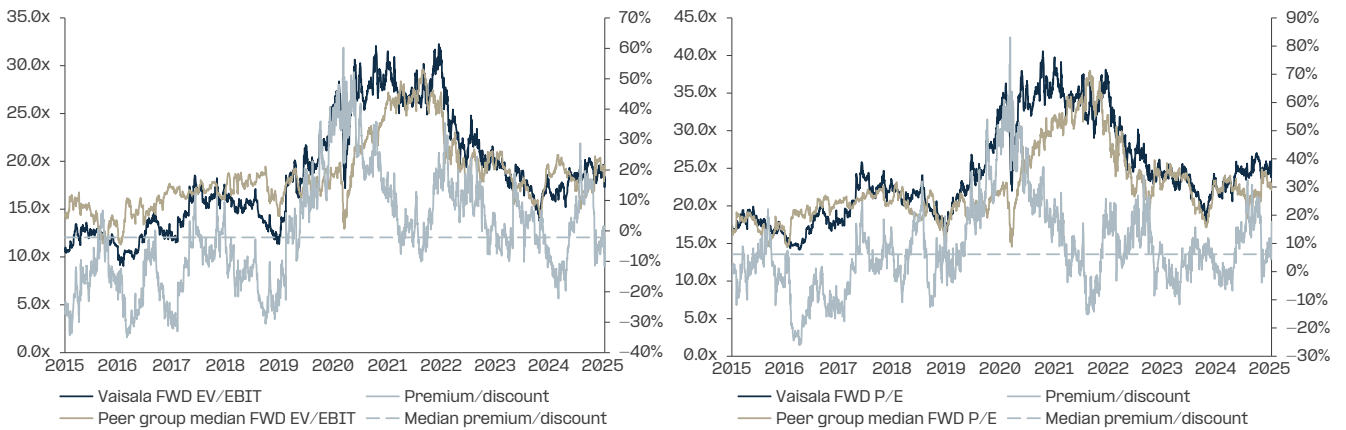


Figure 36: Vaisala vs. peer group, EV/Sales (y-axis), EBIT % (x-axis), 2025E (lhs) & 2026E (rhs)



Source: Factset, Evli Research

Figure 37: FWD EV/EBIT Vaisala vs. peer group, 01/15–01/25

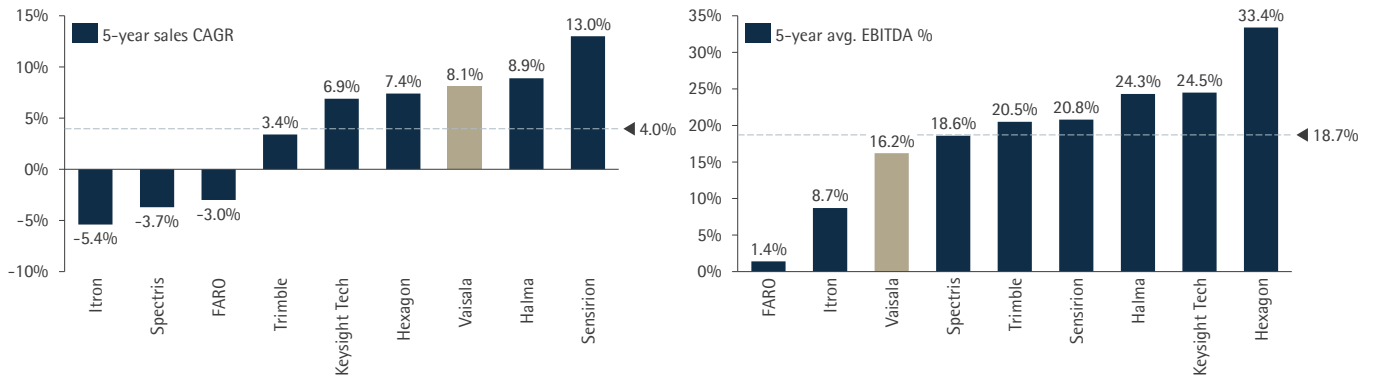


Source: Factset, Evli Research

Our peer group for Vaisala consists of R&D-focused electrical equipment and measurement solutions providers. Such providers usually engage both in hardware and software. Due to the lack of listed high-end industrial and weather and environment measurement competitors, peer group companies are not direct competitors for Vaisala. Peer group companies' offerings range from electronic measurement instruments to electronic control, and process instrumentation, as well as computerized measurement products. The peer group is composed of the following listed companies:

