

16 August 2023

## Commissioned research: Taaleri – Strong investment operations boosting Q2 – underlying earnings well in line with our estimates

*Marketing material commissioned by Taaleri*

Taaleri reported Q2 EBIT of EUR 17.8m, coming clearly above Refinitiv consensus at EUR 8.3m. We note Taaleri's announcement of carry from Forest Fund III and gain from project development portfolio that might not be fully reflected in the consensus. In addition, the company made positive EUR 3.3m positive fair value change from Turun Toriparkki. Based on segment reporting, Q2 total income was EUR 26.3m, 32% above our estimate. Recurring revenues were EUR 9.9m in Q2, 1% above our estimate. Fair value changes of investments were EUR -0.1m in Q2, while we had anticipated EUR 1.0m. Investment operations income of EUR 15m came well above our estimate of EUR 8.8m, driven by higher investment operations income in all segments. The company booked EUR 1.5m of carry in Q2 (we modelled EUR 1.4m). Private asset management EBIT came 1% below our estimate despite 6% beat in total income. Cost base in Renewable energy was higher than we had anticipated, while other private asset management cost were below our estimates. Private asset management recurring revenues came 1% below our estimate while due investment gains, total income came 6% above our estimate. Garantia's loan losses continued at a low level (3.8%) while insurance service revenue was up 7 y/y to EUR 4.8m, while we had EUR 4.9m. Insurance service expenses were up 50% y/y. Combined ratio continued at a strong level and was 27.1% in Q2 (24.3% in Q1). Solvency was at 260%. Private asset management AuM was up 5% q/q to EUR 2.6bn (EUR 2.4bn in Q2 2022), 2% below our estimate. SolarWind III had its first closing in Q2 with EUR 286m of commitments and the company expects continue strong demand due to significant number of investors in active due diligence. Taaleri targets EUR 700m of commitments for SW III (we have modelled EUR 700m in 2025E). On initial take, we expect consensus to make slightly positive underlying estimate revision despite somewhat higher costs based in Renewable energy. We have a fair value range of EUR 10.1-11.6 per Taaleri share.

### Private asset management recurring revenues in line with our estimates

- Taaleri's private asset management total income was EUR 16.1m and came 6% above our estimate
- Recurring revenues of EUR 5.6m came 1% below our estimate
- Private asset management EBIT came at EUR 9.0m, 1% below our estimate, driven by better investment operations, while costs were higher than we had anticipated
- AuM was up 5% q/q to EUR 2.6bn, slightly below our estimate of EUR 2.7bn, and up 12% y/y from EUR 2.4bn in Q2 2022
- Renewable energy recurring revenues were 4.0m (Nordea EUR 4.1m), up 11% y/y. Q2 EBIT was 8.1m (Nordea EUR 8.4m). Personnel expenses were up 42% y/y, while direct expenses were up 33%. We believe higher cost base to relate, at least partially, to first closing of SolarWind III.

- Other private asset management operating income was EUR 3.2m (Nordea EUR 1.6m), while EBIT was EUR 0.9m (Nordea EUR 0.8m). In line with earlier announcement, the company booked EUR 1.5m fair value changes related to Forest III

#### **Garantia's combined ratio continues at strong level – high solvency**

- Taaleri's guarantee insurance company Garantia reported EUR 3.5m insurance service result, slightly below our estimate of EUR 3.6m. Insurance revenues were up 7% y/y, while costs were up 50% y/y to EUR 1.2m. Investment gains were EUR 1.7m (we expected EUR 0.8m) with EUR -0.2m impact from Aktia shareholding.
- Combined ratio was strong at 27.1%. Solvency ratio was 260%.
- Guaranty insurance portfolio was flat y/y at EUR 1,856m (Nordea EUR 1,818m)

#### **Guidance and fund pipeline**

Taaleri does not provide a short term outlook. The company notes that it has strengthened its international and institutional sales. Taaleri has entered into or are in the process of negotiating distribution partnerships for its funds in Europe, North America and Asia. SolarWind III had its first closing in Q2 with EUR 286m of commitments while the company targets EUR 700m of commitments in final close. The company expect strong demand for the fund to continue as there are significant number of investors in active due diligence. We model EUR 700m of commitments in 2025E.

#### **We expect slightly positive underlying estimate revisions**

On the back of underlying operations performance, we believe consensus will make slightly positive estimate revisions to its underlying estimates despite higher costs which we believe are temporary. It appears that private asset management is proceeding well in term of top line development, while Garantia continues its strong performance despite more turbulent housing market.

