

08 June 2022

Commissioned research: Taaleri – Takeaways from the Investor day

Marketing material commissioned by Taaleri

Taaleri hosted today its first Investor day where business unit leaders gave business update. Overall, the event gave only little new information, while we make following remarks. 1) The company expects positive momentum within alternatives to continue although the current market environment with increasing interest rates might have some implications in near term. 2) The company aims to continue to optimise its over capitalised balance sheet. 3) SolarWind III is currently under soft market testing and should start fundraising in 2022 with first closing in 2023. Target size is still under review, while we believe the company aims to double SolarWind II size (EUR 354m of committed capital). 4) Despite higher interest rates, the management noted that higher electricity prices and slightly increased PPA prices mitigate cost inflation. 5) In real estate, the company has not seen any changes in foreign investors willingness to invest into sector nor in yields in the market. 6) Bioindustry I fund was closed a week ago with targeted EUR 80m size and the company continued fund raising due to good demand. Fund has a five year investment period, although management was now expecting 3-4 year investment period for the fund and is planning to start preparations for Bio II fund in 2024. 7) Currently, Garantia has not seen any implications from cooling housing market while fixed income market will cause headwind for earnings. Duration of fixed income portfolio is currently 3.3 years, while the company is currently making new investments with less than two years duration.

Renewable energy

Renewable energy was presented by managing director Kai Rintala

- The company noted that it has good visibility into SolarWind III investment due to development portfolio to seeds the upcoming fund. The company continues to add projects to development portfolio
- Wind II-III funds are prepared for exit which is most likely taking place in 2024
- The company aims to find more managed accounts in 2022-23, although these cannot compete with SolarWind projects, e.g. the company can target operational Nordic wind mandates.
- SolarWind III fund is under soft market testing phase and the company did not close target size for the fund. Target size depends of the feedback, credibility of the pipeline and the team. Normally, renewable managers, are seeking to double fund size with new vintage (SolarWind II raised EUR 354m of commitments).
- The company did not appear to be too concerned about inflation as higher electricity prices and

increased PPA prices mitigate the pressure. We actually believe that IRRs might even increase due to higher electricity prices.

Real estate

Real estate was presented by director Essi Sten.

- Real estate has around 90 properties with EUR 800m AuM – however, AuM is divided into nine closed-end funds and four mandates which makes it management heavy and hence inefficient. The company aims to increase the scale through larger funds and investment projects for more profitable AuM during the strategy period.
- The company aims to invest in sustainable investment products in annual basis.
- The company has not seen any changes in foreign investors interest towards Finnish real estate market which is still seen as a safe heaven. According to the company there has not been changes in market yields.

Real estate funds and mandates

	Taaleri Funds			Mandates	
Fund raising	TAALERI Housing Fund VIII <small>Type: Closed-end, AIF Strategy: Built to Rent, Residential, ESG</small>				
Investment period	TAALERI Rental Home (VII) <small>Type: Closed-end, AIF Strategy: Built to Rent, Residential, Impact</small>	TAALERI Multifunctional Premises <small>Type: Closed-end, AIF Strategy: Built to Rent, Warehouse</small>		Aktia Commercial Properties* <small>Type: Open-end, non-UCITS Strategy: Buy & Hold, Commercial</small>	Aktia Residential Fund* <small>Type: Open-end, non-UCITS Strategy: Buy & Hold, Residential</small>
Holding period	TAALERI Property Fund I <small>Type: Closed-end, AIF Strategy: Buy & Hold, Residential Plots</small>	TAALERI Property Fund II <small>Type: Closed-end, AIF Strategy: Buy & Hold, Residential Plots</small>	TAALERI Forest Fund III <small>Type: Closed-end, AIF Strategy: Buy & Hold, Forest Land</small>	PATRIZIA Residential Portfolio** <small>Type: AM Mandate Strategy: Set by Portfolio Owner</small>	Aktia LIV Portfolio** <small>Type: Separate Mandate Strategy: Set by Portfolio Owner</small>
Exit phase	TAALERI Housing Fund IV <small>Type: Closed-end, AIF Strategy: Built to Rent, Residential</small>	TAALERI Linnainmaankulma <small>Type: Closed-end, AIF Strategy: Built to Rent, Commercial</small>	TAALERI Real Estate Development <small>Type: Closed-end, AIF Strategy: Property Development</small>	* Portfolio Management Mandates ** Asset Management Mandates	