- **Keysight Technologies** provides electronic measurement instruments, such as oscilloscopes, meters, and network analysers, and systems and related software and software design tools used to make electronic equipment. It provides product-related services and consulting.
- **Spectris** manufactures, designs, and markets products for the electronic control and process instrumentation sectors. The company's products include digital indication and control products, industrial computer circuit boards, semiconductor-related devices, infrared equipment for temperature measurement, flying controls, gas analysis products, and analytical x-ray systems.
- **Oxford Instruments** produces advanced instrumentation equipment. The company's products are used for scientific research, chemical analysis, patient monitoring, semiconductor processing, and diagnostic imaging. Oxford conducts manufacturing operations in the United Kingdom and the United States.
- **Trimble** designs, develops, and manufactures land surveying instruments, navigations systems (GNSS and GPS), laser rangefinders, unmanned aerial vehicles, software processing tools, and other products and services for needs of architecture, building construction, civil engineering, geospatial, survey and mapping, agriculture, natural resources, utilities, transportation, and government.
- **Hexagon AB** develops and produces sensor, software, and autonomous solutions. The company provides metrology systems for fast and accurate measurements, sensors for capturing data from land and air as well as sensors for positioning via satellites, and related software solutions.
- **Sensirion Holding AG** manufactures digital microsensors and systems. The firm engages in the development, production, sales and servicing of sensor systems, modules, and components. Its products include gas and liquid flow sensors, differential pressure sensors, and environmental sensors for the measurement of humidity and temperature, volatile organic compounds, carbon dioxide, and particulate matter.
- **Halma Plc** is a holding company that develops, produces, and sales hazard and life protection solutions. The company provides products and applications, such as electronic instruments, detectors, and diagnostic equipment, for industrial, medical, and environmental needs.
- **FARO Technologies** provides solutions for manual and automated measurement and inspection in an industrial or manufacturing environment, solutions for as-built data capturing, and 3D visualization in building information modelling and construction information management applications.
- **Itron** offers devices and solutions for measuring, managing and analysing energy and water use. The company specializes in designing and delivering products and services to utilities, municipalities, and other organizations to help them manage and optimize their energy, water, and gas resources more efficiently.

Figure 38: Vaisala peer comparison, 5-year sales CAGR (lhs) & 5-year average EBITDA-margin (rhs)

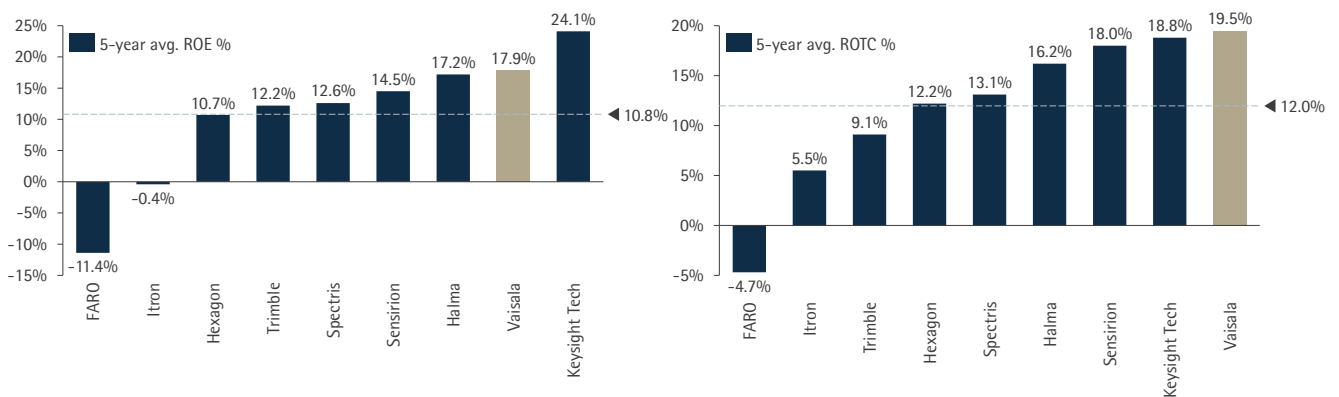


Source: Factset, Evli Research

Higher returns on capital compared to peers

In comparison to the peer group, Vaisala has demonstrated a more rapid growth rate over the past five years. On the other hand, Vaisala's profitability has trailed that of its peers. While profitability has been lower than the peer group average, the company's capital efficiency exceeds that of its peers as Vaisala's 5-year avg. return on equity % is at 18% vs. 11% avg. for peers (20% return on total capital vs. 12.0% peer group avg.). This highlights the company's capital efficiency, as the business model requires a low amount of capital investments, with most of the company's investments being R&D expenses. We note that the accounting treatment of R&D might skew the profitability and return figures, yet the peers are R&D-focused electrical equipment and measurement solutions providers, and majority of the peers have R&D expenses as % of net sales over 10% (5-year avg.).

