1 November 2023

Commissioned research: Taaleri – Solid performance in Q3 – Garantia's strong performance continued

Marketing material commissioned by Taaleri

Taaleri reported Q3 EBIT of EUR 5.7m, coming slightly below Refinitiv consensus at EUR 6.3m. Based on segment reporting, Q3 total income was EUR 13.1m, 5% above our estimate. Recurring revenues were EUR 10.3m in Q3, 10% below our estimate, driven by Private asset management. Fair value changes of investments were EUR 1.0m in Q3, while we had anticipated EUR 1.0m. Investment operations income of EUR 2.8m came well above our estimate of EUR 1.0m, driven by EUR 0.9m invoicing related to renewable energy projects with corresponding costs recognized in operating expenses. In addition, the company recorded EUR 0.7m positive purchase price revision and EUR 0.3m positive impact from FX (US wind project). The company did not book any carry in Q3 (in line with our expectations). Private asset management EBIT came 94% above our estimate mainly due to above-mentioned bookings. On underlying basis, cost base in Renewable energy was slightly lower than we had anticipated, similar to other private asset management cost. Private asset management recurring revenues came 10% below our estimate while due to investment gains, total income came 16% above our estimate. Garantia's loan losses continued at a low level (-5.8%) while insurance service revenue was flat y/y at EUR 4.6m, while we had EUR 4.7m. Insurance service expenses were down 26% y/y. Combined ratio continued at a strong level and was 22% in Q3 (27.1% in Q2), slightly below our estimate of 26.3%. Solvency was at 271%. Private asset management AuM was flat q/q at EUR 2.6bn (EUR 2.5bn in Q3 2022), 4% 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 only limited estimate revision. We have a fair value range of EUR 10.1-11.6 per Taaleri share.

Private asset management recurring revenues slightly below our estimates

- Taaleri's private asset management total income was EUR 8.4m and came 16% above our estimate
- Recurring revenues of EUR 6.5m came 10% below our estimate
- Private asset management EBIT came at EUR 2.7m, 94% above our estimate, driven by investment operations, while costs were lower than we had anticipated
- AuM was flat q/q at EUR 2.6bn, 4% below our estimate of EUR 2.8bn, and up 4.5% y/y from EUR 2.5bn in Q3 2022
- Renewable energy recurring revenues were 5.1m (Nordea EUR 5.6m), up 36% y/y. Q3 EBIT was 2.8m (Nordea EUR 2.0m). Personnel expenses were up 29% y/y, while direct expenses were up clearly due to costs related to renewable energy projects (with similar top line booking).

- Other private asset management operating income was EUR 1.4m (Nordea EUR 1.7m), while EBIT was EUR -0.1m (Nordea EUR -0.6m).

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

- Taaleri's guarantee insurance company Garantia reported EUR 3.6m insurance service result, slightly above our estimate of EUR 3.5m. Insurance revenues were flat y/y, while costs were down 26% y/y to EUR 0.9m. Investment gains were EUR 0.7m (we expected EUR 1.0m) with EUR -0.2m impact from Aktia shareholding.
- Combined ratio was strong at 22%, slightly above our estimate of 26.3%. Solvency ratio was 271%.
- Guaranty insurance portfolio was down 1% y/y to EUR 1,848m (Nordea EUR 1,879m)

Guidance and fund pipeline

Taaleri does not provide a short term outlook. 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. In addition, the company is preparing to exit the Taaleri Wind II and Taaleri Wind III funds, which likely boost carry bookings, we believe.

We expect neutral underlying estimate revisions

Initially, we believe consensus will make only limited estimate revisions to its underlying estimates.

English speaking webcast will be held on 11:00 EET and can followed through the following link: https://taaleri.videosync.fi/q3-2023-result

TAALERI: DEVIATION TABLE

	Actual	NDA est.	Deviation		Consensus	Deviation		Actual		Actual	
EURm	**Q3 2023**	**Q3 2023E**	**vs. actual**		**Q3 2023E**	**vs. actual**		**Q2 2023**	**q/q**	**Q3 2022**	**y/y**
Sales	13.5	12.9	0.6	5%	12.5	1.0	8%	23.8	-43%	18.8	-28%
EBIT	5.7	4.6	1.1	23%	6.3	-0.6	-10%	17.8	-68%	18.1	-69%
EBIT margin	42.2%	36.1%		6.1pp	50.7%		-8.4pp	74.7%	-32.5pp	96.7%	-54.5pp
PTP	5.5	4.2	1.3	31%	4.0	1.5	37%	17.3	-68%	18.1	-70%
PTP margin	40.7%	32.6%		8.1pp	32.0%		8.7pp	72.5%	-31.8pp	96.5%	-55.8pp
Adj. EPS	0.16	0.13	0.03	27%	0.15	-0.03	4%	0.49	-67%	0.51	-69%
EPS		0.13	-0.13	-100%	0.15	-0.03	-100%	0.49	-100%	0.51	-100%
Segment reporting											
Recurring revenues											
Private asset management	6.5	7.2	-0.8	-10%				5.6	15%	5.3	22%
Strategic investments	3.4	3.5	0.0	-1%				3.5	-2%	3.3	4%
Other	0.4	0.7	-0.4	-48%				0.7	-48%	0.7	-49%
TOTAL	10.3	11.4	-1.1	-10%				9.9	4%	9.4	10%
Total income											
Private asset management	8.4	7.2	1.1	16%				16.1	-48%	12.6	-33%
Strategic investments	3.9	4.5	-0.5	-12%				5.4	-27%	4.9	-20%
Other	0.8	0.7	0.1	8%				4.8	-84%	8.3	-90%
TOTAL	13.1	12.4	0.7	5%				26.3	-50%	25.8	-49%
EBIT											
Private asset management	2.7	1.4	1.3	94%				9.0	-70%	7.0	-61%
Strategic investments	3.7	4.2	-0.6	-13%				5.1	-28%	4.7	-22%
Other	-0.7	-0.7	0.0	-5%				3.7	-118%	6.6	-110%
TOTAL	5.7	4.9	0.8	16%				17.8	-68%	18.3	-69%
EBIT margin											
Private asset management	32.3%	19.3%		13.0pp				55.9%	-23.6pp	55.7%	-23.4pp
Strategic investments	93.1%	94.7%		-2pp				94.9%	-1.8pp	95.7%	-3pp
Other	-85.4%	-97.5%		12pp				75.5%	-161pp	79.8%	-165pp
TOTAL	43.5%	39.5%		4.0pp				67.5%	-24.0pp	71.1%	-27.6pp

Source: Company data, Refinitiv and Nordea estimates

SUMMARY TABLE - KEY FIGURES

EURm	2020	2021	2022	2023E	2024E	2025E
Total revenue	69	73	57	72	70	63
EBITDA (adj)	24	32	31	39	34	26
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)	0.46	4.81	0.83	1.10	0.93	0.69
EPS (adj) growth	11.8%	947.1%	-82.8%	32.7%	-15.3%	-25.7%
DPS (ord, EUR)	1.32	0.40	0.45	0.45	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.	2.3	13.5	7.7	9.1	12.2
P/BV	n.a.	1.4	1.6	1.1	1.1	1.1
Dividend yield (ord)	n.a.	3.6%	4.0%	5.3%	5.9%	6.5%
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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