

3 May 2023

## Commissioned research: Taaleri – Strong recurring revenue growth while costs were above our expectations in Private asset management

*Marketing material commissioned by Taaleri*

Taaleri reported Q1 EBIT of EUR 1.6m, coming 6% below Refinitiv consensus at EUR 1.7m. We note Taaleri's adoption of IFRS 17 which consensus might not fully reflect (visible mainly in top line). Based on segment reporting, Q1 total income was EUR 9.3m, bang in line with Nordea estimate. Recurring revenues were EUR 9.8m in Q1, beating our estimate by 11% driven strong performance in Garantia. Fair value changes of investments were EUR -0.6m in Q1, while we had anticipated EUR 1.0m. Investment operations income of EUR -0.6m came clearly below our estimate of EUR 0.4m. There were no carry in Q1 (in line with our assumption). Private asset management EBIT came clearly below our estimate due to higher personnel and direct costs in Renewable energy. Private asset management recurring revenues came 1% above our estimate while due to negative fair value changes, total income came 5% below our estimate (driven by negative FX impact from US wind power project). Garantia's loan losses continued at a low level (2.5%) while insurance service revenue was up 44% y/y, while we had anticipated 20% y/y increase. Insurance revenue were up 13% y/y, while insurance service expenses were down 33% y/y. Combined ratio continued to strengthen and was 24.3% in Q1. Solvency was at 235%. Private asset management AuM was flat q/q at EUR 2.5bn (EUR 2.3bn in Q1 2022). SolarWind III is expected to reach first closing in Q2 2023 with final target of EUR 700m of commitments. On initial take, we expect consensus to make neutral to slightly negative underlying estimate revision due to higher costs in Renewable energy. We have a fair value range of EUR 9.9-11.4 per Taaleri share.

### Private asset management below our estimate due to higher costs

- Taaleri's private asset management total income was EUR 5.2m and came 5% below our estimate
- Recurring revenues of EUR 5.6m came 1% above our estimate of EUR 5.5m
- Private asset management EBIT came at EUR -0.8m, below our estimate of EUR -0.1m, driven by higher costs and EUR -0.3m investment losses (we had EUR 0m)
- AuM was flat q/q at EUR 2.5bn, slightly below our estimate of EUR 2.6bn, and up 7% y/y from EUR 2.3bn in Q1 2022
- Renewable energy recurring revenues were 3.9m (Nordea EUR 3.8m), up 12% y/y. Q1 EBIT was -0.3m (Nordea EUR 0.6m). Income was burdened by EUR -0.3m from investment operations (we expected EUR 0m), related to FX in the holding of US wind project. personnel expenses were up 21% y/y.
- Other private asset management operating income was EUR 1.6m (Nordea EUR 1.7m), while EBIT was EUR -0.5m (Nordea EUR -0.7m).

## Garantia's combined ratio continues to strengthen – high solvency

- Taaleri's guarantee insurance company Garantia reported EUR 3.8m insurance service result, 27% above our estimate. Insurance revenues were up 13% y/y, while costs were down 33% y/y. Investment gains were EUR 0.3m (we expected EUR 0.4m) with EUR -0.7m impact from Aktia shareholding. We note IFRS 17 transition, which has decreased Garantia's total income and other operating expenses.
- Combined ratio was strong at 24.3%. Solvency ratio was 235%.
- Guaranty insurance portfolio was down 1% y/y to EUR 1,838m (Nordea EUR 1,842m) driven by 1% y/y decline in consumer and corporate exposures

## Guidance and fund pipeline

Taaleri does not provide a short term outlook. The company expects SolarWind III to have first closing in Q1 2023. SW III will be based on project development portfolio with 35 targeted projects at the end of Q1. The company targets EUR 700m size for the SW III in final close (we estimate at the end of 2024).

## 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 due to higher costs. It appears that private asset management is proceeding well in term of top line development, while Garantia continues strong performance despite more turbulent housing market. We note the adoption of IFRS 17, which we believe consensus is not fully reflecting, visible in top line deviation.

