

06 May 2022

Commissioned research: Taaleri – Fair value changes burdened Q1 although to a lesser extent than expected

Marketing material commissioned by Taaleri

Taaleri reported Q1 EBIT of EUR -0.6m, coming clearly above Refinitiv consensus at EUR -4.3m. Total income from segment reporting was EUR 7.2m above Nordea estimate of EUR 0m. Recurring revenues were EUR 9.3m in Q1, missing our estimate by 6%. Fair value changes of investments were EUR -2.8m in Q1, while we had anticipated EUR -9.8m. Hence, when adjusting for deviation in fair value changes, underlying operations were well in line with our estimates. Private asset management EBIT beat our estimates slightly due to EUR 0.5m carry booking, while we did not anticipate any. Garantia's loan losses continued at a low level while net premiums increased by 3% y/y, while we had anticipated 25% growth. Combined ratio was 31.3% in Q1 and beat our estimate of 34.1%. Private asset management AuM was up 1.5% q/q to EUR 2.3bn (EUR 1.7bn a year ago). On initial take, we expect consensus to make flattish underlying estimate revision as development appears to be well in line with expectations, while EBIT beat is driven by better-than-anticipated fair value changes and small carry booking from Daycare Properties fund. We have a fair value range of EUR 11.4-13.3 per Taaleri share.

Private asset management well in line with our estimates when adjusting for carry

Taaleri's private asset management total income was EUR 5.3m and came 14% above our estimate. Recurring revenues of EUR 4.9m came 1% below our estimate of EUR 5.0m. Private asset management EBIT came at EUR 0.0m, above our estimate of EUR -0.3m, driven by EUR 0.5m carry booking (we had anticipated EUR 0m). Hence, underlying EBIT was slightly below our estimate. AuM increased to EUR 2.3bn from 1.7bn a year ago and 2.2bn in 2021. Renewable energy operating income was 3.5m (Nordea EUR 3.7m), while EBIT was 0.6m (Nordea EUR 0.2m) and was boosted by EUR 0.3m fair value changes (Nordea EUR 0m). Hence, underlying operations' profitability was slightly above our expectations. Other Private asset management operating income was EUR 1.5m (Nordea EUR 1m), while EBIT was EUR -0.6m (Nordea EUR -1m), driven by EUR 0.5m carry (Nordea EUR 0m) and EUR -0.3m fair value changes (Nordea EUR -0.3m). Carry was booked following the sales of the Taaleri Daycare Properties fund units.

Garantia's combined ratio was strong – high solvency

Taaleri's guarantee insurance company Garantia reported EUR 1.5m total income, driven by EUR 3.9m recurring revenues (Nordea EUR 4.6m) and EUR -2.4m investment gains. Earned net premiums increased by 3% y/y (+50% in Q4) to EUR 4.0m in Q1, below our estimate of EUR 4.8m. Strategic investments EBIT of EUR -1.0m came clearly above our EUR -6.3m estimate and was driven by better-than-anticipated investment operations (EUR -3.7m versus our estimate of EUR -9.5m). Aktia shareholdings had EUR -1.7m negative impact. Combined ratio was strong at 31.3% (we had 34.1%). Solvency ratio improved to 223.1%, above our estimate of 205.8%. Guaranty

insurance portfolio was down 1.7% to EUR 1,667m (Nordea EUR 1,697m) due to strategic choice to reduce corporate exposure (as expected).

Guidance and fund pipeline

Taaleri does not provide a short term outlook. The company expects strong demand for private equity funds to continue. The company has started the sale of the Bioindustry I fund and made a decision to invest in a torrefied biomass plant to be built in Joensuu, Finland. SolarWind II advanced projects and had 12 projects at the end of Q1.

We expect flattish underlying estimate revisions

Despite a clear reported EBIT beat, we believe consensus will make only limited changes to its underlying estimates, although headline figures could come up.

