

Profitability improved above estimates

Vaisala posted Q3 results with net sales slightly below our expectations, yet EBIT was very strong and above our estimates driven by even stronger gross margin improvement than expected.

- Q3 group result:** Orders received decreased by 8% y/y while order book stood at EUR 165.8m (+2%). Group net sales decreased by 2% to EUR 130.4m, slightly below above our estimates (139.2/137.8m Evli/cons.). Sales decline was mostly driven by the IM segment and FX effects for both of the segments. Gross margin improved to a very strong level of 58% (54.7% Q3/22). EBIT amounted to EUR 25.2m (23.8/24.5m Evli/cons.), reflecting a margin of 19.3%. EBIT improvement was mainly driven by the gross margin development. EPS amounted to EUR 0.51 (0.50/0.52m Evli/cons.).
- Industrial measurements (IM):** Orders decreased by 14% (FX -8%) y/y and order book declined to EUR 34.3m (-12%). Net sales decreased by 6% y/y to EUR 53.9m (FX 0%), below our estimates (Evli: 56.1m). Net sales decreased in life science and industrial instruments market segments, in liquid measurements market sales were flat. On the other hand, net sales in power and energy market segment grew very strongly. EBIT amounted to EUR 14.7m (27.3% margin) and was driven by lower amount of component spot purchases, price pressure especially in China and unfavorable product mix continued to burden the gross margin.
- Weather and Environment (W&E):** Orders received declined by 2% (FX 2%) y/y yet order book was up by 7% y/y. W&E's net sales grew by 1% (FX 4%) to EUR 76.4m, slightly below our estimates (Evli: 83.1m). The growth was strong in road weather and automotive and renewable energy, yet aviation market segment was down. Similarly to IM, improved gross margin due to lower amount of component spot purchases drove EBIT margin to 13.7% (9.9%).

Rating + BUY

Q3'23	Actual	Evli	Consensus*	Q3'22
Net sales	130.4	139.2	137.8	133.3
W&E	76.4	83.1	-	75.7
IM	53.9	56.1	-	57.6
EBIT	25.2	23.8	24.5	22.0
EBIT-margin	19.3%	17.1%	17.8%	16.5%
Adj. EPS	0.51	0.50	0.52	0.45

* Consensus estimate from FactSet (4 analysts)

Share price, EUR (Last trading day's closing price) 31.00

Target price, EUR 39.0

Latest change in recommendation 19-Jul-23

Latest report on company 20-Oct-23

Research paid by issuer: YES

No. of shares outstanding, '000's 36,399

No. of shares fully diluted, '000's 36,399

Market cap, EURm 1,128

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 27-Oct-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	552.8	66.4	12.0%	49.7	1.35	23.0	2.0	16.8	4.4	0.74
2024E	579.9	78.2	13.5%	52.7	1.65	18.8	1.9	13.9	4.7	0.94
2025E	610.5	89.6	14.7%	57.9	1.91	16.2	1.7	11.9	5.1	1.05
Market cap, EURm		1,128	BV per share 2023E, EUR			-5.8	CAGR EPS 2022-25, %			14.8
Net debt 2023E, EURm		-16	Price/book 2023E			4.1	CAGR sales 2022-25, %			5.9
Enterprise value, EURm		1,112	Dividend yield 2023E, %			2.4	ROE 2023E, %			18.7
Total assets 2023E, EURm		462	Tax rate 2023E, %			21.9	ROCE 2023E, %			20.4
Goodwill 2023E, EURm		49	Equity ratio 2023E, %			59.3	PEG, P/E 23/CAGR			1.6

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

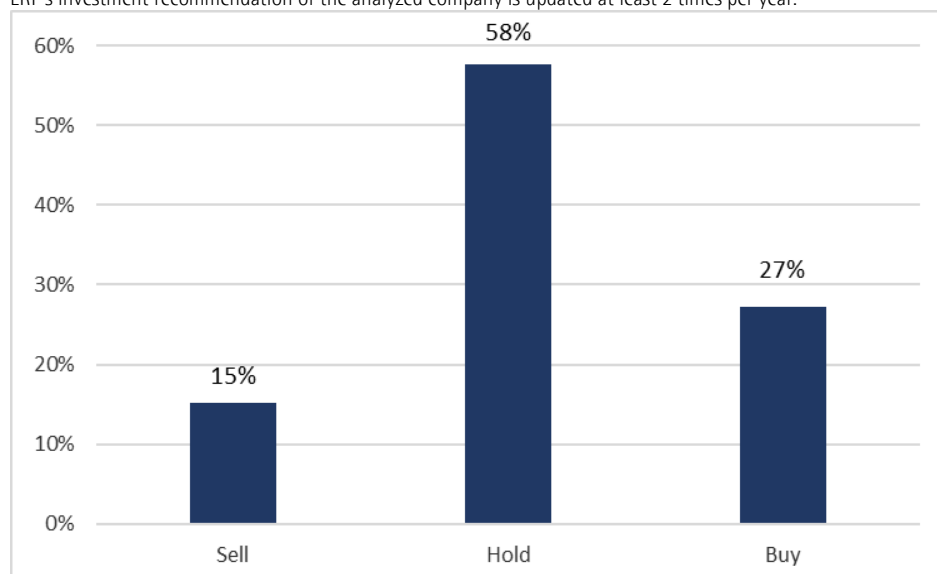
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Target price compared to share price	Recommendation
< -10 %	SELL
-10 – (+10) %	HOLD
> 10 %	BUY

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

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