

16 February 2023

Commissioned research: Taaleri – A mixed bag with strong carry while investment operations clearly negative in Q4

Marketing material commissioned by Taaleri

Taaleri reported Q4 EBIT of EUR 7.1m, coming 24% below Refinitiv consensus at EUR 9.3m. Based on segment reporting, Q4 total income was EUR 17.3m, 2% above Nordea estimate of EUR 17.0m. Recurring revenues were EUR 11.7m in Q4, beating our estimate by 3%. Fair value changes of investments were EUR +2.4m in Q4, while we had anticipated EUR +1.5m. Investment operations income of EUR -6.7m came clearly below our estimate of EUR 0.6m. As the company recorded EUR 12.4m carry in Q4 (we expected EUR 5m), private asset management EBIT beat our estimates clearly. When adjusting for carry, private assets management EBIT was EUR 0.0m versus our EUR -0.6m estimate. Dividend proposal is EUR 0.70 (consensus EUR 0.99). Private asset management recurring revenues came 2% above our estimate. Hence, underlying operations have continued to perform well in Q4. Garantia's loan losses continued at a low level (0.9%) while net premiums were flat y/y, while we had anticipated 6% decline against tough comps. Combined ratio remained at a strong level and was 23.9% in Q4 and beat our estimate of 34.6%. Solvency was at 231.3%. Private asset management AuM was up 13% y/y to EUR 2.5bn (EUR 2.2bn in 2021). SolarWind III is expected to reach first closing early 2023 with target of EUR 700m of commitments. On initial take, we expect consensus to make neutral to slightly negative underlying estimate revision while we note lower-than-anticipated dividend proposal. We have a fair value range of EUR 10.8-12.3 per Taaleri share.

Private asset management slightly below our estimate when adjusting for carry and investment gains

- Taaleri's private asset management total income was EUR 18.9m and came clearly above our estimate
- Recurring revenues of EUR 5.7m came 2% above our estimate of EUR 5.5m
- Private asset management EBIT came at EUR 12.3m, clearly above our estimate of EUR 4.3m, driven by carry (EUR 12.4m, while we had EUR 5m) and EUR 0.8m investment gains
- AuM increased 13% y/y to EUR 2.5bn after EUR 2.5bn in Q3 2022 and EUR 2.2bn in 2021
- Renewable energy recurring revenues were 13.1m (Nordea EUR 3.6m), while EBIT was 9.0m (Nordea EUR 4.9m). Income was burdened by EUR -1m from investment operations (we expected EUR -0.1m) and EUR 10.3m from carry (we had EUR 5m)
- Other private asset management operating income was EUR 5.8m (Nordea EUR 1.9m), while EBIT was EUR 3.3m (Nordea EUR -0.6m). Other private asset management benefited from EUR 2.0m carry and EUR 1.8m investment gains (we had modelled EUR 0m)

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

- Taaleri's guarantee insurance company Garantia reported EUR 2.9m total income, driven by EUR 5.7m recurring revenues (Nordea EUR 5.2m) and EUR -2.7m investment gains (we expected EUR 0.7m)
- Earned net premiums were flat y/y (+15% in Q3, -8% in Q2 and +4% in Q1) to EUR 5.7m in Q4, above our estimate of EUR 5.3m
- Strategic investments EBIT of EUR 1.6m came below our EUR 4.1m estimate due to EUR -2.8m investment loss. Aktia shareholdings had EUR 0.5m positive impact in Q4.
- Combined ratio was strong at 23.9% (we had 34.6%). Solvency ratio was 231%, above our estimate of 218%
- Guaranty insurance portfolio was up 10% y/y to EUR 1,862m (Nordea EUR 1,831m) driven by 19% y/y increase in consumer exposure

Guidance and fund pipeline

Taaleri does not provide a short term outlook. The company expects SolarWind III to have first closing in H1 2023.