Figure 39: Vaisala peer comparison, 5-year ROE % (lhs) & 5-year average ROTC % (rhs)



Source: Factset, Evli Research

Figure 4: Peer group

Company name	MCAP MEUR	EV/EBITDA			EV/EBIT			P/E		
		24	25	26	24	25	26	24	25	26
Hexagon	29677	14.2x	15.2x	14.0x	18.1x	19.8x	18.1x	26.5x	23.4x	21.0x
Keysight Tech	29665	20.2x	20.7x	18.6x	22.4x	22.4x	20.0x	27.9x	25.1x	21.8x
Trimble	17724	18.4x	20.1x	18.2x	19.7x	21.4x	19.4x	26.4x	25.8x	22.5x
Spectris	3511	9.4x	9.3x	8.5x	12.1x	11.4x	10.2x	20.3x	17.3x	15.0x
Itron	4657	16.8x	15.8x	13.7x	20.4x	19.5x	16.2x	20.1x	21.7x	18.5x
FARO Technologies	577	13.8x	15.6x		20.1x	22.2x		36.6x	31.6x	
Oxford Instruments	1408	13.4x	11.7x	10.8x	15.7x	13.9x	12.7x	19.0x	18.0x	16.5x
Sensirion Holding	1040	59.4x	22.1x	16.4x		41.9x	26.4x		48.8x	30.8x
Halma	13491	21.3x	21.9x	20.3x	24.0x	24.5x	22.6x	33.8x	31.0x	28.6x
Peer Group Average	14302	20.8x	16.9x	15.1x	19.1x	21.9x	18.2x	26.3x	27.0x	21.8x
Peer Group Median	11190	16.8x	15.8x	15.2x	19.9x	21.4x	18.8x	26.5x	25.1x	21.4x
Vaisala (Evli est.)	<b>1901</b>	<b>18.0x</b>	<b>15.5x</b>	<b>13.5x</b>	<b>21.2x</b>	<b>18.0x</b>	<b>15.4x</b>	<b>26.3x</b>	<b>22.9x</b>	<b>20.0x</b>
<i>Vaisala prem./disc. to peer median</i>		7%	-2%	-11%	6%	-16%	-18%	-1%	-8%	-6%
<i>Source FactSet, Evli Research</i>										

Source: Factset, Evli Research

**Risks**

We find the overall risk level of Vaisala quite modest with its stable market position and megatrends supporting the market growth. In addition, Vaisala has extensive experience in the industry and a wide customer base of both private and public customers. We have specified risks concerning the investment case as follows:

Macroeconomic	The company's Industrial Measurement segment is affected by macroeconomic conditions. Industrial sectors where Vaisala's solutions are used include market such as automotive, battery manufacturing, pulp & paper and semiconductor. Due to the increased interest rates, the industrial investment activity has slowed down in many of its markets and therefore growth has not materialized in the IM segment during 2023–2024. While there is a risk that the market activity will remain stagnant for a longer period, Vaisala is already seeing pick-up in demand in some of its operating geographies and segments.
Geopolitical	Following the onset of Russia's attack on Ukraine, Vaisala made the decision to conclude its business with customers in Russia and Belarus. In addition to Russia, political tensions have intensified between China and Western countries. These tensions are likely to further escalate in the future as the ongoing trade war between China and United States is likely to escalate with the new administration in the US. Vaisala currently has a factory in Shanghai, which was obtained through the acquisition of Leosphere. In addition, according to our understanding, China is relatively important market area for the company's Industrial Measurements business.
Supply chain	Vaisala has been facing constraints in accessing vital components during the recent years due to shortages in the market. As a result, the company has been compelled to procure more costly components from spot markets. The availability of components has already improved, yet there is a possibility of new bottlenecks in the supply chain, which could introduce new component shortages and therefore have an impact on Vaisala's margin improvement.
Technology	Vaisala's solutions are deeply rooted in research and scientific principles. Although there is a potential risk of decreased demand for Vaisala's technology or customer churn due to unsuccessful product launches and R&D challenges, we believe that the likelihood of this risk materializing is low.
Integration of acquisitions	M&A is a strategic tool that enables Vaisala to speed up strategy execution by accessing new markets, competencies and capabilities. Vaisala completed three acquisitions in 2024 of which acquisition of Maxar Intelligence's WeatherDesk business related assets was the largest one. While we see that failure in integration of acquisitions is a risk, we do not see it as a prominent risk in Vaisala's case. This is because of the company's M&A strategy where it focuses on enabling growth through small or mid-size transactions. Vaisala is not interested in for example buying out larger competitors where the integration could be more challenging.

We have amended our rating methodology since the previous update of the stock. Please see the updated and previous methodologies below.

