

Strong demand, EBIT below expectations

Vaisala's Q2 EBIT fell short of our and consensus expectations. Q2 received orders came in with y/y growth of 10% and the order book was on a record-high level. Group revenue grew by 10% y/y.

- Group result:** Q2 orders received grew nicely to EUR 131.9m (+10% y/y) and the order book amounted to EUR 182.9m (+11% y/y). Net sales grew by 10% y/y to EUR 120.5m, being slightly above our expectations (EUR 118.1m/118.1m Evli/cons.). With smart pricing decisions and a favorable sales mix, the gross margin was flat y/y despite continued spot component purchases. Fixed costs increased by 19% and EBIT came in below our expectations at EUR 10.3m (EUR 12.5m/14.6m Evli/cons.), reflecting an EBIT margin of 8.6%. EPS amounted to EUR 0.18 (EUR 0.26/0.32 Evli/cons.).
- Industrial measurements (IM):** Driven by industrial instruments, life science, and power, IM's orders saw a strong y/y increase, amounting to EUR 56.2m. Order book was 43% higher than a year ago, amounting to EUR 37.2m. Driven by industrial instruments, life science, and power, net sales amounted to EUR 54.7m (Evli: EUR 49.8m), reflecting y/y growth of 24%. EBIT improved y/y and amounted to EUR 11.5 (Evli: EUR 10.8m), reflecting an EBIT margin of 21%.
- Weather & Environment (W&E):** W&E's quarter was solid with its orders received amounting to EUR 75.7m and order book accounting to 145.6m, reflecting y/y growth of 4%. Net sales increased by 1% (constant currencies -3%) y/y to EUR 65.9m (Evli: EUR 68.3m). Growth was good in aviation while road weather and renewable energy were flat. With a softer gross margin and increased fixed costs, W&E's EBIT fell below zero to EUR -1.1m (Evli: EUR 2.2m), implying an EBIT margin of -1.6%.
- 2022 guidance intact:** expecting net sales between EUR 465-495m and EBIT between EUR 55-70m.
- Market outlook:** IM's markets are expected to continue their growth while W&E's markets are estimated to be rather stable (renewable energy is expected to grow).

Rating

HOLD

Q2'22	Actual	Evli	Consensus*	Q2'21
Net sales	120.5	118.1	118.1	109.5
IM	54.7	49.8	-	44.1
W&E	65.9	68.3	-	65.4
EBIT	10.3	12.5	14.6	10.9
EBIT-margin	8.6%	10.6%	12.4%	10.0%
EPS	0.18	0.26	0.32	0.25

*Consensus estimate from FactSet (4 analysts)

Share price, EUR (Last trading day's closing price)	44.60
Target price, EUR	45.0
Latest change in recommendation	30-Apr-21
Latest report on company	19-Jul-22
Research paid by issuer:	YES
No. of shares outstanding, '000's	36,020
No. of shares fully diluted, '000's	36,020
Market cap, EURm	1,606
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	22-Jul-22
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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
2020	379.5	44.8	11.8%	5.6	0.91	44.2	3.9	32.7	0.4	0.61
2021	437.9	50.1	11.4%	58.4	1.08	49.4	4.3	37.9	3.0	0.68
2022E	490.4	64.5	13.1%	42.8	1.39	32.0	3.2	24.2	2.7	0.70
2023E	529.4	75.1	14.2%	48.1	1.64	27.2	2.9	20.5	3.0	0.95
2024E	551.5	77.1	14.0%	53.4	1.69	26.3	2.8	19.7	3.3	0.96
Market cap, EURm		1,606	BV per share 2022E, EUR		-19.0	CAGR EPS 2021-24, %				16.2
Net debt 2022E, EURm		-48	Price/book 2022E		6.3	CAGR sales 2021-24, %				8.0
Enterprise value, EURm		1,562	Dividend yield 2022E, %		1.6	ROE 2022E, %				20.6
Total assets 2022E, EURm		438	Tax rate 2022E, %		20.2	ROCE 2022E, %				22.5
Goodwill 2022E, EURm		29	Equity ratio 2022E, %		58.3	PEG, P/E 22/CAGR				4.0

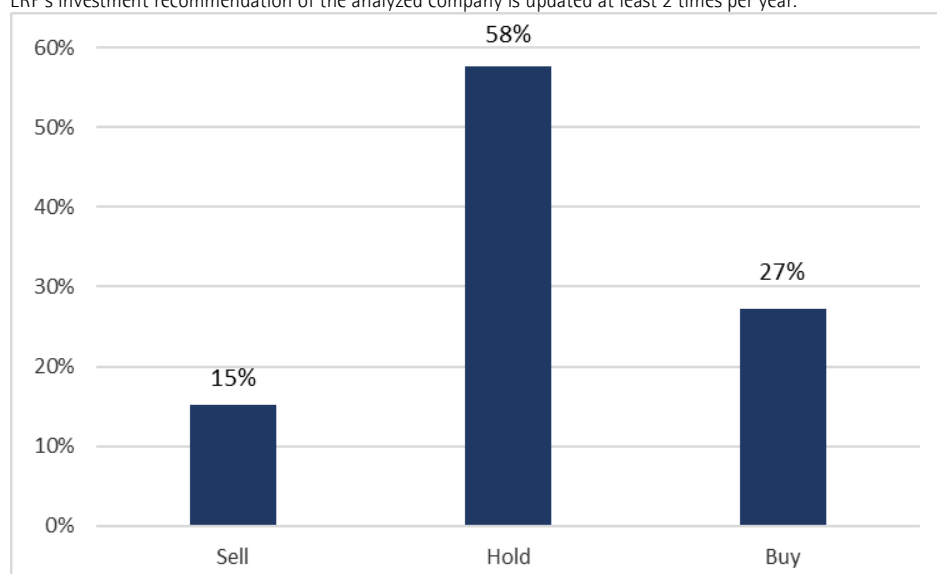
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Investment recommendations are defined as follows:

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

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The graph above shows the distribution of ERP's recommendations of companies under coverage in 11th of May 2020. If recommendation is not given, it is not mentioned here.

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

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