CapMan

Extensive report

10/20/2024 18:45 EEST

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Inderes corporate customer

This report is a summary translation of the report “On potentiaalin lunastamisen aika” published on 10/20/2024 at 6:59 pm EEST

It's time to redeem the potential

Under the new strategy, CapMan's business operations have turned to strong growth and profitability has improved clearly. Even though the challenging market situation throws a spanner into the works of new sales in the short term, we believe the company has an excellent position in its sector. As a result, CapMan is well positioned to continue its healthy growth also in the longer term, just like the rest of the asset management sector. Relative to this, the stock is moderately priced, so the expected return is sufficiently attractive. We therefore reiterate our target price of EUR 2.1 and Accumulate recommendation.

An asset management house focusing on alternative investment products

CapMan has two business areas: the Management Company business and balance sheet investments. Previously, the business also included services outside the fund business, but these will be permanently exited during the current year. The Management Company business focusing on alternative funds is the core of CapMan's business, as balance sheet investments are mainly made in funds managed by the company.

After the strategy renewal in 2017, CapMan has undergone a significant transformation as the company's ownership base and key personnel have largely changed, the product offering and customer base have expanded, and the performance of the funds has improved. As a result of these factors, the company's assets under management and net sales have turned to strong growth. Profitability has also seen a clear improvement, which has also led to a positive development in the result based on recurring feed from the Management Company business, which is key for investors. However, weak new sales have slowed down profitability development over the past two years.

Despite short-term uncertainty, the company's long-term earnings growth outlook is favorable

In the short term, the challenging market situation and lackluster demand for alternative investments puts pressure on new sales, but we expect CapMan's fund assets to continue to grow clearly in the coming years, supported especially by real estate products and forest funds. Overall, we expect CapMan's EBIT to grow by an average of 9% in 2024-2027. In addition to the Management Company's improved profitability, performance is supported by investment income, which is expected to increase from the muted level of 2024. Around half of the expected earnings still come from investment income, and the weight of carried interest income is significant (>20%). This highlights that CapMan's value development and share return are strongly linked to the performance of the funds the company manages. As typical for the sector, the dividend stream remains abundant while investment needs are low.

The company is priced below its value on the stock exchange

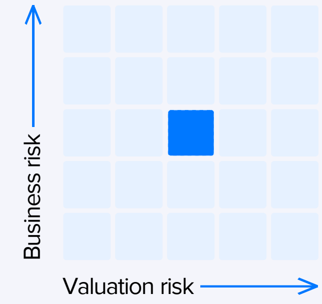
The sum of the parts provides a good starting point for CapMan's valuation, as its earnings components differ, e.g., in terms of risks. The value based on our sum of the parts calculation is approximately EUR 2.1 per share. The majority of CapMan's value consists of the Management Company business, which receives support from low investment needs and a good growth outlook. A lot of value is also committed to balance-sheet investments. The expected return for the share in the coming years consists, in turn, of dividend yield and earnings growth, as we believe that earnings-based pricing multiples are elevated, which affects the equation negatively. Acceptable multiples are depressed by the relatively high risk level of the investment portfolio. We predict that the expected return in the coming years will be around 10-15%, which we find attractive enough to justify a positive recommendation.

Recommendation

Accumulate
(was Accumulate)

EUR 2.10
(was EUR 2.10)

Share price:
1.89



Key figures

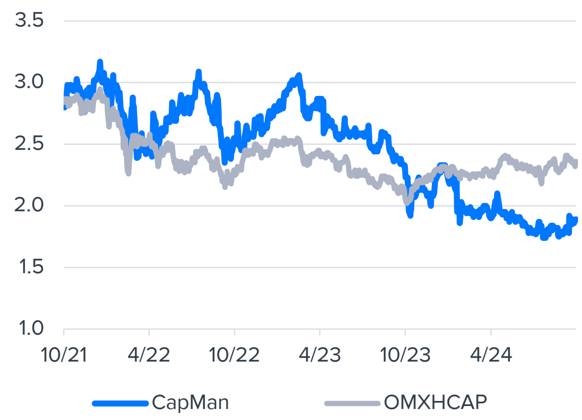
	2023	2024e	2025e	2026e
Revenue	59.4	71.0	65.0	74.5
growth-%	-12%	20%	-9%	15%
EBIT adj.	6.7	32.3	33.2	40.9
EBIT-% adj.	11.4 %	45.5 %	51.1 %	54.8 %
Net Income	1.3	73.5	19.8	26.0
EPS (adj.)	0.02	0.11	0.12	0.15
P/E (adj.)	>100	17.8	15.8	12.3
P/B	3.2	1.6	1.6	1.6
Dividend yield-%	4.4 %	7.4 %	7.3 %	8.1 %
EV/EBIT (adj.)	63.2	11.5	11.5	9.4
EV/EBITDA	68.7	4.1	11.0	9.0
EV/S	7.2	5.2	5.9	5.2

Source: Inderes

Guidance (Unchanged)

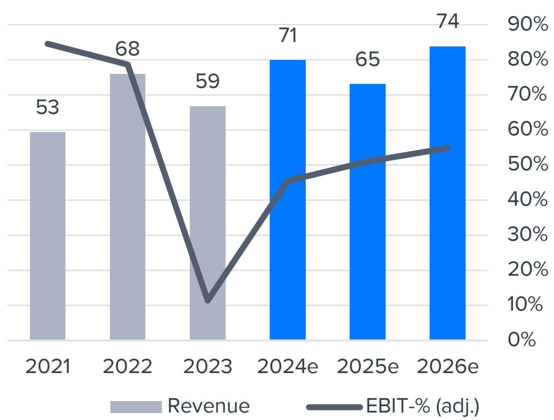
CapMan estimates assets under management to grow in 2024 The company also expects the profitability of commission income from continuing operations to grow during 2024. The estimates do not include possible items affecting comparability.

Share price



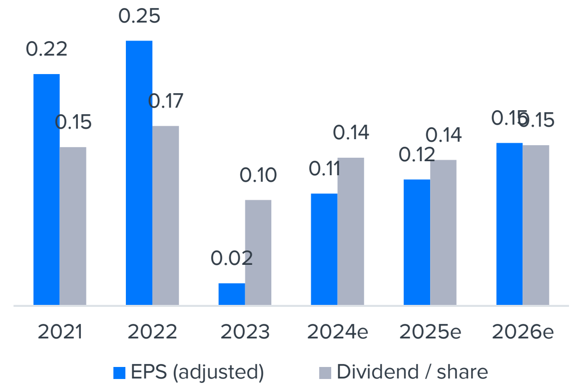
Source: Millistream Market Data AB

Revenue and EBIT-%



Source: Inderes

EPS and dividend



Source: Inderes

Value drivers

- New products in existing and new strategies
- The growth of product sizes and growth potential from new customers
- Good investment returns will be accompanied by rising carried interest income and on-balance sheet investment income
- Improving cost-efficiency
- Possible value creating acquisitions

Risk factors

- Weakening investment income and falling short of customer expectations
- Increased cost levels and high bargaining power of the personnel
- A general decline in the attractiveness of alternative asset classes
- Intensified price competition and lower fee levels for existing products
- High dependency of earnings on investment returns

Valuation	2024e	2025e	2026e
Share price	1.89	1.89	1.89
Number of shares, millions	176.9	177.4	177.9
Market cap	334	334	334
EV	371	382	385
P/E (oik.)	17.8	15.8	12.3
P/E	4.6	16.9	12.9
P/B	1.6	1.6	1.6
P/S	4.7	5.1	4.5
EV/Sales	5.2	5.9	5.2
EV/EBITDA	4.1	11.0	9.0
EV/EBIT (adj.)	11.5	11.5	9.4
Payout ratio (%)	34%	123%	104%
Dividend yield-%	7.4 %	7.3 %	8.1 %

Source: Inderes

Contents

CapMan in brief

CapMan is a Nordic asset manager focused on unlisted assets, founded in 1989.