English speaking webcast will be held on 11:00 EET and can followed through the following link:  
<https://taaleri.videosync.fi/q2-2023>

## TAALERI: DEVIATION TABLE

EURm	Actual	NDA est.	Deviation		Consensus	Deviation		Actual		Actual	
	Q2 2023	Q2 2023E	vs. actual		Q2 2023E	vs. actual		Q1 2023	q/q	Q2 2022	y/y
Sales	23.8	20.6	3.2	15%	20.0	3.8	19%	10.1	135%	12.2	95%
EBIT	17.8	12.0	5.7	47%	8.3	9.4	113%	1.6	1033%	2.8	523%
EBIT margin	74.6%	58.4%	n.m.		41.7%	n.m.		15.4%	59.1pp	23.4%	51.2pp
PTP	17.3	11.8	5.5	46%	11.0	6.3	57%	1.3	1240%	2.6	565%
PTP margin	72.5%	57.1%	n.m.		55.0%	n.m.		12.7%	59.8pp	21.3%	51.2pp
Adj. EPS	0.49	0.35	0.14	38%	0.22	0.14	126%	0.02	2112%	0.07	601%
EPS	0.49	0.35	0.14	38%	0.22	0.14	126%	0.02	2112%	0.07	601%
<b>Segment reporting</b>											
<b>Recurring revenues</b>											
Private asset management	5.6	5.7	-0.1	-1%				5.6	2%	4.8	17%
Strategic investments	3.5	3.6	-0.1	-3%				3.9	-10%	3.3	6%
Other	0.7	0.4	0.3	75%				0.4	75%	0.7	-1%
TOTAL	9.9	9.7	0.1	1%				9.8	0%	8.9	11%
<b>Total income</b>											
Private asset management	16.1	15.2	0.9	6%				5.2	209%	5.8	178%
Strategic investments	5.4	4.4	1.0	23%				4.1	30%	-1.8	-402%
Other	4.8	0.4	4.4	1065%				-0.1	-5672%	7.1	-32%
TOTAL	26.3	19.9	6.4	32%				9.3	184%	11.1	136%
<b>EBIT</b>											
Private asset management	9.0	9.1	-0.1	-1%				-0.8	-1229%	-0.7	-1378%
Strategic investments	5.1	4.2	0.9	21%				3.7	37%	-1.9	-363%
Other	3.7	-1.3	4.9	-388%				-1.4	-367%	5.5	-33%
TOTAL	17.8	12.1	5.7	47%				1.6	1040%	2.8	530%
<b>EBIT margin</b>											
Private asset management	55.9%	60.2%	-4.3pp					-15.3%	71.2pp	-12.1%	68.1pp
Strategic investments	94.9%	96.2%	-1pp					90.2%	4.6pp	108.6%	-14pp
Other	75.5%	-305.8%	381pp					1575.9%	-1500pp	76.5%	-1pp
TOTAL	67.5%	60.5%	7.0pp					16.8%	50.6pp	25.3%	42.2pp

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	69	70	62
EBITDA (adj)	23	24	32	31	34	34	26
EBIT (adj)	21	21	32	30	33	33	25
EBIT (adj) margin	30.8%	30.3%	43.6%	52.5%	48.0%	47.3%	39.9%
EPS (adj, EUR)	0.41	0.46	4.81	0.83	0.93	0.93	0.69
EPS (adj) growth	n.a.	11.8%	947.1%	-82.8%	13.0%	0.0%	-25.6%
DPS (ord, EUR)	0.16	1.32	0.40	0.45	0.45	0.50	0.55
EV/Sales	4.1	3.8	3.8	4.9	3.4	3.1	3.4
EV/EBIT (adj)	13.4	12.4	8.6	9.4	7.0	6.5	8.6
P/E (adj)	20.5	17.7	2.3	13.5	10.2	10.2	13.7
P/BV	1.9	1.7	1.4	1.6	1.3	1.2	1.2
Dividend yield (ord)	1.9%	16.3%	3.6%	4.0%	4.7%	5.3%	5.8%
FCF Yield bef A&D, lease adj	3.0%	0.0%	40.3%	11.5%	7.3%	9.4%	8.5%
Net debt	38	32	-44	-38	-37	-55	-55
Net debt/EBITDA	1.6	1.4	-1.4	-1.2	-1.1	-1.6	-2.2
ROIC after tax	14.8%	7.4%	10.5%	9.5%	10.5%	10.5%	8.1%

Source: Company data and Nordea estimates

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