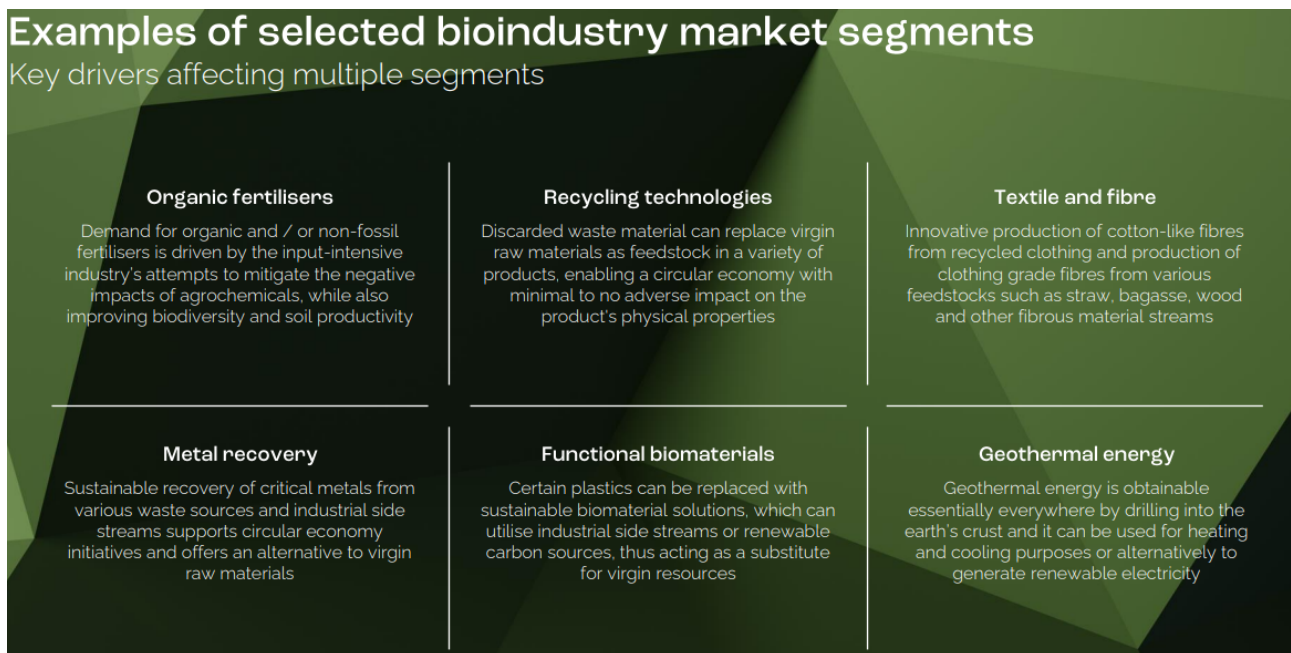
Source: Company data

Bioindustry

Bioindustry was presented by director Tero Saarno.

