

19 August 2022

Commissioned research: Taaleri – High unrealised changes in fair values burdened profitability while private asset management performance slightly above our estimates on underlying basis

Marketing material commissioned by Taaleri

Taaleri reported Q2 EBIT of EUR 2.4m, coming clearly below Refinitiv consensus at EUR 5.0m. Based on segment reporting, Q2 total income was EUR 11.9m, 13% below Nordea estimate of EUR 13.6m. Recurring revenues were EUR 9.6m in Q2, missing our estimate by 4%. Fair value changes of investments were EUR -7.0m in Q2, while we had anticipated EUR -1.5m. Investment operations income of EUR 2.3m came below our estimate of EUR 3.5m. Hence, when adjusting for deviation in investment operations, underlying operations EBIT came 30% below our estimate. Private asset management EBIT missed our estimates mainly due to higher costs that can be viewed as one-off in nature. Garantia's loan losses continued at a low level (-0.2%) while net premiums decreased by 8% y/y, while we had anticipated 8% growth. Combined ratio was 31.0% in Q2 and beat our estimate of 31.8%. Private asset management AuM was up 4.7% q/q to EUR 2.4bn (EUR 2.2bn in 2021). SolarWind III will be launched in Autumn, while Bio I is expected to start investments in Q3. On initial take, we expect consensus to make slightly negative underlying estimate revision. We have a fair value range of EUR 11.0-12.5 per Taaleri share.

Private asset management slightly above our estimate when adjusting for one-offs

Taaleri's private asset management total income was EUR 5.8m and came 22% above our estimate. Recurring revenues of EUR 4.8m came 2% below our estimate of EUR 5.0m. Private asset management EBIT came at EUR -0.7m, slightly below our estimate of EUR -0.5m, driven by higher costs. There were no carry bookings in Q2 (in line with our expectation). AuM increased 4.7% q/q to EUR 2.4bn from EUR 2.3bn in Q1 2022 and EUR 2.2bn in 2021. Renewable energy operating income was 4.3m (Nordea EUR 3.6m), while EBIT was 0.4m (Nordea EUR 0.4m). Income was boosted by EUR 0.8m from investment operations (we had EUR 0m). In addition, we note EUR 0.2m non-recurring personnel costs (buying out the management fee profit sharing agreements) and EUR 0.2m write-downs in Q2. Hence, underlying profitability of private asset management came above our estimate. Other private asset management operating income was EUR 1.5m (Nordea EUR 1.2m), while EBIT was EUR -1.1m (Nordea EUR -0.9m). Other private asset management benefited from EUR 0.2m in investment operations (we had modelled EUR 0m). Deviation to our estimate relate mainly to D&A as the company made EUR 0.3m write-down due to winding up of the infrastructure business.

Garantia's combined ratio continued at a strong level – high solvency

Taaleri's guarantee insurance company Garantia reported EUR 4.0m total income, driven by EUR 4.0m recurring revenues (Nordea EUR 4.6m) and EUR -3.9m investment gains (we expected EUR -4.5m). Earned net premiums decreased by 8% y/y (+4% in Q1) to EUR 4.0m in Q2, below our

estimate of EUR 4.7m. Strategic investments EBIT of EUR -2.3m came clearly below our EUR -0.3m estimate and was driven by weaker-than-anticipated investment operations (EUR -5.1m versus our estimate of EUR -3.5m). Aktia shareholdings had EUR -1.2m negative impact. Combined ratio was strong at 31.0% (we had 31.8%). Solvency ratio improved to 237.8%, above our estimate of 217.1%. Guaranty insurance portfolio was up 3% y/y to EUR 1,742m (Nordea EUR 1,715m) driven by 10% increase in consumer exposure.

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 expects to start investments in Bio I in Q3 and to launch SolarWind III in Autumn. SolarWind II advanced projects and had 14 projects at the end of Q2 (12 projects at the end of Q1).

We expect slightly negative underlying estimate revisions

Despite a clear reported EBIT miss, we believe consensus will make only slightly negative estimate revisions to its underlying estimates. We note EUR 0.5m write-downs and EUR 0.2m non-recurring expense from the buying out the management fee profit sharing agreements of the Taaleri Wind II and III. It appears that private asset management is proceeding well in line with our expectations, while Garantia's earned premiums came below our expectations (partly due to timing effects).