**NEW**

Target price compared to share price

&lt; -10%

-10 – 0%

0 – (+10)%

&gt; 10%

Recommendation

SELL

REDUCE

ACCUMULATE

BUY

**OLD**

Target price compared to share price

&lt; -10%

-10 – (+10)%

&gt; 10%

Recommendation

SELL

HOLD

BUY

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC
Current share price	52.40 PV of Free Cash Flow	633 Long-term growth, %	2.5 % Risk-free interest rate, %
DCF share value	56.48 PV of Horizon value	1 417 WACC, %	7.0 % Market risk premium, %
Share price potential, %	7.8 % Unconsolidated equity	0 Spread, %	0.5 % Debt risk premium %
Maximum value	63.6 Marketable securities	90 Minimum WACC, %	6.5 % Equity beta coefficient
Minimum value	50.8 Debt – dividend	–92 Maximum WACC, %	7.5 % Target debt ratio, %
Horizon value, %	69.1 % Value of stock	2 049 No. of shares, Mn	36.3 Effective tax rate, %

DCF valuation, EURm	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	TERMINAL
Net sales	540	565	638	678	715	751	789	820	849	874	896	919
Sales growth (%)	5.1%	4.6%	13.0%	6.2%	5.5%	5.0%	5.0%	4.0%	3.5%	3.0%	2.5%	2.5%
Operating income (EBIT)	67	83	92	111	118	124	130	135	136	140	143	147
Operating income margin %	12.3%	14.7%	14.5%	16.4%	16.5%	16.5%	16.5%	16.5%	16.0%	16.0%	16.0%	16.0%
+ Depreciation+amort.	24	24	29	26	25	25	25	25	26	26	27	
EBITDA	91	107	122	137	143	149	155	161	162	166	170	
– Paid taxes	–15	–18	–19	–23	–25	–26	–27	–28	–29	–29	–30	
– Change in NWC	11	–3	–10	–5	–5	–5	–5	–4	–4	–3	–3	
NWC / Sales, %	12.6%	12.7%	12.8%	12.9%	12.9%	12.9%	13.0%	13.0%	13.0%	13.1%	13.1%	
+ Change in other liabs	–3											
– Operative CAPEX	–10	–101	–16	–18	–16	–18	–20	–20	–21	–22	–23	
opCAPEX / Sales, %	2.9%	18.7%	3.5%	3.6%	3.2%	3.4%	3.4%	3.4%	3.4%	3.4%	3.4%	
– Acquisitions												
+ Divestments												
– Other items												
= FCFF	74	–15	77	90	97	99	103	108	108	111	115	2 595
= Discounted FCF		–15	72	79	80	76	74	72	67	65	63	1 417
= DFCF min WACC		–15	72	80	81	78	75	74	70	68	65	1 661
= DFCF max WACC		–15	72	79	79	75	72	70	65	63	60	1 224

**Sensitivity analysis, EUR**

		Terminal WACC				
		5.03 %	6.03 %	7.03 %	8.03 %	9.03 %
<b>Terminal EBIT–%</b>	14.00 %	88.90	64.21	50.37	41.50	35.32
	15.00 %	95.37	68.47	53.42	43.80	37.12
	16.00 %	101.83	72.73	56.48	46.11	38.91
	17.00 %	108.29	76.98	59.53	48.41	40.71
	18.00 %	114.76	81.24	62.58	50.71	42.50