1989
Year of establishment

2001
IPO (Nasdaq Helsinki)

59.4 MEUR
Revenue 2023

4.7 MEUR
EBIT 2023

5.8 BNEUR
Assets under management at the end of H1'24

183
Average number of employees in 2023

Years of expansion (2000-2008)

CapMan expands to Sweden, Denmark and Norway and becomes a Nordic player.

CapMan expands to, e.g., Real Estate and Public Market investment areas.

The company achieves excellent investment returns and raises record amounts of new capital during the "super-cycle".

Financial crisis (2009-2015)

The financial crisis hits CapMan hard and costs spiral out of control as it expands too fast.

Returns on funds raised at the peak of the previous cycle remain weak.

The company starts major restructuring

Rebuilding (2016-2023)

Norvestia acquisition changes CapMan's ownership structure and combines the share series.

New strategy and new investment teams.

The company establishes several new investment areas, fundraising is mainly going well.

Expansion to forest funds through an acquisition.

Service Business is separated into its own unit.

Management Company business shows first signs of earnings potential.

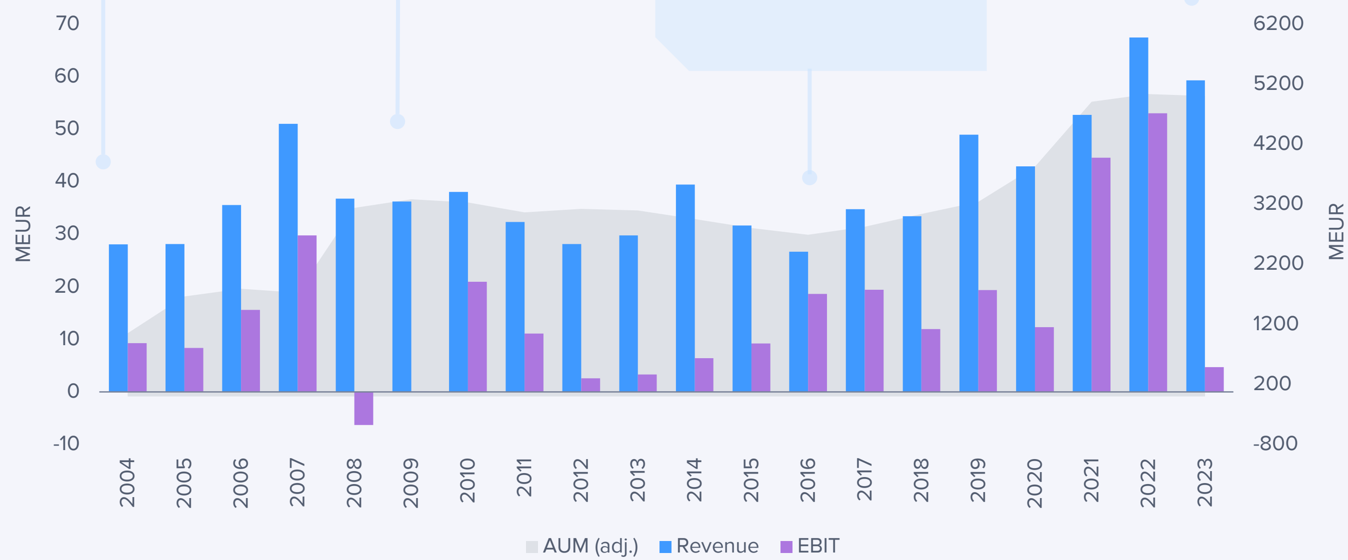
Scaling the result (2024-)

The service business is divested and the strategy focuses on the fund business.

Continued growth and profitability improvement in the Management Company business.

Due to a wider fund selection, carried interest income should be more systematic in the future.

Investment income continues to play a key role in the company's strategy and results.



Source: Inderes / CapMan

Company description and business model

CapMan is one of the first Nordic private equity fund managers. Unlike other asset managers on Nasdaq Helsinki, the company has focused purely on unlisted asset classes, and the product portfolio includes, e.g., private equity funds, real estate funds, forest funds, debt funds, and infrastructure funds. Previously, the business also included services outside the fund business, but these were permanently removed in 2024 with the divestment of CaPS (CapMan Procurement Services).

Group management (Other and eliminations segment in reporting)

BUSINESS SEGMENTS

Management Company business	Investments
Alternative funds	Investments in own funds
Equity equity programs	Other investments

Management fees
Performance fees from funds

Investment income

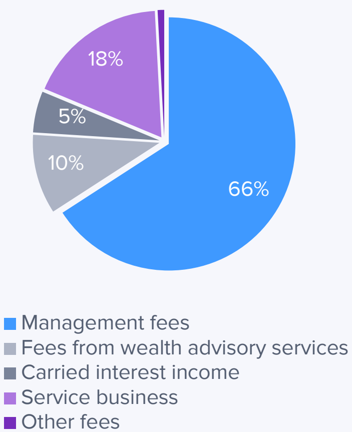
The Management Company business forms the core of CapMan's business, with real estate funds being the most significant product area in the segment. The product selection also includes a wide range of other alternative funds. In addition, the segment includes CapMan Wealth, which offers private equity programs and allocation mandates to its customers.

The Investment business consists of CapMan's fund investments. Most of the investment portfolio (~62% at the end of H1'24) is invested in the company's own funds. In recent years, income from balance sheet investments has formed the majority of the Group's earnings. The Investment business will continue to play a central role in the company's earnings in the future.

CapMan

- CapMan's assets under management (AUM) at the end of H1'24 was 5.8 BNEUR.
- The customer base is strongly focused on institutional investors.
- The company currently has 27 alternative fund products and several investment mandates.
- The most significant revenue component is management fees, of which the company's real estate funds account for the largest share.
- Business is international. There are offices in six countries and most of the AUM comes from international investors.

Revenue distribution (2023)



Source: CapMan

Management Company business 1/8

The Management Company business is the core of the Group

CapMan's management business is focused on fully unlisted asset classes and professional investors. At the end of H1'24, CapMan's assets under management (AUM) were 5,842 MEUR. The Management Company business comprises four investment areas: Private Equity, Real Estate, Infra, and Natural Capital. In addition, the wealth management unit CapMan Wealth complements the management business offering.

The company's business is international and it has offices in six countries (Finland, Sweden, Denmark, Norway, Luxembourg, and Great Britain). Most of the funds under management also come from outside Finland, which distinguishes CapMan from many of its domestic peers.

Focus on alternative fund products

Investing in unlisted assets in practice means making direct, mainly majority-owned investments, for example in unlisted limited companies or real estate. Investments are typically made through closed-end private equity funds, which raise capital from institutional investors such as pension companies and foundations. Closed-end funds are generally inaccessible to retail investors due to high minimum investment requirements (typically millions). Through the CapMan Wealth service area, non-large institutional investors can also invest in these products through a range of wealth management programs.

The funds' investment teams actively seek to develop their target investments together with the management of the target company and/or the tenants of the property. The aim is to increase the value of the target company by, for example, streamlining the strategy, improving operational efficiency and accelerating growth through acquisitions. Debt leverage also often plays an important role in investment activities.

