

Two-folded quarter

With preliminary figures already given, Vaisala's Q2 result contained no big surprises. W&E grew nicely while IM suffered from a soft market. Market outlook provides decent growth to continue with elevated uncertainty in the industrial market segments.

- Group result:** Orders received grew by 5% y/y and order book was on a solid level at EUR 167.4m (+6% y/y). Net sales at EUR 130.8m, with y/y growth of 9%. The increase in net sales was driven by W&E's growing market segments. Gross margin was a bit below the comparison period. EBIT improved but was negatively impacted by the low volumes and soft gross margin of IM. The deceleration in fixed costs growth was positive news for us. EPS amounted to EUR 0.22.
- Industrial measurements (IM):** Orders received decreased by 6% and order book was flat at EUR 37.2m. Net sales declined by 3% to EUR 52.8m, due to decrease of life science. Gross margin came in soft, driven by unfavorable sales mix and elevated price competition. EBIT amounted to EUR 6.8m with a margin of 12.9%.
- Weather and Environment (W&E):** Orders received increased by 14% and order book was on a good level at EUR 130.2m (+8% y/y). Net sales increased by 18% to EUR 78.0m. The growth was driven by renewable energy, roads and automotive as well as meteorology market segments. Gross margin came in above our expectations, with higher share of more profitable businesses. EBIT came in surprisingly strong at EUR 4.9m, 6.3% of net sales.
- Market outlook:** Vaisala expects its high-end industrial instruments and life science market segments to grow moderately. Renewable energy and roads and automotive market as well as power and energy and liquid measurements segments are anticipated to grow. The company foresees aviation market segment to be stable or grow and meteorology market segment to be stable.
- 23 guidance intact (revised on July 17th):** net sales between EUR 530-560m and EBIT between EUR 65-75m.

Rating

BUY

Q2'23**	Actual	Evli	Consensus*	Q2'22
Net sales	130.8	130.8	130.8	120.5
IM	52.8	52.8	-	54.7
W&E	78.0	78.0	-	65.9
EBIT	11.9	11.9	11.9	10.3
EBIT-margin	9.1%	9.1%	9.1%	8.6%
Adj. EPS	0.22	0.25	0.25	0.18

* Consensus estimate from FactSet (4 analysts)

** Preliminary figures given

Share price, EUR (Last trading day's closing price)	38.00
Target price, EUR	42.0
Latest change in recommendation	20-Jul-23
Latest report on company	20-Jul-23
Research paid by issuer:	YES
No. of shares outstanding, '000's	36,165
No. of shares fully diluted, '000's	36,165
Market cap, EURm	1,374
Free float, %	0.0
Exchange rate EUR/USD	0.000
Reuters code	VAIAS.HE
Bloomberg code	VAIAS FH
Average daily volume, EURm	0.0
Next interim report	28-Jul-23
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BUY HOLD SELL

PRE-REPORT KEY FIGURES

	Sales EURm	EBIT EURm	EBIT %	FCF EURm	EPS EUR	P/E (x)	EV/Sales (x)	EV/EBIT (x)	FCF yield %	DPS EUR
2021	437.9	50.1	11.4%	58.4	1.08	49.4	4.3	37.9	3.0	0.68
2022	514.1	62.5	12.2%	-12.3	1.25	31.6	2.8	23.1	-0.9	0.72
2023E	554.3	66.2	12.0%	55.9	1.39	27.3	2.4	20.4	4.1	0.77
2024E	591.6	81.1	13.7%	51.8	1.74	21.9	2.2	16.4	3.8	0.99
2025E	622.8	89.3	14.3%	58.6	1.94	19.6	2.1	14.6	4.3	1.07
Market cap, EURm		1,374		BV per share 2023E, EUR		-8.0		CAGR EPS 2022-25, %		15.4
Net debt 2023E, EURm		-22		Price/book 2023E		5.0		CAGR sales 2022-25, %		6.6
Enterprise value, EURm		1,352		Dividend yield 2023E, %		2.0		ROE 2023E, %		19.2
Total assets 2023E, EURm		467		Tax rate 2023E, %		20.6		ROCE 2023E, %		20.4
Goodwill 2023E, EURm		49		Equity ratio 2023E, %		58.9		PEG, P/E 23/CAGR		2.1

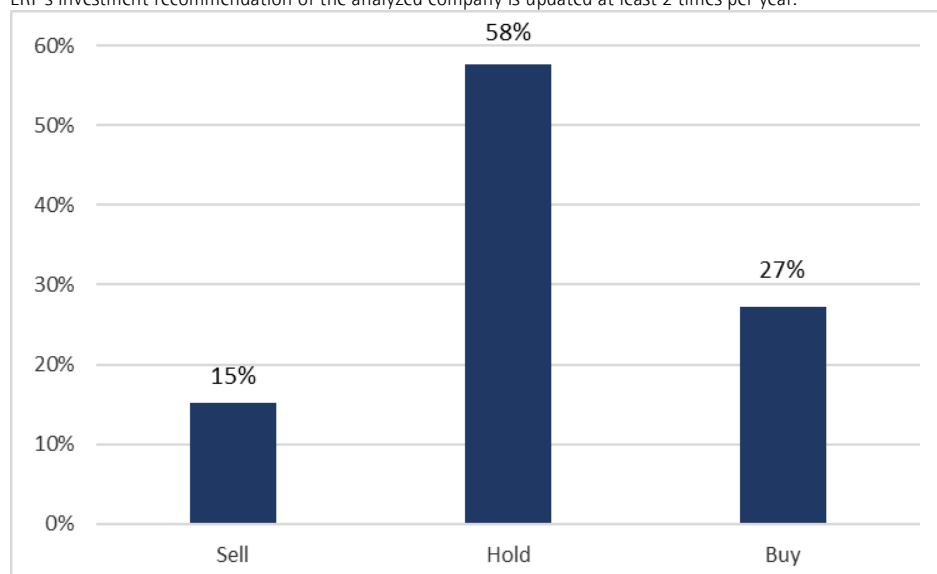
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Investment recommendations are defined as follows:

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

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

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