**INTERIM FIGURES**

<b>EVLI ESTIMATES, EURm</b>	2023Q1	2023Q2	2023Q3	2023Q4	2023	2024Q1	2024Q2	2024Q3	2024Q4E	2024E	2025E	2026E
Net sales	131.8	130.8	130.4	147.4	540.4	112.1	148.4	136.6	167.9	565.0	638.2	678.0
EBITDA	19.1	18.0	31.4	22.2	90.8	12.8	29.4	30.3	34.6	107.1	121.8	137.2
<i>EBITDA margin (%)</i>	<i>14.5%</i>	<i>13.8%</i>	<i>24.1%</i>	<i>15.1%</i>	<i>16.8%</i>	<i>11.4%</i>	<i>19.8%</i>	<i>22.2%</i>	<i>20.6%</i>	<i>19.0%</i>	<i>19.1%</i>	<i>20.2%</i>
EBIT	13.3	11.9	25.2	16.1	66.6	7.1	23.7	24.1	28.1	83.0	92.5	111.5
<i>EBIT margin (%)</i>	<i>10.1%</i>	<i>9.1%</i>	<i>19.4%</i>	<i>11.0%</i>	<i>12.3%</i>	<i>6.4%</i>	<i>16.0%</i>	<i>17.6%</i>	<i>16.7%</i>	<i>14.7%</i>	<i>14.5%</i>	<i>16.4%</i>
Net financial items	-0.8	-1.4	-1.0	-0.2	-3.4	-0.5	-0.6	0.3	-0.5	-1.2	-3.7	-2.3
Pre-tax profit	12.5	10.5	24.2	15.9	63.2	6.6	23.2	24.4	27.6	81.8	88.8	109.2
Tax	-2.9	-2.5	-5.7	-3.2	-14.3	-1.5	-5.2	-5.2	-5.5	-17.4	-18.6	-22.9
<i>Tax rate (%)</i>	<i>23.2%</i>	<i>23.7%</i>	<i>23.5%</i>	<i>20.4%</i>	<i>22.7%</i>	<i>21.8%</i>	<i>22.6%</i>	<i>21.3%</i>	<i>20.0%</i>	<i>21.3%</i>	<i>21.0%</i>	<i>21.0%</i>
Net profit	9.6	8.0	18.5	12.7	48.9	5.2	17.9	19.2	22.1	64.4	70.1	86.2
EPS	0.26	0.22	0.51	0.35	1.35	0.14	0.49	0.53	0.61	1.77	1.93	2.38
EPS adj. (diluted)	0.26	0.22	0.51	0.35	1.35	0.14	0.49	0.53	0.61	1.77	1.93	2.38
Dividend per share					0.75					0.98	1.06	1.31
<b>SALES, EURm</b>	2023Q1	2023Q2	2023Q3	2023Q4	2023	2024Q1	2024Q2	2024Q3	2024Q4E	2024E	2025E	2026E
Weather and Environment	68.8	78.0	76.4	89.8	313.0	64.1	91.9	79.2	103.2	338.4	385.9	406.7
Industrial Measurements	63.0	52.8	53.9	57.6	227.3	48.0	56.5	57.4	64.7	226.6	252.4	271.3
Total	131.8	130.8	130.4	147.4	540.4	112.1	148.4	136.6	167.9	565.0	638.2	678.0
<b>SALES GROWTH, Y/Y%</b>	2023Q1	2023Q2	2023Q3	2023Q4	2023	2024Q1	2024Q2	2024Q3	2024Q4E	2024E	2025E	2026E
Weather and Environment	4.7%	18.4%	1.0%	10.5%	8.5%	-6.8%	17.8%	3.6%	14.9%	8.1%	14.0%	5.4%
Industrial Measurements	18.6%	-3.4%	-6.3%	-4.3%	0.8%	-23.8%	7.0%	6.4%	12.3%	-0.3%	11.4%	7.5%
Total	10.9%	8.5%	-2.2%	4.2%	5.1%	-15.0%	13.5%	4.8%	13.9%	4.6%	13.0%	6.2%
<b>EBIT, EURm</b>	2023Q1	2023Q2	2023Q3	2023Q4	2023	2024Q1	2024Q2	2024Q3	2024Q4E	2024E	2025E	2026E
Weather and Environment	-1.7	4.9	10.4	7.4	21.1	0.6	11.2	8.8	12.4	33.0	36.3	47.6
Industrial Measurements	15.0	6.8	14.7	8.7	45.2	6.5	12.3	15.5	15.7	50.0	56.2	63.9
Other		0.2	0.1	0.1	0.4	0.0	0.2	-0.2		0.0		
Total	13.3	11.9	25.2	16.1	66.6	7.1	23.7	24.1	28.1	83.0	92.5	111.5
<b>EBIT margin %</b>	2023Q1	2023Q2	2023Q3	2023Q4	2023	2024Q1	2024Q2	2024Q3	2024Q4E	2024E	2025E	2026E
Weather and Environment	-2.5%	6.3%	13.7%	8.3%	6.7%	1.0%	12.2%	11.1%	12.0%	9.8%	9.4%	11.7%
Industrial Measurements	23.8%	12.9%	27.2%	15.1%	19.9%	13.5%	21.8%	27.0%	24.3%	22.1%	22.3%	23.6%
Other		100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	-100.0%		100.0%		
Total	10.1%	9.1%	19.4%	11.0%	12.3%	6.4%	16.0%	17.6%	16.7%	14.7%	14.5%	16.4%