Private equity funds

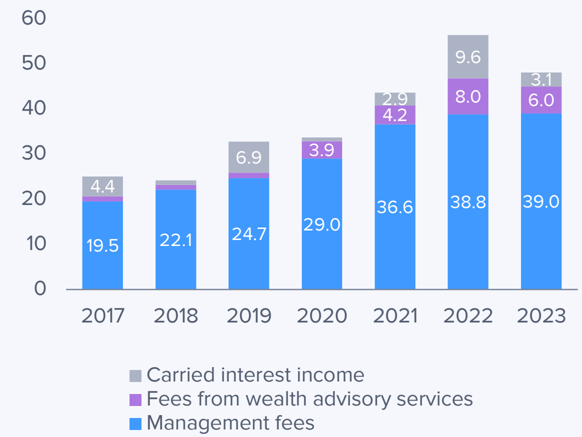
Private equity (PE) funds comprise investments in unlisted companies. PE funds are divided into four areas: Buyout, Growth, Credit, and Special Situations. AUM in PE funds amounted to 1,016 MEUR at the end of H1'24, making the product area the second largest in CapMan after real estate. All the company's PE funds are closed alternative funds, as typical for the industry, from which one cannot redeem capital during the fund's operating period.

Buyout funds make equity-based investments in unlisted companies. The target companies are typically profitable and cash-flow generative, and the value creation of the fund is based, among other things, on the operational development of the targets. The use of debt leverage to increase returns is also important in this type of fund. Growth funds also invest in unlisted companies on an equity basis, with the difference that the companies are typically at an earlier stage than Buyout funds and the use of debt leverage is lower. The role of Growth funds is to support companies in their growth objectives. Credit funds invest mainly in unlisted corporate loans. In turn, the Special Situations area invests in equity or debt in companies undergoing processes such as transformation, restructuring or reorganization.

Management Business components of revenue

- **Management fees** are recurring revenues that CapMan charges its clients for the management of fund capital and asset management.
- **Carried interest income:** CapMan receives a performance fee on its funds if the returns exceed a specified hurdle rate. Therefore, these are fundamentally rewards for successful investments.
- **Fees from wealth advisory services** mainly include management fees for the properties managed by CapMan's real estate funds and transaction fees for the CapMan Wealth business area.

Revenue development in Management Company business (MEUR)



Source: CapMan

Management Company business 2/8

CapMan currently has ten active PE funds, including four Buyout funds, two Credit funds, three Growth funds and one Special Situations fund. CapMan's target company investments previously also included the Russia investment area. However, the company sold this business in 2019 to the team due to the challenging fundraising and operating environment in Russia and poor investment performance. CapMan has struggled to grow the PE side and assets under management (AUM) have flatlined in recent years. This is due to the reduced size classes of Buyout funds. In Growth, in turn, performance has been strong, and the last fund was closed at a record high.

We estimate that the average management fee for PE funds is a healthy 1.0-1.2%. Investors should note that fee levels vary significantly depending on the size of the investor, the size of the commitments and the profile of the product. In addition to management fees, the funds can provide CapMan with significant carried interest potential if the funds' investment activities are successful. Private equity investments are long-term in nature, typically taking 4-7 years to develop the target companies. The average life cycle of a fund is, therefore, around 10 years (described in more detail on the next page).

Real estate funds

Real estate funds and mandates accounted for 2,967 MEUR of CapMan's assets under management at the end of H1'24. Currently, CapMan manages eight real estate funds and BVK's investment mandate, operating in all key Nordic real estate sectors in Sweden, Finland, Denmark, and Norway.

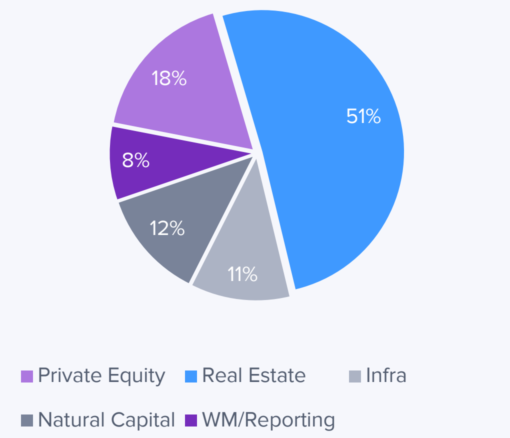
CapMan has succeeded in expanding its real estate product offering in recent years and has introduced several new open-ended real estate funds (Hotels, Residential, Social, Nordic Property Income) alongside the traditional closed-end real estate funds (Nordic Real Estate funds). Real estate has become by far the most important product group for CapMan, accounting for more than half of management fees, according to our estimates. In the short term, however, the company suffers from the headwind in the real estate market, which makes new sales are still challenging in real estate funds.

Fee levels vary significantly between funds and, for example, in the Nordic Real Estate (NRE) funds we estimate the average management fee to be around 1%, while in the BVK mandate we estimate it to be less than 0.5%.

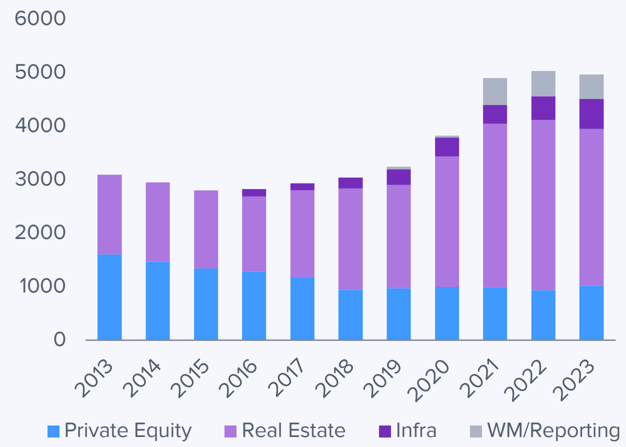
The value creation strategies of CapMan's real estate funds can be roughly divided into two. In the value creation strategies, real estate projects are actively developed by, e.g., changing the intended use. CapMan's Nordic Real Estate fund family represents this strategy.

Income-driven strategies (e.g., Hotels, Residential, Nordic Property Income) focus on the rental cash flows of properties. The latter strategy is more dependent on, e.g., the development of required real estate returns and tenant demand, while in principle, the investment team has more influence on the success of value creation strategies. An estimated more than half of the current capital of CapMan's real estate funds is invested in income-driven strategies.

AUM distribution by product area (H1'24)

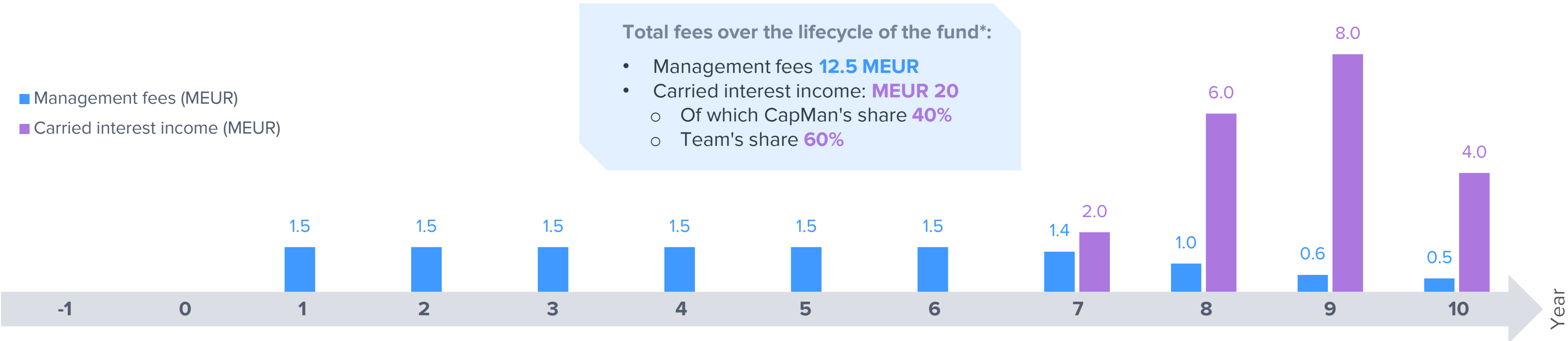


AUM development (MEUR)



Source: CapMan

Typical life cycle of an unlisted closed-end fund



Fundraising
(years 0–1)

- In the first stage, the management company raises the capital to be invested in the fund from investors.
- Third-party sales agents can also be used for fundraising.
- Fundraising can also continue in the early part of the investment phase.