- The fund held its first close last week with EUR 80m of commitments, matching the original target size. Fund continues fund raising due to good demand and we believe it can reach above EUR 100m commitments.
- The Fund is investing in scalable growth projects (i.e. not in start-ups) and has a solid pipeline for investments. Fund has five year investment period, while the management indicated that it aims to have investment period over in next 3-4 years.
- Bioindustry will have its fifth employee at the year-end. Regarding possible Bio II fund, the management was looking for additional 2-3 employees and in total 15-20 employees in a long term

- Likely investment segments and key drivers are listed below



Source: Company data

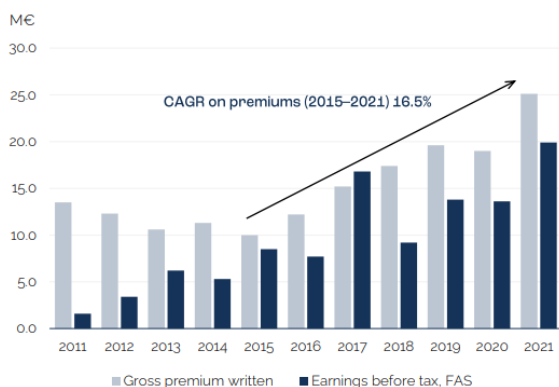
Garantia

Garantia was presented by Garantia CEO Titta Elomaa.

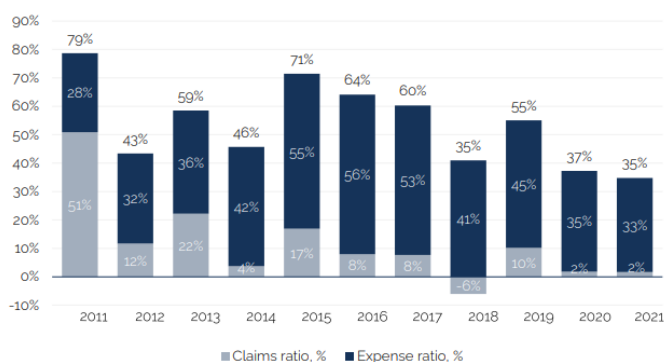
- According to the management, Garantia has not seen any direct implications to its business from cooling housing market. The company will introduce new co-operation with digital market place in H2 for the rental guarantees.
- The company appeared confident to expand its operations abroad in 2024 through distribution agreement with Nordic partner.
- Overall, we were left with impression that the company has fairly confident outlook for its insurance business operations. However, turmoil in the fixed income market will cause some uncertainty and the company appears to be shortening its current 3.3 year duration with new investments having duration less than two years.
- Over the past ten years, combined ratio has been around 50% with claims ratio of 8%.

Garantia gross premium and combined ratio development in 2011-21

Gross premium written and earnings before tax, FAS



Combined ratio, IFRS, %



Source: Company data

SUMMARY TABLE - KEY FIGURES

EURm	2019	2020	2021	2022E	2023E	2024E
Total revenue	67	69	73	72	68	71
EBITDA (adj)	23	24	32	35	31	33
EBIT (adj)	21	21	32	34	30	32
EBIT (adj) margin	30.8%	30.3%	43.6%	47.3%	44.2%	45.0%
EPS (adj, EUR)	0.41	0.46	4.81	0.99	0.87	0.93
EPS (adj) growth	n.a.	11.8%	947.1%	-79.4%	-12.0%	6.4%
DPS (ord, EUR)	0.16	1.32	0.40	0.40	0.50	0.55
EV/Sales	4.1	3.8	3.8	3.5	3.7	3.4
EV/EBIT (adj)	13.4	12.4	8.6	7.3	8.4	7.6
P/E (adj)	20.5	17.7	2.3	10.4	11.8	11.1
P/BV	1.9	1.7	1.4	1.4	1.4	1.3
Dividend yield (ord)	1.9%	16.3%	3.6%	3.9%	4.8%	5.3%
FCF Yield bef A&D, lease adj	3.0%	0.0%	40.3%	13.0%	8.6%	8.6%
Net debt	38	32	-44	-43	-39	-52
Net debt/EBITDA	1.6	1.4	-1.4	-1.2	-1.3	-1.6
ROIC after tax	14.8%	7.4%	10.5%	10.9%	9.7%	10.4%

Source: Company data and Nordea estimates

Completion date: 08 Jun 2022, 16:11 CET

Nordea analyst: Joni Sandvall

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