<b>INCOME STATEMENT, EURm</b>	2019	2020	2021	2022	2023	2024E	2025E	2026E
Sales	403.6	379.5	437.9	514.1	540.4	565.0	638.2	678.0
<i>Sales growth (%)</i>	15.7%	-6.0%	15.4%	17.4%	5.1%	4.6%	13.0%	6.2%
EBITDA	64.7	65.9	71.7	85.4	90.8	107.1	121.8	137.2
<i>EBITDA margin (%)</i>	16.0%	17.4%	16.4%	16.6%	16.8%	19.0%	19.1%	20.2%
Depreciation	-23.6	-21.1	-21.6	-22.9	-24.2	-24.1	-29.3	-25.7
EBITA	41.1	44.8	50.1	62.5	66.6	83.0	92.5	111.5
Goodwill amortization / writedown								
EBIT	41.1	44.8	50.1	62.5	66.6	83.0	92.5	111.5
<i>EBIT margin (%)</i>	10.2%	11.8%	11.5%	12.2%	12.3%	14.7%	14.5%	16.4%
Reported EBIT	41.1	44.8	50.1	62.5	66.6	83.0	92.5	111.5
<i>EBIT margin (reported) (%)</i>	10.2%	11.8%	11.5%	12.2%	12.3%	14.7%	14.5%	16.4%
Net financials	-1.0	-3.4	-2.1	-2.9	-3.4	-1.2	-3.7	-2.3
Pre-tax profit	40.1	41.4	48.1	59.6	63.2	81.8	88.8	109.2
Taxes	-6.6	-8.5	-8.8	-14.5	-14.3	-17.4	-18.6	-22.9
Minority shares			-0.3					
Net profit	33.5	32.9	39.0	45.1	48.9	64.4	70.1	86.2
Cash NRIs								
Non-cash NRIs								
<b>BALANCE SHEET, EURm</b>								
Assets								
Fixed assets	108	120	125	121	114	155	146	144
Goodwill	30	30	29	49	46	86	86	86
Right of use assets	12	13	11	12	13	14	15	16
Inventory	40	45	50	62	59	61	69	74
Receivables	105	93	107	131	113	118	133	141
Liquid funds	56	45	78	56	90	94	107	113
Total assets	361	352	408	440	443	536	565	582
Liabilities								
Shareholders' equity	198	205	230	251	268	305	340	387
Minority interest		0	1					
Convertibles								
Lease liabilities	11	9	8	11	12	14	15	16
Deferred taxes	8	8	7	4	3	3	3	3
Interest bearing debt	40	45	40	53	52	103	81	43
Non-interest bearing current liabilities	94	76	116	111	97	102	115	122
Other interest-free debt	7	8	7	7	10	10	10	10
Total liabilities	361	352	408	440	443	536	565	582
<b>CASH FLOW, EURm</b>								
+ EBITDA	65	66	72	85	91	107	122	137
- Net financial items	-1	-3	-2	-3	-3	-1	-4	-2
- Taxes	-9	-8	-9	-15	-14	-17	-19	-23
- Increase in Net Working Capital	-16	-8	17	-38	11	-3	-10	-5
+/- Other	2	-6	3	0				
= Cash flow from operations	41	41	80	30	84	85	89	106
- Capex	-38	-35	-22	-19	-16	-106	-22	-24
- Acquisitions				-23				
+ Divestments								
= Free cash flow	3	6	58	-12	68	-21	67	82
+/- New issues/buybacks	3	-4	8	0	-6			
- Paid dividend	22	22	25	26	27	35	39	47
+/- Other	-1	9	-12	15	-2	52	-20	-37
Change in cash	-16	-11	33	-22	35	4	12	7