Investment phase
(years 1–3)

- In the investment phase, the capital raised by the fund is allocated to investment targets.
- The funds are quite concentrated and, depending on the type of fund, the number of targets is usually 10-15.
- The final duration of the phase will depend, among other things, on the general market situation and the availability of targets.

Value creation
(years 3–8)

- The value creation of a fund can typically be divided into three channels: 1) operational development of assets, 2) use of leverage, and 3) increases in asset valuation multiples relative to the time of acquisition.
- The increase in valuation multiples is the value driver most dependent on overall market performance. Thus, in times of significant uncertainty, it’s the operational performance of the assets and the use of leverage that will determine the ultimate success of the investment.

Exit
(years 8–10)

- At the end of the fund's lifecycle, the fund sells its investments, for example to an industrial buyer or another investor.
- If the fund's investment activities are successful, the management company receives its share of the profits in the form of performance fees.
- There is, of course, uncertainty about the performance fees, and by no means all funds exceed the hurdle rate.
- The duration of this phase depends, among other things, on the operational development of the targets and the general activity of the market.

**Assumptions: Fund size 100 MEUR, CapMan management fee 1.5%, hurdle rate 8%, IRR 15%, fund's share of return exceeding the hurdle rate 20%.*

Management Company business 3/8

Forest funds

In late 2023, CapMan announced that it would expand into forest funds by acquiring the entire share capital of Dasos Capital. The deal was completed in Q1'24 and Dasos' entire team continued in their previous positions. In connection with the transaction, CapMan established a new investment area – Natural Capital. The investment area currently includes seven funds covering both open and closed alternative funds investing in forest assets. All seven funds were established by Dasos Capital and had 718 MEUR in capital at the end of H1'2

We feel this transaction is an excellent strategic fit for CapMan, as Dasos provides the company with an entirely new investment area and access to an attractive and growing asset class. Because the Dasos team already has a very strong track record, scaling up is much easier and faster than building a new team. In the big picture, CapMan should be able to accelerate Dasos' sales especially in the international investor field while expanding the product portfolio by launching new funds.

Infrastructure funds

The capital managed under Infra established by CapMan in 2017 was 656 MEUR at the end of H1'24. The capital under management consists of CapMan's two infrastructure funds, as well as investment mandates and co-investments.

Fundraising for the first fund was below our expectations and the fund fell well short of its target size of 300 MEUR. We believe that the slower-than-expected fundraising is explained by the fact that this was a completely new product area for CapMan and the fund was the investment team's first. The fundraising in the second fund was more successful and the final fund size as 375 MEUR. Although the fund fell short of its target size of 400 MEUR, we feel the performance was strong in the clearly weakened fundraising market.

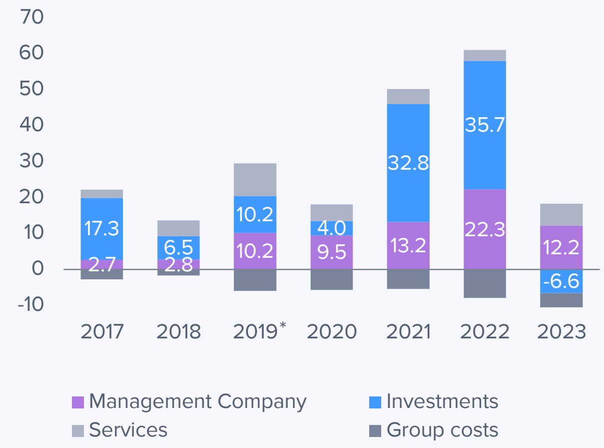
Infra is set to become an increasingly strong pillar for CapMan in the coming years and we believe the company will seek to expand its infrastructure product offering in the coming years. We see clear room for growth in infrastructure products, as the size of the market allows for further increases in fund sizes from current levels.

CapMan Wealth

The CapMan Wealth service area within the Management Company segment focuses on serving high net-worth individuals, smaller institutions and family investment companies. The core of Wealth's service portfolio consists of private equity programs and allocation mandates.

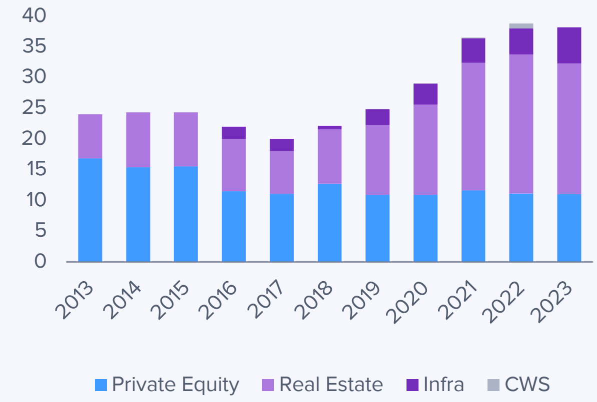
In private equity programs, Wealth invests in selected US mid-cap buyout funds alongside one of the world's largest private equity investors, AlpInvest. In the future, the programs may also include AlpInvest's other types of private equity funds. The programs enable a diversified private equity portfolio for smaller investors than CapMan's typical client, as Wealth's investment programs combine different types of private equity funds. We estimate the number of funds per investment program to be around 8-10.

EBIT development by segment (MEUR)



** Excludes 4.2 MEUR goodwill write-down*

Development of management fees (Inderes' estimate)



Source: CapMan

Management Company business 4/8

The programs also offer domestic investors access to the unlisted market outside the Nordic countries. We estimate that Wealth is particularly targeted at investors with investment assets of around 10-100 MEUR. The first program was launched in 2021 and CapMan has stated that it aims to raise a new program every year. CapMan charges a management fee for these programs, but there is no performance-related component. We estimate that the annual management fee is on average around 0.7% of the AUM.

In addition to capital investment programs, the allocation mandates that are part of Wealth's services stem from JAM Advisors' wealth management business that became part of the Group through an acquisition in 2019. CapMan has since abandoned the other parts of JAM Advisors. In allocation mandates, CapMan carries out the fund selection on behalf of the client. The service is aimed at clients who wish to invest in listed markets either through actively managed funds or passive funds. CapMan constantly monitors and analyses a large number of fund managers, from which it selects the most suitable ones for its clients. The service area also includes advisory wealth management. We estimate that the fee level in both service areas is clearly lower than for Wealth’s capital investment programs.

At the end of H1’24, the capital investment programs had a total of approximately 190 MEUR of client assets under management (reported as part of the private equity investment area's AUM) and approximately 480 MEUR in other Wealth services.

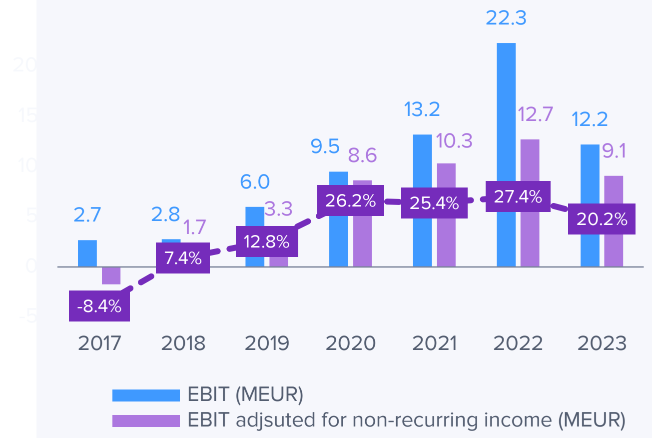
Client base is concentrated in large institutions

CapMan's current and potential client base can be roughly divided into four categories: large institutions, medium-sized institutions, small institutions and wealthy retail clients. We understand that the majority of the company's fund capital under management comes from domestic and foreign institutional investors, which are considered large. For example, pension companies invest in alternative products mainly through third-party funds (such as CapMan). This differs, for example, from the fixed income and equity investments of pension funds, which are typically managed from start to finish by their investment teams. In addition to pension companies, large institutional clients include international investment companies. We understand that these so-called Tier I clients provide the majority of the company's AUM.

