

16 February 2022

Commissioned research: Taaleri – Strong recurring revenue growth in Q4

Marketing material commissioned by Taaleri

Taaleri reported Q4 EBIT of EUR 14.7m, coming -8% and +1% versus Refinitiv consensus and Nordea, respectively. If adjusting for EUR 1.8m one-off payment related to termination of the previous CEO's contract, Q4 EBIT would have been 3% above the consensus. Total income from segment reporting was EUR 29.4m and 29% above Nordea estimate. Recurring revenues were EUR 11.4m in Q4, beating our estimate by 36%. Fair value changes of investments were EUR 7.4m in Q4, while we had anticipated EUR 5.6m. Carry from private asset management was EUR 10.6m, while we had anticipated EUR 8.7m. Garantia's loan losses continued at a low level while premiums increased by 50% y/y, well above our estimate. Combined ratio was 39.9% in Q4 and beat clearly our estimate of 55.6%. Private asset management AuM was up 35% y/y to EUR 2.2bn (EUR 1.7bn a year ago). Dividend proposal of EUR 1.20 beat consensus expectation of EUR 0.99 and includes EUR 0.80 extra dividend. On initial take, we expect flattish estimate revision as there seems to be some timing shifts in income and costs. We have a fair value range of EUR 11.9-13.9 per Taaleri share.

Private asset management was boosted by carry

Taaleri's private asset management total income was EUR 16.2m and came 33% above our estimate. Recurring revenues of EUR 5.4m beat our estimate of EUR 3.9m by 38%. Private asset management EBIT came at EUR 5.3m, 3% below our estimate. AuM increased to EUR 2.2bn from 1.7bn a year ago. Renewable energy operating income was 10.2m (Nordea EUR 8.1m), while EBIT was 5.3m (Nordea EUR 5.3m) and was boosted by EUR 5.4m carry (Nordea EUR 4.8m) and EUR 0.6m fair value changes (Nordea EUR 0m). Hence, underlying operations' profitability was below our expectations.

Garantia continues strongly with premiums up by 50% y/y

Taaleri's guarantee insurance company Garantia reported EUR 9.4m total income, driven by EUR 5.5m recurring revenues (Nordea EUR 3.9m) and 3.9m investment gains (Nordea EUR 2.5m). Earned premiums increased by 50% to EUR 5.7m in Q4. EBIT of EUR 7.3m came 70% above our EUR 4.3m estimate. Combined ratio was strong at 39.9%. Solvency ratio was 219.2%. Guaranty insurance portfolio was down 7% to EUR 1,695m (Nordea EUR 1,740m).

Guidance and fund pipeline

Taaleri does not provide a short term outlook. The company continues to make new investments in SolarWind II and its own project development. The real estate business focuses mainly on transaction activities to grow the real estate funds in investment phase. Taaleri Housing Fund VIII launched its investment activities at the beginning of 2022. The bioindustry business continues to

sell its first private equity fund and begins the construction phase of a torrefied biomass plant in Joensuu during the spring, which is sold as a co-investment project.

We expect flattish estimate revisions

Despite a clear income beat, higher costs leave questions to conference call. It appears that there has been timing shifts both in income and costs. On initial take, we expect fairly flattish estimate revisions.

Finnish speaking webcast will be held on 11:30 EET and can be followed through the following link:

<https://taaleri.videosync.fi/osavuositatsaus-q4-2021/>

TAALERI: DEVIATION TABLE											
EURm	Actual	NDA est.	Deviation		Consensus	Deviation		Actual	Actual		
	Q4 2021	Q4 2021E	vs. actual		Q4 2021E	vs. actual	Q3 2021	q/q	Q4 2020	y/y	
Sales	30.2	23.3	7.0	30%	20.5	9.7	48%	13.2	129%	13.8	119%
EBIT	14.7	14.6	0.1	1%	16.0	-1.3	-8%	4.9	202%	5.9	148%
EBIT margin	48.6%	62.6%	-14.0pp		78.0%	-29.5pp		36.8%	11.8pp	43.0%	5.6pp
PTP	14.4	14.3	0.1	1%	17.0	-2.6	-15%	4.6	215%	5.1	180%
PTP margin	47.7%	61.5%	-13.8pp		82.9%	-35.3pp		34.6%	13.0pp	37.3%	10.3pp
Adj. EPS	0.42	0.43	-0.01	-2%	0.43	-0.01	-3%	0.11	285%	0.24	75%
EPS	0.42	0.43	-0.01	-2%	0.43	-0.01	-3%	0.11	285%	0.24	75%
DPS	1.20	1.16	0.04	3%	0.99	0.17	22%			1.32	-9%
Segment reporting											
Recurring revenues											
Private asset management	5.4	3.9	1.5	38%				4.8	12%	5.3	3%
Strategic investments	5.5	3.9	1.6	42%				3.9	41%	3.8	46%
Other	0.5	0.6	-0.1	-22%				0.5	2%	0.7	-38%
TOTAL	11.4	8.4	3.0	36%				9.2	24%	9.8	16%
Total income											
Private asset management	16.2	12.2	4.0	33%				4.3	276%	7.0	132%
Strategic investments	9.4	6.4	3.0	47%				6.6	44%	7.5	26%
Other	3.8	4.1	-0.3	-8%				1.4	162%	1.2	219%
TOTAL	29.4	22.7	6.7	29%				12.3	139%	15.7	88%
EBIT											
Private asset management	7.3	7.6	-0.2	-3%				-0.2	-3906%	2.6	185%
Strategic investments	7.3	4.3	3.0	70%				5.2	42%	5.2	41%
Other	0.0	2.7	-2.7	-100%				-0.1	-99%	-1.2	-100%
TOTAL	14.7	14.6	0.1	1%				4.9	202%	6.6	123%
EBIT margin											
Private asset management	45.3%	61.8%	-16.5pp					-4.5%	49.8pp	37%	8.4pp
Strategic investments	77.8%	67.5%	10.3pp					78.6%	-0.9pp	69%	8.6pp
Other	0.0%	65.7%	-65.7pp					-7.0%	7.0pp	-101%	10.1pp
TOTAL	49.9%	64.1%	-14.2pp					39.6%	10.4pp	42%	8.0pp

Source: Company data, Refinitiv and Nordea estimates

SUMMARY TABLE - KEY FIGURES

EURm	2019	2020	2021E	2022E	2023E
Total revenue	67	69	66	56	68
EBITDA (adj)	23	24	32	21	32
EBIT (adj)	21	21	32	20	32
EBIT (adj) margin	30.8%	30.3%	48.1%	36.2%	46.7%
EPS (adj, EUR)	0.41	0.46	4.82	0.57	0.91
EPS (adj) growth	n.a.	11.8%	948.0%	-88.1%	59.1%
DPS (ord, EUR)	0.16	1.32	0.36	0.40	0.50
EV/Sales	4.1	3.8	4.2	5.2	4.3
EV/EBIT (adj)	13.4	12.4	8.8	14.2	9.3
P/E (adj)	20.5	17.7	2.4	20.3	12.8
P/BV	1.9	1.7	1.4	1.4	1.5
Dividend yield (ord)	1.9%	16.3%	3.1%	3.4%	4.3%
FCF Yield bef A&D, lease adj	3.0%	0.0%	2.5%	5.4%	7.2%
Net debt	38	32	-53	-42	-36
Net debt/EBITDA	1.6	1.4	-1.6	-2.0	-1.1
ROIC after tax	14.8%	7.4%	10.7%	6.7%	10.4%

Source: Company data and Nordea estimates

Completion date: 16 Feb 2022, 08:35 CET

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