KEY FIGURES	2020	2021	2022	2023	2024E	2025E	2026E
M-cap	1 454	1 924	1 437	1 439	1 901	1 901	1 901
Net debt (excl. convertibles)	9	-30	8	-26	22	-10	-54
Enterprise value	1 466	1 899	1 445	1 413	1 923	1 891	1 847
Sales	380	438	514	540	565	638	678
EBITDA	66	72	85	91	107	122	137
EBIT	45	50	63	67	83	92	111
Pre-tax	41	48	60	63	82	89	109
Earnings	33	39	45	49	64	70	86
Equity book value (excl. minorities)	205	230	251	268	305	340	387
<b>Valuation multiple</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
EV/Sales	3.9	4.3	2.8	2.6	3.4	3.0	2.7
EV/EBITDA	22.2	26.5	16.9	15.6	18.0	15.5	13.5
EV/EBITA	32.7	37.9	23.1	21.2	23.2	20.4	16.6
EV/EBIT	32.7	37.9	23.1	21.2	23.2	20.4	16.6
EV/OCF	35.8	23.7	48.5	16.8	22.6	21.2	17.3
EV/FCF	115.8	30.3	-308.4	19.2	-131.9	24.7	20.4
P/FCFR	259.7	33.0	-116.8	21.0	-92.6	28.3	23.1
P/E	44.2	49.4	31.6	29.4	29.5	27.1	22.0
P/BV	7.1	8.4	5.7	5.4	6.2	5.6	4.9
Target EV/EBITDA					19.2	16.6	14.4
Target EV/EBIT					24.7	21.9	17.7
Target EV/FCFF					-100.0	30.1	24.0
Target P/BV					6.7	6.0	5.2
Target P/E, diluted	32.5	34.1	31.2	30.1	31.6	29.0	23.6
<b>Per share measures</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
Number of shares (million)	36.00	36.10	36.02	36.25	36.28	36.28	36.28
Number of shares (diluted, million)	36.00	36.10	36.02	36.25	36.28	36.28	36.28
EPS	0.91	1.08	1.25	1.35	1.77	1.93	2.38
Operating cash flow per share	1.14	2.22	0.83	2.32	2.35	2.46	2.93
Free cash flow per share	0.16	1.62	-0.34	1.89	-0.57	1.85	2.27
Book value per share	5.69	6.36	6.96	7.39	8.41	9.36	10.68
Dividend per share	0.61	0.68	0.72	0.75	0.98	1.06	1.31
Dividend payout ratio, %	66.8%	63.0%	57.5%	55.6%	55.0%	55.0%	55.0%
Dividend yield, %	1.5%	1.3%	1.8%	1.9%	1.9%	2.0%	2.5%
FCF yield, %	0.4%	3.0%	-0.9%	4.8%	-1.1%	3.5%	4.3%
<b>Efficiency measures</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
ROE	16.3%	17.9%	18.8%	18.9%	22.5%	21.8%	23.7%
ROCE	17.7%	18.6%	21.2%	20.7%	22.0%	21.6%	25.3%
<b>Financial ratios</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
Inventories as % of sales	11.7%	11.4%	12.0%	10.9%	10.9%	10.9%	10.9%
Receivables as % of sales	24.4%	24.4%	25.5%	20.8%	20.8%	20.8%	20.8%
Non-int. bearing liabilities as % of sales	20.1%	26.6%	21.6%	18.0%	18.0%	18.0%	18.0%
NWC/sales, %	15.2%	8.6%	15.4%	12.6%	12.7%	12.8%	12.9%
Operative CAPEX/Sales, %	9.3%	4.9%	3.7%	2.9%	18.7%	3.5%	3.6%
CAPEX/sales (incl. acquisitions), %	9.3%	4.9%	-0.8%	2.9%	18.7%	3.5%	3.6%
FCFF/EBITDA	0.2	0.9	-0.1	0.8	-0.1	0.6	0.7
Net Debt/EBITDA, book-weighted	0.1	-0.4	0.1	-0.3	0.2	-0.1	-0.4
Debt/equity, market-weighted	0.0	0.0	0.0	0.0	0.1	0.0	0.0
Equity ratio, book-weighted	0.6	0.6	0.6	0.6	0.6	0.6	0.7
Gearing, %	4.4%	-13.1%	3.2%	-9.7%	7.1%	-3.0%	-13.9%

**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 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. With the current softer market environment for some of the key IM verticals such as health care, the growth is expected to be slower while W&E's strong backlog supports the company.

OWNERSHIP STRUCTURE	SHARES	EURm	%
Skandinaviska Enskilda Banken Ab	3 776 358	197.881	10.4 %
Weisell-Säätiö Sr	1 652 370	86.584	4.6 %
Citibank Europe Plc	1 440 000	75.456	4.0 %
Voipio Mikko	1 268 312	66.460	3.5 %
Ilmarinen Mutual Pension Insurance Company	1 124 000	58.898	3.1 %
Finnish Academy of Science and Letters	1 098 464	57.560	3.0 %
Caspers Anja	969 496	50.802	2.7 %
Voipio Raimo Hannes	920 478	48.233	2.5 %
Ten largest	12 249 478	641.873	33.8 %
Residual	24 035 101	1259.439	66.2 %
Total	36 284 579	1901.312	100%

#### EARNINGS CALENDAR

April 24, 2025	Q1 report
July 25, 2025	Q2 report
October 23, 2025	Q3 report

#### OTHER EVENTS

#### COMPANY MISCELLANEOUS

CEO: Kai Öistämö	Vanha Nurmijärventie 21, 01670 Vantaa
OFO: Heli Lindfors	Tel:
IR: Paula Liimatta	