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

<https://taaleri.videosync.fi/q1-2023-result>

### TAALERI: DEVIATION TABLE

EURm	Actual	NDA est.	Deviation		Consensus	Deviation		Actual	Actual		
	Q1 2023	Q1 2023E	vs. actual		Q1 2023E	vs. actual	Q4 2022	q/q	Q1 2022	y/y	
Sales	10.1	10.0	0.2	2%	12.0	-1.9	-15%	19.1	-47%	6.8	50%
EBIT	1.6	2.1	-0.6	-27%	1.7	-0.1	-6%	7.2	-78%	-1.0	-251%
EBIT margin	15.4%	21.3%	n.m.		13.9%	n.m.		37.9%	-22.5pp	-15.3%	30.7pp
PTP	0.6	1.9	-1.3	-67%	2.0	-1.4	-69%	7.0	-91%	-1.3	-148%
PTP margin	6.2%	18.8%	n.m.		16.7%	n.m.		36.6%	-30.5pp	-19.2%	25.3pp
Adj. EPS	0.02	0.06	-0.04	-65%	0.06	0.00	-64%	0.20	-90%	-0.03	-176%
EPS	0.02	0.06	-0.04	-65%	0.06	0.00	-64%	0.20	-90%	-0.03	-176%
<b>Segment reporting</b>											
<b>Recurring revenues</b>											
Private asset management	5.6	5.5	0.1	1%				5.7	-2%	4.9	14%
Strategic investments	3.9	3.1	0.8	27%				4.6	-15%	2.5	52%
Other	0.4	0.4	0.1	17%				0.4	17%	0.5	-22%
TOTAL	9.8	8.9	1.0	11%				10.6	-7%	8.0	24%
<b>Total income</b>											
Private asset management	5.2	5.5	-0.3	-5%				18.9	-72%	5.3	-2%
Strategic investments	4.1	3.5	0.7	20%				1.8	127%	-1.2	-458%
Other	-0.1	0.4	-0.4	-125%				-4.5	-98%	1.7	-105%
TOTAL	9.3	9.3	0.0	0%				16.2	-43%	5.8	59%
<b>EBIT</b>											
Private asset management	-0.8	-0.1	-0.7	824%				12.3	-106%	0.0	79700%
Strategic investments	3.7	3.3	0.5	14%				1.7	115%	-1.3	-376%
Other	-1.4	-1.0	-0.3	33%				-6.8	-80%	0.3	-560%
TOTAL	1.6	2.1	-0.6	-27%				7.2	-78%	-1.1	-248%
<b>EBIT margin</b>											
Private asset management	-15.3%	-1.6%	-13.7pp					65.3%	-80.7pp	0.0%	-15.3pp
Strategic investments	90.3%	94.2%	-4pp					95.0%	n.m.	116.8%	-27pp
Other	1575.9%	-289.3%	1865pp					152.9%	1423pp	18.0%	1558pp
TOTAL	16.8%	23.1%	-6.2pp					44.6%	-27.7pp	-18.1%	34.9pp

Source: Company data, Refinitiv and Nordea estimates

## SUMMARY TABLE - KEY FIGURES

EURm	2019	2020	2021	2022	2023E	2024E	2025E
Total revenue	67	69	73	57	66	70	63
EBITDA (adj)	23	24	32	31	32	34	26
EBIT (adj)	21	21	32	30	31	34	26
EBIT (adj) margin	30.8%	30.3%	43.6%	52.5%	47.1%	48.3%	41.0%
EPS (adj, EUR)	0.41	0.46	4.81	0.83	0.90	0.98	0.74
EPS (adj) growth	n.a.	11.8%	947.1%	-82.8%	9.3%	8.9%	-24.9%
DPS (ord, EUR)	0.16	1.32	0.40	0.45	0.50	0.55	0.60
EV/Sales	4.1	3.8	3.8	4.9	3.9	3.4	3.8
EV/EBIT (adj)	13.4	12.4	8.6	9.4	8.3	7.1	9.4
P/E (adj)	20.5	17.7	2.3	13.5	11.5	10.6	14.1
P/BV	1.9	1.7	1.4	1.6	1.4	1.4	1.4
Dividend yield (ord)	1.9%	16.3%	3.6%	4.0%	4.8%	5.3%	5.8%
FCF Yield bef A&D, lease adj	3.0%	0.0%	40.3%	11.5%	6.8%	8.5%	8.1%
Net debt	38	32	-44	-38	-37	-54	-54
Net debt/EBITDA	1.6	1.4	-1.4	-1.2	-1.2	-1.6	-2.1
ROIC after tax	14.8%	7.4%	10.5%	9.5%	9.9%	10.8%	8.3%

Source: Company data and Nordea estimates

**Completion date: 03/05/2023 08:06:21 CET**

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