We expect neutral to slightly negative underlying estimate revisions

On the back of underlying operations performance, we believe consensus will make flat to slightly negative estimate revisions to its underlying estimates. It appears that private asset management is proceeding well in line with our expectations, while Garantia's earned premiums continued to increase despite more challenging housing market. In addition, we note dividend proposal that was below consensus expectations.

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

<https://taaleri.videosync.fi/q4-2022-results>

TAALERI: DEVIATION TABLE

EURm	Actual	NDA est.	Deviation		Consensus	Deviation		Actual	Actual		
	Q4 2022	Q4 2022E	vs. actual		Q4 2022E	vs. actual		Q3 2022	q/q	Q4 2021	y/y
Sales	20.1	17.7	2.5	14%	19.3	0.8	4%	19.9	1%	30.2	-33%
EBIT	7.1	7.1	0.0	0%	9.3	-2.2	-24%	18.3	-61%	14.7	-52%
EBIT margin	35.2%	40.3%	n.m.		48.3%	n.m.		91.9%	-56.7pp	48.5%	-13.3pp
PTP	6.8	6.9	-0.1	-1%	10.0	-3.2	-32%	18.3	-63%	14.4	-53%
PTP margin	34.0%	39.3%	n.m.		51.7%	n.m.		91.7%	-57.8pp	47.7%	-13.7pp
Adj. EPS	0.25	0.20	0.05	23%	0.24	-0.04	4%	0.55	-55%	0.42	-41%
EPS	0.25	0.20	0.05	23%	0.24	-0.04	4%	0.55	-55%	0.42	-41%
DPS	0.70	1.00	-0.30	-30%	0.99	0.01	-29%			1.20	-42%
Segment reporting											
Recurring revenues											
Private asset management	5.7	5.5	0.1	2%				5.3	6%	5.4	4%
Strategic investments	5.7	5.2	0.5	9%				4.4	27%	5.5	2%
Other	0.4	0.7	-0.3	-45%				0.7	-52%	0.5	-24%
TOTAL	11.7	11.4	0.3	3%				10.5	11%	11.4	2%
Total income											
Private asset management	18.9	10.5	8.4	80%				12.6	50%	16.2	16%
Strategic investments	2.9	5.8	-2.9	-50%				6.1	-52%	9.4	-69%
Other	-4.5	0.7	-5.2	-748%				8.3	-154%	3.8	-219%
TOTAL	17.3	17.0	0.3	2%				26.9	-36%	29.4	-41%
EBIT											
Private asset management	12.3	4.3	8.0	186%				7.0	76%	7.3	68%
Strategic investments	1.6	4.1	-2.5	-61%				4.9	-67%	7.3	-78%
Other	-6.8	-1.2	-5.6	470%				6.6	-203%	0.0	#####
TOTAL	7.1	7.2	-0.1	-2%				18.5	-62%	14.7	-52%
EBIT margin											
Private asset management	65.3%	41.1%	24.3pp					55.7%	9.6pp	45.3%	20.0pp
Strategic investments	54.7%	70.6%	-16pp					80.2%	n.m.	77.8%	-23pp
Other	152.9%	-173.9%	327pp					79.8%	73.1pp	0.0%	153pp
TOTAL	41.0%	42.5%	-1.5pp					68.6%	-27.7pp	49.9%	-9.0pp

Source: Company data, Refinitiv and Nordea estimates

SUMMARY TABLE - KEY FIGURES

EURm	2019	2020	2021	2022E	2023E	2024E
Total revenue	67	69	73	59	69	71
EBITDA (adj)	23	24	32	28	31	32
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	0.69	0.87	0.90
EPS (adj) growth	n.a.	11.8%	947.1%	-85.6%	25.2%	3.5%
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	17.3	13.8	13.4
P/BV	n.a.	n.a.	1.4	1.6	1.7	1.6
Dividend yield (ord)	n.a.	n.a.	3.6%	3.3%	4.2%	4.6%
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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