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

<https://taaleri.videosync.fi/results-q2-2022>

TAALERI: DEVIATION TABLE

EURm	Actual	NDA est.	Deviation		Consensus	Deviation		Actual	Actual		
	Q2 2022	Q2 2022E	vs. actual		Q2 2022E	vs. actual	Q1 2022	q/q	Q2 2021	y/y	
Sales	12.9	14.3	-1.4	-10%	13.5	-0.6	-5%	8.1	59%	17.0	-24%
EBIT	2.4	5.4	-2.9	-54%	5.0	-2.6	-51%	-0.6	-481%	6.7	-63%
EBIT margin	18.9%	37.4%		n.m.	37.0%		n.m.	-7.9%	26.8pp	39.2%	-20.2pp
PTP	0.0	5.1	-5.1	-101%	4.0	-4.0	-101%	-0.9	-95%	2.7	-102%
PTP margin	-0.3%	35.7%		n.m.	29.6%		n.m.	-11.2%	10.8pp	16.1%	-16.4pp
Adj. EPS	0.00	0.15	-0.15	-100%	0.15	0.00	-100%	-0.03	-100%	4.04	-100%
EPS	0.00	0.15	-0.15	-100%	0.15	0.00	-100%	-0.03	-100%	4.04	-100%
Segment reporting											
Recurring revenues											
Private asset management	4.8	5.0	-0.1	-2%				4.9	-1%	5.6	-14%
Strategic investments	4.0	4.6	-0.6	-12%				3.9	3%	4.6	-12%
Other	0.7	0.5	0.2	47%				0.5	38%	1.0	-23%
TOTAL	9.6	10.0	-0.4	-4%				9.3	3%	11.2	-14%
Total income											
Private asset management	5.8	4.8	1.0	22%				5.3	9%	5.3	9%
Strategic investments	-1.1	1.1	-2.2	-197%				0.2	-698%	7.3	-115%
Other	7.1	7.7	-0.6	-7%				1.7	331%	1.7	313%
TOTAL	11.9	13.6	-1.7	-13%				7.2	66%	14.3	-17%
EBIT											
Private asset management	-0.7	-0.5	-0.2	47%				0.0	70400%	-0.1	400%
Strategic investments	-2.3	-0.3	-2.1	824%				-1.0	143%	6.1	-138%
Other	5.5	6.0	-0.5	-9%				0.3	1731%	-0.5	-1225%
TOTAL	2.4	5.3	-2.8	-54%				-0.7	-469%	5.5	-56%
EBIT margin											
Private asset management	-12.2%	-10.1%		-2.1pp				0.0%	-12.1pp	-2.6%	-9.5pp
Strategic investments	215.7%	-22.8%		238pp				-531.1%	n.m.	83.7%	132pp
Other	76.5%	77.9%		-1.4pp				18.0%	58.5pp	-28.1%	105pp
TOTAL	20.5%	38.9%		-18.4pp				-9.2%	29.7pp	38.1%	-17.6pp

Source: Company data, Refinitiv and Nordea estimates

SUMMARY TABLE - KEY FIGURES

EURm	2019	2020	2021	2022E	2023E	2024E
Total revenue	67	69	73	69	68	71
EBITDA (adj)	23	24	32	32	31	33
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	0.87	0.93
EPS (adj) growth	n.a.	11.8%	947.1%	-81.3%	-3.8%	6.6%
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	11.8	12.3	11.5
P/BV	n.a.	n.a.	1.4	1.4	1.4	1.4
Dividend yield (ord)	n.a.	n.a.	3.6%	3.8%	4.7%	5.2%
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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Nordea analyst: Joni Sandvall

Joni Sandvall

Analyst, Consumer Goods and Retail, Food and Beverages, Healthcare, Investment companies

Nordea | Investment Banking & Equities | Equity Research FI

Visit me: Aleksis Kiven katu 7, 00500 HELSINKI, Finland

Write to me: Fleminginkatu 27, 00020 Nordea, Finland

Tel: +358 9 5300 5484 | Mob: +358 445460855

E-mail: joni.sandvall@nordea.com

Web: nordeamarkets.com

Nordea Bank Abp, Satamaradankatu 5, FI-00020 NORDEA, Finland, domicile Helsinki, Business ID 2858394-9

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