Finnish speaking webcast will be held on 11:00 EET and can be followed through the following link:

<https://taaleri.videosync.fi/osavuositilaukset-q1-2022/>

TAALERI: DEVIATION TABLE											
EURm	Actual	NDA est.	Deviation		Consensus	Deviation			Actual	Actual	
	Q1 2022	Q1 2022E	vs. actual		Q1 2022E	vs. actual		Q4 2021	q/q	Q1 2021	y/y
Sales	8.1	0.6	7.5	1181%	3.0	5.1	169%	30.2	-73%	12.1	-33%
EBIT	-0.6	-7.8	7.2	-92%	(4.3)	3.7	-85%	14.7	-104%	5.5	-112%
EBIT margin	-8.0%	-1241.8%		n.m.	-144.4%		n.m.	48.5%	-56.5pp	45.1%	-53.1pp
PTP	-0.3	-8.1	7.8	-96%	(8.0)	7.7	-96%	14.4	-102%	4.7	-107%
PTP margin	-4.2%	-1281.4%		n.m.	-266.7%		n.m.	47.7%	-51.8pp	38.8%	-43.0pp
Adj. EPS	-0.05	-0.24	0.19	-79%	(0.03)	-0.21	50%	0.42	-112%	0.24	-121%
EPS	-0.05	-0.24	0.19	-79%	(0.03)	-0.21	50%	0.42	-112%	0.24	-121%
Segment reporting											
Recurring revenues											
Private asset management	4.9	5.0	-0.1	-1%				5.4	-10%	4.2	16%
Strategic investments	3.9	4.6	-0.7	-15%				5.5	-30%	3.6	7%
Other	0.5	0.3	0.2	78%				0.5	15%	1.1	-51%
TOTAL	9.3	9.8	-0.5	-6%				11.4	-19%	8.9	4%
Total income											
Private asset management	5.3	4.7	0.7	14%				16.2	-67%	5.2	3%
Strategic investments	0.2	-4.9	5.1	-104%				9.4	-98%	7.0	-97%
Other	1.7	0.3	1.4	452%				3.8	-56%	1.5	13%
TOTAL	7.2	0.0	7.1	n.m.				29.4	-76%	13.7	-48%
EBIT											
Private asset management	0.0	-0.3	0.3	-99%				7.3	-100%	0.4	-100%
Strategic investments	-1.0	-6.3	5.4	-85%				7.3	-113%	5.8	-116%
Other	0.3	-1.2	1.4	-126%				0.0	n.m.	-0.4	-171%
TOTAL	-0.7	-7.8	7.2	-92%				14.7	-104%	5.8	-111%
EBIT margin											
Private asset management	0.0%	-7.2%		7.2pp				45.3%	-45.4pp	8.5%	-8.6pp
Strategic investments	-531.1%	128.4%		n.m.				77.8%	n.m.	82.6%	n.m.
Other	18.0%	-383.3%		n.m.				0.0%	18.0pp	-28.7%	47pp
TOTAL	-9.2%	-78803.1%		n.m.				49.9%	-59.2pp	42.7%	-51.9pp

Source: Company data, Refinitiv and Nordea estimates

SUMMARY TABLE - KEY FIGURES

EURm	2019	2020	2021	2022E	2023E	2024E
Total revenue	67	69	73	69	69	72
EBITDA (adj)	23	24	32	32	32	34
EBIT (adj)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
EBIT (adj) margin	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
EPS (adj, EUR)	0.41	0.46	4.81	0.90	0.91	0.96
EPS (adj) growth	n.a.	11.8%	947.1%	-81.4%	1.3%	5.3%
DPS (ord, EUR)	0.16	1.32	0.40	0.40	0.50	0.55
EV/Sales	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
EV/EBIT (adj)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
P/E (adj)	n.a.	n.a.	2.3	11.4	11.2	10.7
P/BV	n.a.	n.a.	1.4	1.3	1.3	1.3
Dividend yield (ord)	n.a.	n.a.	3.6%	3.9%	4.9%	5.4%
FCF Yield bef A&D, lease adj	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Net debt	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Net debt/EBITDA	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
ROIC after tax	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Source: Company data and Nordea estimates

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