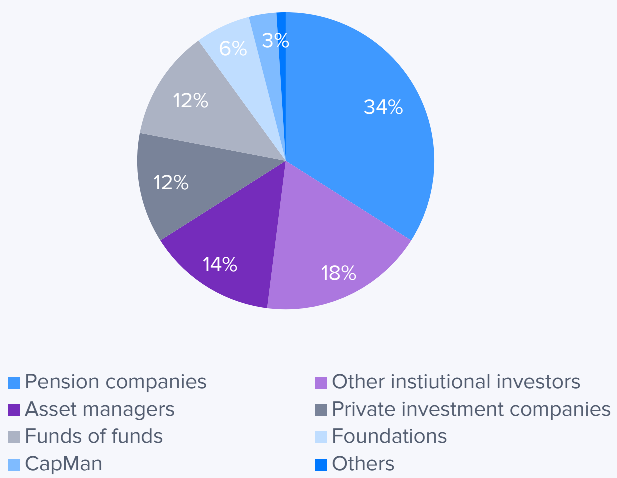
The second important group of clients are medium-sized and small institutional clients (Tier II & Tier III clients), including foundations and smaller pension funds. High net-worth individuals are also a target group for CapMan's Wealth service area.

CapMan does not have many retail investors as clients, and the distribution of products to these clients is handled through partners. In practice, this means one fund (Nordic Property Income) through Nordea. However, this is of little importance for a company of this size.

Profitability development of Management Company business



AUM distribution by investor type



Source: CapMan

Management Company business 5/8

The geographical distribution of the clientele is heavily weighted outside Finland and international clients currently account for clearly over half of the funds' AUM. This share has risen significantly in recent years (share of international customers only ~10% in 2016), and the company itself estimates that around 75% of new sales in the strategy period will be outside the Finnish market. The core fundraising market consists of the Nordic countries and Central Europe.

We estimate that sales of Real Estate and Infra in particular will focus mainly on international markets, while sales of PE and Wealth will concentrate on Finland.

Fund structure reduces the impact of the market

In addition to new sales, changes in value affect the amount and development of the AUM of companies in the industry. Funds can be divided into three categories in this review: 1) traditional open-ended funds (equity, fixed income, combination) whose value is determined on a daily basis on the listed markets, 2) open-ended alternative funds and 3) closed-ended alternative funds.

The assets held in open-ended alternative funds are not subject to continuous public trading. In these, estimates of value development are generally based on international valuation principles but also involve management judgment or discretion of an external valuator in certain respects. As a result, fluctuations in the value of funds are typically more moderate than in the general market. Many of CapMan's real estate and forest funds operate on this principle.

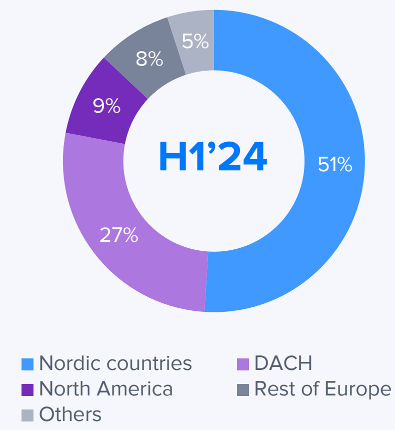
Closed-end alternative funds (e.g., private equity and infra funds) operate for a fixed period (typically 10 years) and it's generally not possible to redeem capital from them. While CapMan and many other operators also calculate fair values for their closed-end alternative funds throughout the lifecycle of the fund, management fees are still linked to the capital raised for the fund. Therefore, general market developments have no impact on the recurring fees of the funds.

We estimate that roughly more than half of CapMan's AUM is in open alternative funds and the rest in closed alternative funds. CapMan doesn't have any traditional fund capital, so the variation in management fees is small and the risk associated with their level comes in practice from the company's new sales, which are of course essentially affected by the performance of the funds in the longer term.

Growth requires strong new sales

The fundraising market that has become more complicated thanks to higher interest rates has slowed down CapMan's new sales in recent years (2021: 830 MEUR vs. 2023: 391 MEUR), but despite the headwinds, the company has managed to raise a relatively decent amount of new fund investments. 2024 has started well in terms of fundraising and CapMan closed its newest Growth 3 fund at its maximum size. The Infra 2 fund also exceeded its predecessor in size.

Geographical distribution of AUM



Source: CapMan H1'24 half-year report

Management Company business 6/8

We estimate that a more challenging fundraising market will slow down the ramp-up of new real estate funds for some time, but consider the outlook to be good, especially within a few years. In the longer term, we are also confident about new sales due to the improved quality of the company's products.

Successful continuous new sales are critical for the company, as the favorable development of fund capital is also a requirement for continued earnings growth.

Significant carried interest income is expected in the coming years

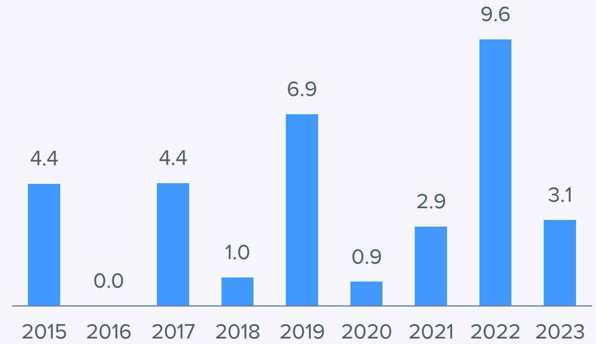
As is typical for private equity, CapMan's own funds include a performance-linked component (carried interest income), which generates significant fees for the management company if the investment is successful. Depending on the type of fund, the typical hurdle rate varies between 7% and 10%, and the company is entitled to carried interest income on annual returns above this.

The carried interest income of CapMan's Management Company business has been relatively modest in recent years (with the exception of 2019) due to the poor performance of the funds following the financial crisis. However, the investment performance of the funds has improved significantly since 2013. Around 40% of funds set up before 2017 exceeded the hurdle rate, while for funds set up since, the figure is already 80% (latest data from the 2022 CMD). Although the very favorable cycle contributed to the rise in return levels, the figures also reflect the company's change in strategy (high revenue in teams, etc.). Currently, the company's own funds Nordic Real Estate, Nest Capital and Growth I are in carry.

We note that the exact timing and amount of carried interest income is impossible to predict due to a number of factors affecting the timing and size of the final divestments. Investors should therefore focus on the longer term when looking at the carried interest income, as CapMan has several funds entering the exit phase between 2025-2027 (e.g., NRE 2, Buyout XI, Infra I). These funds have significant distribution potential due to their strong return development, so in the coming years, the carried interest income will on average be significantly higher than in the previous five-year period.

