21 April 2023

Commissioned research: CapMan – Market turmoil could open new opportunities

Marketing material commissioned by CapMan

We maintain our estimates intact ahead of CapMan's Q1 report due on 28 April. Real estate market turmoil is likely to have an impact on CapMan's real estate fundraising (currently four funds open for investments), while Infra II targets final closing in Q2 with EUR 400m commitments (EUR 168m at the end of 2022). Although market turmoil could hinder fundraising, we note that at the end of 2022, CapMan had around 30% of capital raised as "dry powder". Hence, the current situation could open new opportunities with lucrative yields. At the end of 2022, 63% of CapMan's AuM were within Real Estate. Given ongoing fundraisings and expected closings (Special situations and Infra II), we model management fee growth of 16% y/y to EUR 10.8m in Q1. We expect Management Company business adjusted EBIT of EUR 8.5m in Q1, boosted by EUR 4m carry. Owing to divestment of JAY Solutions (EUR 2.1m sales in 2022), we expect Service business fees to decline 16% y/y, while we expect only 3% y/y EBIT decline as JAY Solutions was loss-making. As CapMan's real estate has both value-add and income-focused strategies, we do not expect fair value changes to turn negative on a group level in Q1. We model EUR 2.1m positive fair value changes in Q1. CapMan does not have numerical guidance for 2023, while we expect it to reiterate its wording on AuM growth and improving adjusted EBIT excluding carried interest and fair value changes. We currently model 10% AuM growth in 2023E, while we expect EUR 17.8m adjusted EBIT excluding carried interest and fair value changes in 2023E (EUR 9.5m in 2022). For Q1E, we are 6% below low-quality Refinitiv consensus on EBIT. We forecast EUR 10.4m EBIT, while consensus expects EUR 11m. For 2023E, we forecast EUR 41.7m EBIT, 8% below consensus at EUR 45.2m. The difference is likely due to carried interest (we model EUR 15.5m, no consensus available). We have a fair value range of EUR 3.0-3.6 per CapMan share.

Segment estimates EURm

Net sales	2018	2019	2020	2021	2022E	2023E	2024E	2025E
Management Company business	24.2	32.8	30.9	43.6	55.9	67.7	66.6	64.4
-Management fees	22.1	24.7	28.9	36.6	38.8	44.4	47.9	50.8
-Service fees	1.1	1.2	1.2	4.2	7.4	7.8	8.2	8.6
-Carried interest	1.0	6.9	0.9	2.9	9.6	15.5	10.5	5.0
Service business	8.7	15.7	11.4	8.6	11.1	9.9	10.9	12.0
Other	0.6	0.5	0.7	0.5	0.6	0.6	0.6	0.6
Group	**36.0**	**49.0**	**43.0**	**52.8**	**67.5**	**78.2**	**78.1**	**77.0**
Sales growth								
Management Company business	-4%	35%	-6%	41%	28%	21%	-2%	-3%
Service business	56%	81%	-28%	-24%	29%	-11%	10%	10%
Group	**3%**	**36%**	**-12%**	**23%**	**28%**	**16%**	**0%**	**-1%**
Adj. EBIT								
Management Company business	2.8	10.2	9.1	13.2	22.3	33.5	31.8	28.3
-Without carried interest	1.8	3.3	8.2	10.3	12.7	18.0	21.3	23.3
Service business	4.4	9.1	4.9	4.2	3.0	6.7	7.6	8.6
Investment business	6.5	10.2	4.0	32.7	35.7	7.6	14.0	15.7
Other	-1.7	-5.9	-5.7	-5.4	-7.9	-6.1	-7.1	-7.3
Group	**12.0**	**25.1**	**12.3**	**44.6**	**55.7**	**41.7**	**46.3**	**45.3**
-Without fair value changes	6.9	12.8	7.9	10.7	19.2	33.3	31.4	28.7
-Without FV changes and carried interest	5.8	5.9	7.1	7.9	9.5	17.8	20.9	23.7
Adj. EBIT growth								
Management Company business	6%	260%	-11%	45%	69%	50%	-5%	-11%
Service business	94%	109%	-46%	-15%	-28%	122%	13%	13%
Investment business	-63%	58%	n.a.	n.a.	9%	-79%	83%	12%
Group	**-39%**	**110%**	**-51%**	**262%**	**25%**	**-25%**	**11%**	**-2%**
Adj. EBIT margin								
Management Company business	12%	31%	29%	30%	40%	49%	48%	44%
-without carried interest	8%	10%	27%	24%	23%	27%	32%	36%
Service business	50%	58%	43%	48%	27%	67%	69%	72%
Management fee and service fee together	20%	31%	33%	32%	31%	45%	49%	51%
Group	**33%**	**51%**	**29%**	**85%**	**82%**	**53%**	**59%**	**59%**
Investment business								
Invested capital	126.6	129.4	116.6	130.4	169.5	165.0	165.8	167.4
Fair value changes	5.1	12.2	4.4	33.9	36.5	8.5	14.8	16.6
-Return on invested capital	4%	9%	4%	28%	22%	5%	9%	10%
Expenses	-1.2	-2.0	-0.4	-1.2	-0.8	-0.8	-0.8	-0.9
EBIT	**6.5**	**10.2**	**4.0**	**32.7**	**35.7**	**7.6**	**14.0**	**15.7**
Capital under management (EURbn)	**3.0**	**3.2**	**3.8**	**4.5**	**5.0**	**5.5**	**5.8**	**6.0**
-growth y/y	9%	7%	18%	18%	12%	10%	5%	3%

Source: Company data and Nordea estimates

SUMMARY TABLE - KEY FIGURES

EURm	2017	2018	2019	2020	2021	2022	2023E	2024E	2025E
Total revenue	34.8	36.0	49.0	43.0	52.8	67.5	78.2	78.1	77.0
EBIT (adj)	19.5	12.0	25.1	12.3	44.6	55.7	41.7	46.3	45.3
EBIT (adj) margin	55.9%	33.2%	51.1%	28.7%	84.6%	82.5%	53.4%	59.2%	58.8%
EPS (adj), EUR	0.10	0.05	0.12	0.03	0.22	0.27	0.20	0.22	0.22
EPS (adj) growth	-35.8%	-49.7%	127.1%	-72.2%	564.4%	22.6%	-27.0%	12.3%	-2.1%
DPS (ord), EUR	0.11	0.12	0.13	0.14	0.15	0.17	0.18	0.19	0.20
EV/Sales	8.1	6.2	7.7	9.0	9.4	6.9	5.7	5.2	4.8
EV/EBIT (adj)	14.5	18.6	15.0	31.3	11.1	8.3	10.6	8.8	8.2
P/E (adj)	17.0	28.2	19.8	70.2	13.8	10.1	14.4	12.8	13.1
P/BV	2.2	1.9	2.8	3.2	3.7	3.0	3.0	2.9	2.8
Dividend yield (ord)	6.2%	8.2%	5.5%	6.0%	4.9%	6.3%	6.4%	6.7%	7.1%
Net debt	25	5	16	25	18	37	25	19	15
Net debt/EBITDA	1.2	0.4	0.8	2.7	1.5	1.8	0.7	0.4	0.3

Source: Company data and Nordea estimates

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