

Strong growth and good order flow

Vaisala posted strong Q1 net sales above our expectations. EBIT fell clearly short of our estimates. Guidance provides improving EBIT and sales growth.

- Q1 group result:** Orders received grew by 11% y/y while order book stood at EUR 163.7m (+12%). Group net sales grew by 11% to EUR 131.8m, a bit above our estimates (129.1/127.6m Evli/cons.). Growth was mostly driven by IM while W&E grew by mid-single-digit. Gross margin was approx. flat y/y, while it improved q/q. Profitability was weak and fell short of our expectations. EBIT amounted to EUR 13.3m (17.2/17.9m Evli/cons.), reflecting a margin of 10.1%. EBIT was impacted by elevated fixed costs. EPS amounted to EUR 0.27 (0.37/0.39m Evli/cons.).
- Industrial measurements (IM):** Orders grew nicely by 9% (FX 10%) y/y and order book was on a strong level at EUR 38.6m (+10%). Net sales increased by 19% y/y to EUR 63m, above our estimates (Evli: 59.5m). The growth was driven by all main segments, while the growth was especially strong in industrial instruments, life science and power. EBIT amounted to EUR 15m (23.8% margin) and was negatively impacted by softer gross margin and increased fixed costs.
- Weather and Environment (W&E):** Orders received grew by 13% (FX 12%) y/y and order book was up by 13% y/y. From strong comparison period, W&E's net sales grew by 5% (FX 4%) to EUR 68.8m, felling a bit short of our expectations (Evli: 69.6m). The growth was strong in road weather and automotive, by X-Weather increasing by 27% y/y. Gross margin improved while increased fixed costs pushed EBIT negative to EUR -1.7m.
- Market outlook:** Industrial instruments, life science, power and energy and liquid measurements to grow. Renewable energy, road weather and automotive to grow. Aviation to remain flat or grow. Meteorology to remain flat.
- 23 guidance intact:** Net sales of EUR 530-570m, mid-point implying ~7% growth. EBIT is estimated to reach EUR 70-85m, midpoint indicating a ~14% margin.

Rating + BUY

| Q1'23 | Actual | Evli | Consensus* | Q1'22 |
|-------------|--------|-------|------------|-------|
| Net sales | 131.8 | 129.1 | 127.6 | 118.8 |
| IM | 63.0 | 59.5 | - | 53.1 |
| W&E | 68.8 | 69.6 | - | 65.7 |
| EBIT | 13.3 | 17.2 | 17.9 | 17.5 |
| EBIT-margin | 10.1% | 13.3% | 14.0% | 14.8% |
| Adj. EPS | 0.27 | 0.37 | 0.39 | 0.39 |

**Consensus estimate from FactSet (4 analysts)*

 Share price, EUR (Last trading day's closing price) 39.25

 Target price, EUR 44.0

 Latest change in recommendation 03-May-23

 Latest report on company 03-May-23

 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 1,414

 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 05-May-23

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+ BUY o 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 | 556.2 | 74.4 | 13.4% | 56.7 | 1.59 | 24.6 | 2.5 | 18.7 | 4.0 | 0.88 |
| 2024E | 592.9 | 91.1 | 15.4% | 59.8 | 1.97 | 19.9 | 2.3 | 15.0 | 4.2 | 1.12 |
| 2025E | 624.6 | 96.2 | 15.4% | 63.8 | 2.10 | 18.6 | 2.1 | 13.9 | 4.5 | 1.16 |
| Market cap, EURm | | 1,414 | BV per share 2023E, EUR | | | -8.1 | CAGR EPS 2022-25, % | | | 18.6 |
| Net debt 2023E, EURm | | -23 | Price/book 2023E | | | 5.0 | CAGR sales 2022-25, % | | | 6.7 |
| Enterprise value, EURm | | 1,391 | Dividend yield 2023E, % | | | 2.2 | ROE 2023E, % | | | 21.5 |
| Total assets 2023E, EURm | | 474 | Tax rate 2023E, % | | | 20.0 | ROCE 2023E, % | | | 22.7 |
| Goodwill 2023E, EURm | | 49 | Equity ratio 2023E, % | | | 59.5 | PEG, P/E 23/CAGR | | | 2.4 |

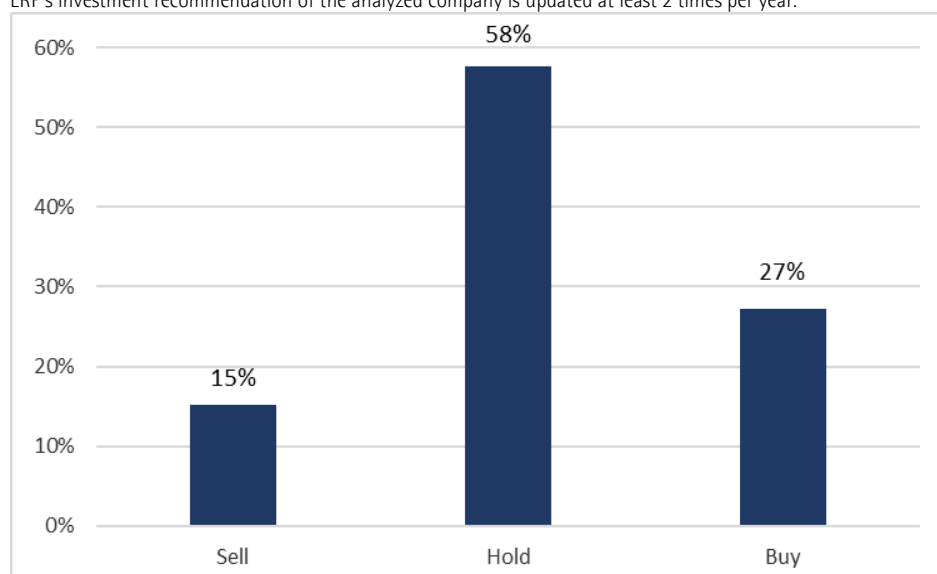
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| Target price compared to share price | Recommendation |
|--------------------------------------|----------------|
| < -10 % | SELL |
| -10 – (+10) % | HOLD |
| > 10 % | BUY |

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

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May 5, 2023

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