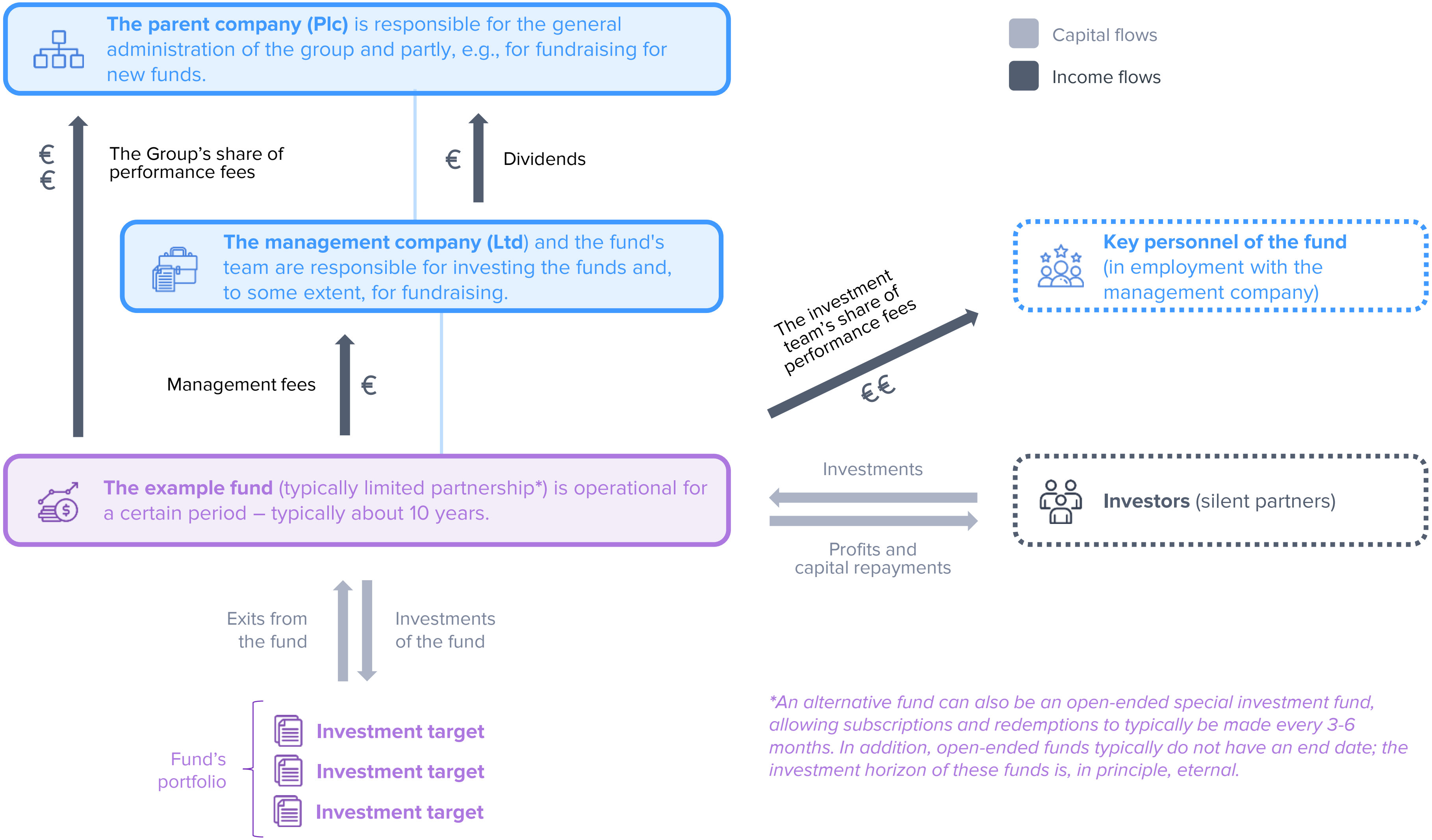
At the same time, variation in performance fees should stabilize somewhat as the company has several funds in operation that reach the end of their life cycle in different years. In addition, the returns of the different strategies aren't fully correlated, which should decrease the year-to-year variation in carried interest income. Nevertheless, the differences between individual years may still be significant.

Development of carried interest income (MEUR)



Source: CapMan

Simplified Management Company business model



*An alternative fund can also be an open-ended special investment fund, allowing subscriptions and redemptions to typically be made every 3-6 months. In addition, open-ended funds typically do not have an end date; the investment horizon of these funds is, in principle, eternal.

Management Company business 7/8

Costs focus on personnel

The cost structure of the Management Company business is quite simple. The largest cost item is personnel expenses, which accounted for about 65% of all segment costs in 2023. We estimate that an average of 130 people worked in the Management Company business last year, and thus average personnel cost was roughly EUR 170,000-180,000 per employee. The level is well above that of Finnish asset manager peers (2023: EUR 150,000 per employee), which is largely explained by the employee distribution, as a large share of CapMan's employees work in the investment activities of funds. In addition, approximately one-third of the personnel work abroad, where the wage level is higher than in Finland.

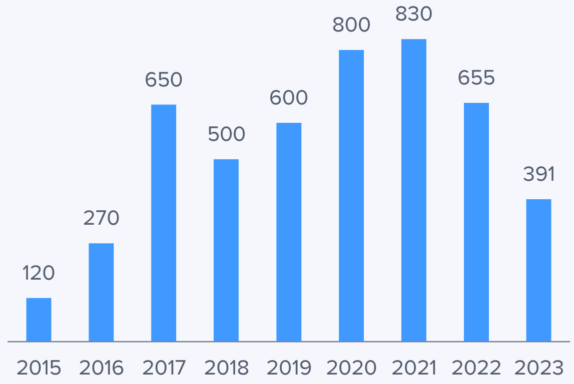
We expect personnel turnover in the Management Company business to remain low, as remuneration structures in closed funds in particular commit personnel and reduce the bargaining power of employees. Based on the figures published by CapMan, employee satisfaction is also at a good level, which naturally reduces turnover. We do not expect a significant change in average personnel costs (personnel cost/employee) in the coming years either. Wage inflationary pressures are also partly curbed by the fact that average personnel costs are already above the current market level. In addition, we believe CapMan's name and good reputation improve the availability of workforce and commits experts. However, the number of employees should increase with the business. The key question in terms of the profitability development of the Management Company business is to what extent AUM growth requires investments in personnel in the future. In terms of this efficiency, the company still has to prove itself in the coming years.

Last year, other expenses accounted for approximately 18% (6.6 MEUR) of the Management Company segment's total expenses and depreciation for some 3% (1.0 MEUR). The segment's share of the Group's overheads (including management salaries and rents) was approximately 6.6 MEUR (13% of segment expenses). We see no material upward pressure in other expenses and expect them to grow at a slower pace than revenue in the future.

The cost structure can still be improved

The cost structure of CapMan's Management Company business was heavy in the early 2010s and, therefore, its profitability that is based on recurring revenues was weak. However, with the reorganization and restructuring of 2013-2015, the cost level was clearly cut and since the strategy reform in 2017, the company has undergone a significant transformation. As a result, profitability based on recurring income from the Management Company business has also improved clearly. In 2017, the EBIT adjusted for carried interest income was only about 7%, while the average level for 2020-2023 was already around 25%. So far, the performance improvement in the Management Company business has come from improved efficiency in administrative costs and other overheads, while the scalability of personnel costs has been quite modest.

New sales of funds (MEUR)



Source: CapMan

Management Company business 8/8

However, profitability based on recurring income is still below the company's target level and in our view, the Management Company business has yet to show its full profitability potential. In particular, growth in wage costs has consistently outpaced our expectations and partly overshadowed the growth in performance fees. In addition to growing management fees, the scaling of personnel costs is a key variable affecting profitability when assessing performance based on recurring fees.

In the company's targets, in addition to recurring fees from the Management Company business, recurring fees include the revenue from the services business. Thus, this figure is slightly outdated, as CapMan announced that it would divest its Service business at the end of October 2024.