**DEFINITIONS**

<p><b>P/E</b></p> $\frac{\text{Price per share}}{\text{Earnings per share}}$	<p><b>EPS</b></p> $\frac{\text{Profit before extraord. items and taxes} - \text{income taxes} + \text{minority interest}}{\text{Number of shares}}$
<p><b>P/BV</b></p> $\frac{\text{Price per share}}{\text{Shareholder's equity} + \text{taxed provisions per share}}$	<p><b>DPS</b></p> <p>Dividend for the financial period per share</p>
<p><b>Market cap</b></p> <p>Price per share * Number of shares</p>	<p><b>OCF (Operating cash flow)</b></p> <p>EBITDA – Net financial items – Taxes – Increase in working capital – Cash NRIs ± Other adjustments</p>
<p><b>EV (Enterprise value)</b></p> <p>Market cap + net debt + minority interest at market value – share of associated companies at market value</p>	<p><b>FCF (Free cash flow)</b></p> <p>Operating cash flow – Operative CAPEX – acquisitions + divestments</p>
<p><b>EV/Sales</b></p> $\frac{\text{Enterprise value}}{\text{Sales}}$	<p><b>FCF yield, %</b></p> $\frac{\text{Free cash flow}}{\text{Market cap}}$
<p><b>EV/EBITDA</b></p> $\frac{\text{Enterprise value}}{\text{Earnings before interest, tax, depreciation and amortization}}$	<p><b>Operative CAPEX / Sales</b></p> $\frac{\text{Capital expenditure} - \text{divestments} - \text{acquisitions}}{\text{Sales}}$
<p><b>EV/EBIT</b></p> $\frac{\text{Enterprise value}}{\text{Operating profit}}$	<p><b>Net working capital</b></p> <p>Current assets – current liabilities</p>
<p><b>Net debt</b></p> <p>Interest bearing debt – financial assets</p>	<p><b>Capital employed / Share</b></p> $\frac{\text{Total assets} - \text{non-interest bearing debt}}{\text{Number of shares}}$
<p><b>Total assets</b></p> <p>Balance sheet total</p>	<p><b>Gearing</b></p> $\frac{\text{Net debt}}{\text{Equity}}$
<p><b>Div yield, %</b></p> $\frac{\text{Dividend per share}}{\text{Price per share}}$	<p><b>Debt/Equity, %</b></p> $\frac{\text{Interest bearing debt}}{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions}}$
<p><b>Payout ratio, %</b></p> $\frac{\text{Total dividends}}{\text{Earnings before extraordinary items and taxes} - \text{income taxes} + \text{minority interest}}$	<p><b>Equity ratio, %</b></p> $\frac{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions}}{\text{Total assets} - \text{interest-free loans}}$
<p><b>ROCE, %</b></p> $\frac{\text{Profit before extraordinary items} + \text{interest expenses} + \text{other financial costs}}{\text{Balance sheet total} - \text{non-interest bearing debt (average)}}$	<p><b>CAGR, %</b></p> <p>Cumulative annual growth rate = Average growth rate per year</p>
<p><b>ROE, %</b></p> $\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes}}{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions (average)}}$	

**Important Disclosures**

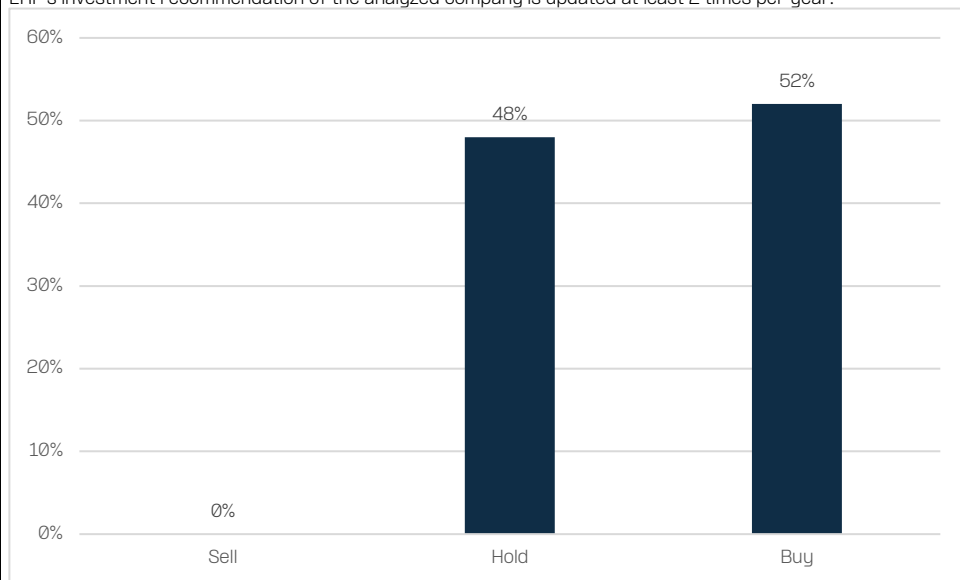
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Target price compared to share price < -10 % -10 - 0 % 0 - (+10) % > 10 %	Recommendation SELL RECUDE ACCUMULATE BUY
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Name(s) of the analyst(s): Atte Jortikka

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