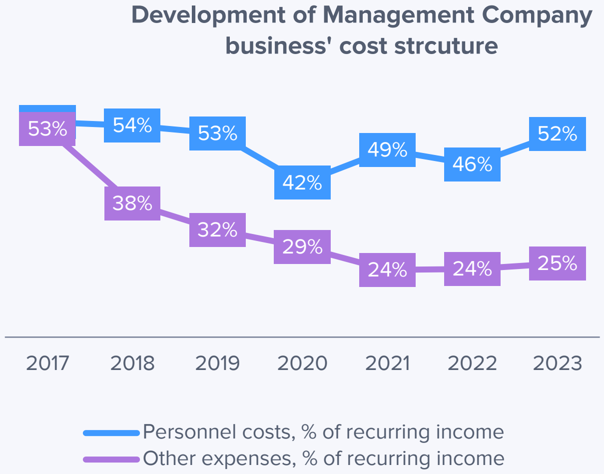
However, the targeted profitability level of the Management Company business alone can be gauged from the company's past outputs. At the 2022 CMD, CapMan estimated that the EBIT margin based on the recurring fees of the Management Company business is capped at approximately 40%. This level can be achieved once the investment area has reached maturity, which, in practice, means that the investment area has set up at least five funds. At that time, CapMan also estimated that by the end of 2026 only its real estate fund business will have reached this point, while infra, private equity and credit businesses are still in the development phase. Therefore, we believe our profitability forecasts are reasonably in line with CapMan's own estimates. We currently consider an EBIT margin of approximately 30% to be a realistic level for the Management Company business for the current target period (2024-2027).

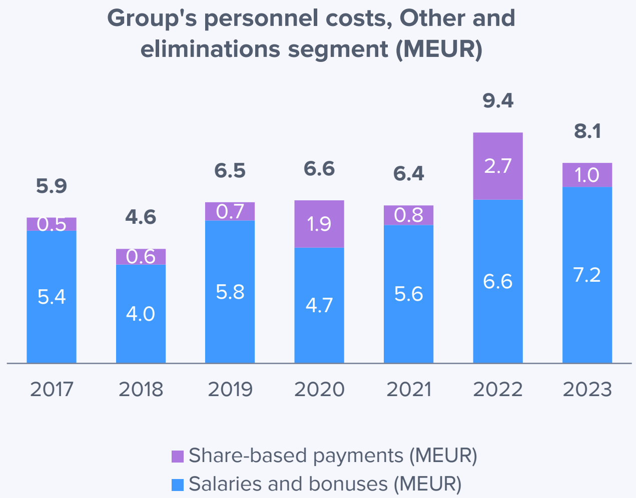
Investors should also note that carried interest income is a significant source of income for CapMan. Considering carried interest income, the company's profitability potential is clearly higher than the business based on recurring fees.

In connection with the divestment of its Service business, CapMan announced that it will host a CMD in spring 2025 when we expect the company to also update its financial targets for the Management Company business' profitability.

Group expenses (Other and eliminations)

CapMan reports part of Group expenses in the Other and eliminations segment. These expenses include, e.g., management salaries and the proportion of the Group's overheads that are not allocated to the businesses. In recent years, the segment's cost level has been 6-8 MEUR, mainly consisting of salary costs. We estimate that most of the expenses are fixed by nature, but the management's share-based incentive payments cause annual fluctuations. The amount of share bonuses affecting earnings has fluctuated between 0.5-2.7 MEUR in 2017-2023.





Source: CapMan

Summary of CapMan's funds

Private equity funds	Established	Raised (MEUR)	Carried interest income	IRR-%*
CapMan Buyout VIII	2006	440	Will not reach	< 8%
CapMan Buyout IX	2009	295	Will not reach	< 8%
CapMan Buyout X	2013	244	Will possibly reach	~8%
CapMan Growth I	2017	86	In carry	>20%
CapMan Buyout XI	2019	190	Will probably reach	10–15%
CapMan Growth II	2020	97	In investment phase	-
CapMan Special Situations	2021	70	In investment phase	-
CapMan Growth III	2024	130	In investment phase	-
Debt funds				
Nest Capital 2015	2016	100	In carry	5–10%
Nest Capital III Fund	2021	82	In investment phase	-
Real estate funds				
CapMan Nordic Real Estate I	2013	273	In carry	~10%
Kokoelmakeskus	2016	47	Will probably reach	>8%
CapMan Nordic Property Income	2017	119	Open-ended fund	-
CapMan Nordic Real Estate II	2017	425	Will probably reach	>10%
CapMan Hotels II	2019	392	Open-ended fund	-
CapMan Nordic Real Estate III	2020	564	In investment phase	-
CapMan Residential Fund	2021	300	Open-ended fund	-
CapMan Social Real Estate	2024	-	In fundraising	-
Forest funds				
Dasos Timerland Fund I	2009	-	Full carried inetrest income to team	-
Dasos Timerland Fund II	2014	-	Full carried inetrest income to team	-
The Foraois Ltd Partnership	2016	-	Full carried inetrest income to team	-
Dasos FS Partnership	-	-	Full carried inetrest income to team	-
Dasos LT Partnership	-	-	Full carried inetrest income to team	-
Dasos Habitat Fund Ky	2019	-	Full carried inetrest income to team	-
Dasos Sustainable Forest and Wood III	2021	-	Open-ended fund	-
Infra funds				
CapMan Nordic Infrastructure I	2018	190	Will probably reach	>10%
CapMan Nordic Infrastructure II	2022	375	In investment phase	-

** Inderes' estimate*

Investment business 1/2

Balance sheet investments play a key role in CapMan's business and own balance sheet investments have accounted for the majority of the group's total results in recent years. In line with its strategy, CapMan invests mainly in its own funds, so the result of the investment business is strongly linked to the Management Company business.

The structure of the portfolio

At the end of H1'24, roughly 107 MEUR (~66%) of CapMan's investment assets were invested in the company's own funds. Other fund investments in the investment portfolio (some 54 MEUR) consist mainly of investments in external private equity funds.

In its previous strategy period, CapMan had to act as an anchor investor in almost all of its new funds to strengthen investor confidence as it underwent a major transformation and reorganized its investment teams. For example, for the Buyout XI and Infra I funds, CapMan had to make investment commitments of more than 30 MEUR, well above the company's own long-term target level (1-5% of the fund). Even though newer fund categories still require significant investment commitments, balance sheet investments do not play such an important role in the overall context. For example, in new real estate funds, we estimate that CapMan's share is only about 1%. As a result, we expect the investment portfolio to grow more slowly than the AUM in the future.

CapMan used to have a significant portfolio of listed equities on its balance sheet that came with the Norvestia acquisition (2017: 77.1 MEUR). However, in line with its strategy, the company has sold off holdings in its trading portfolio and allocated the proceeds mainly to its own funds.

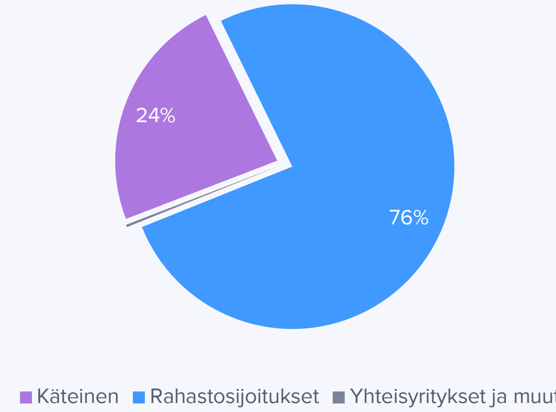
At the end of H1'24, CapMan had cash assets and other liquid assets worth around 50 MEUR. The relatively high cash weight is explained, e.g., by the company's large investment commitments (H1'24: some 80 MEUR) in its own funds.

We expect a return of about 11% for the portfolio

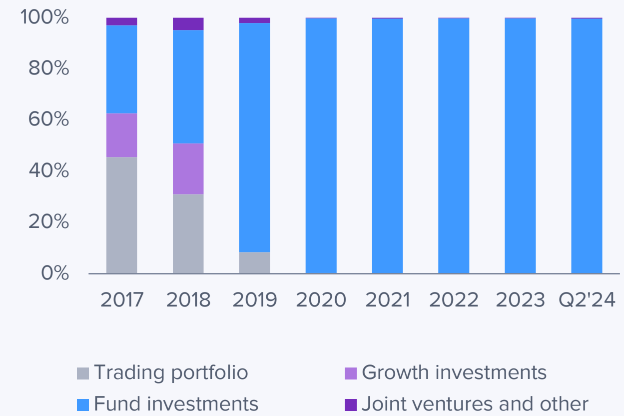
PE funds have the highest value creation potential in CapMan's investment portfolio, and the company's own target is to achieve an annual return of 15% for these funds. At the other end of the scale are infra funds, forest funds and lower yielding real estate funds, where we believe the target annual return is around 7-10%. We don't take cash weight into account in our calculations, so we only look at the expected return on invested capital.

The company's own target range for annual investment returns is thus 10-15%. However, we expect that CapMan's investment performance remains at an average annual return of around 11% over the estimate period, which is at the lower end of the target range set at the 2022 CMD. However, we believe our conservative view is justified, especially in the current environment, where valuation levels have risen sharply across asset classes in recent years. In addition, the distribution of investments will focus more strongly on infra and forest funds, whose return potential is lower than CapMan's other asset classes. Since 2016, the average annual change in the fair value of CapMan's investment portfolio has been around 11%.

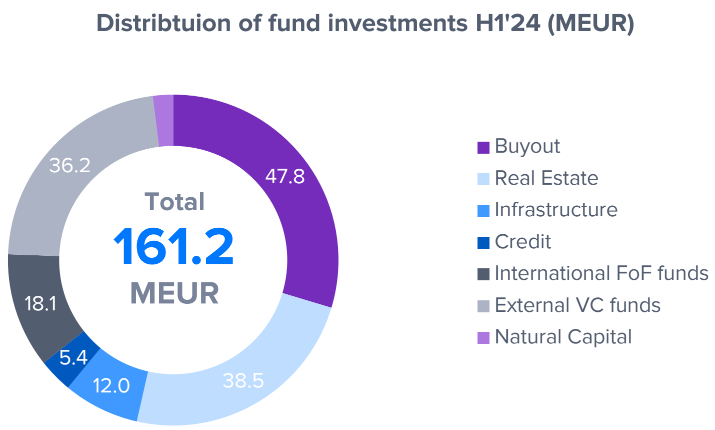
Distribution of the investment portfolio (H1'24)

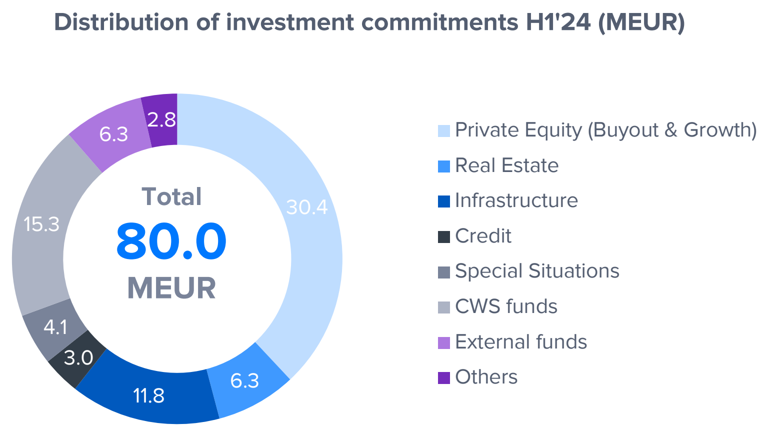


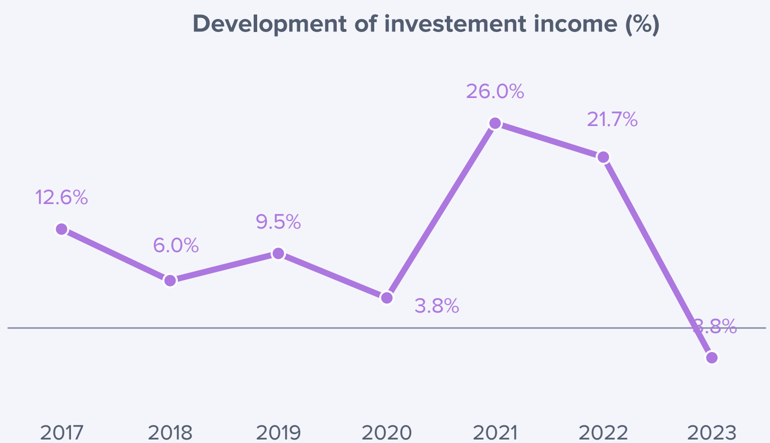
Allocation development of investment portfolio (excl. cash)

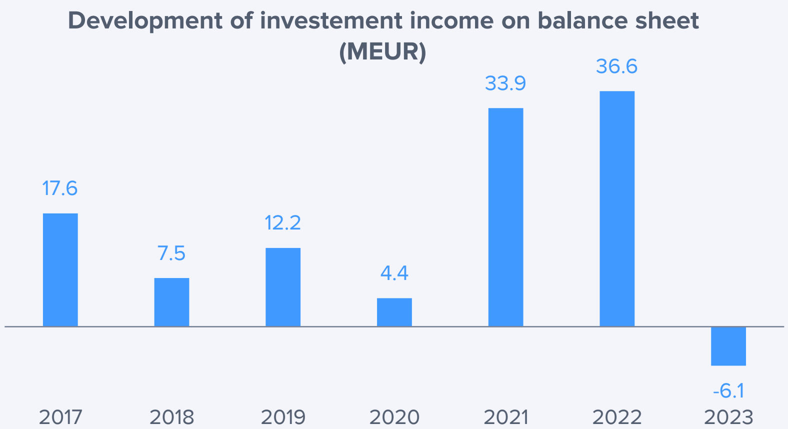


Investment business 2/2









Business model summary

MANAGEMENT COMPANY BUSINESS

INVESTMENTS

Own balance sheet

Broad capital base

- International investors
- Nordic Tier I investors
- Nordic Tier II and Tier III investors

Investments in own funds and other non-listed assets

New products with different fund structures

- Open-ended funds
- Closed-ended funds
- Mandates and club deals

Cash flow from investments

Changes in fair value

A wide range of non-listed assets

Active value creation through different strategies

CapMan PRIVATE EQUITY AND CREDIT	CapMan REAL ESTATE	CapMan INFRA	CapMan NATURAL CAPITAL	CapMan WEALTH
Buyout funds	Value add funds (Nordic Real Estate)	Infra funds	Forest funds	Private equity programs
Growth funds	Residential	Mandates		
Credit funds	Income			Allocation mandates
Special Situations fund	Social; Hotels			

CapMan's earnings consist of fees received from fund management, as well as balance sheet investment activities

Management fees to CapMan

Carried interest income to CapMan

Services

CapMan's Service segment currently consists of the procurement company CaPS, the divestment of which CapMan announced in October 2024. So, the Service business is part of the Group's reporting for the last time this year. Even though the Service business is no longer relevant for the future, in this section, we briefly review the segment's history to allow investors to better interpret CapMan's historical performance and profitability.

CaPS (CapMan Procurement Services)

Founded in 2009, CaPS is a procurement service company responsible for centralizing the non-strategic procurement of products and services for its more than 300 member companies. CaPS puts its member companies' purchases out to tender as large entities to achieve savings for its customers through economies of scale. In addition, CaPS offers digital tools like a reporting tool and an employee benefit program. CaPS has operations in Finland, Sweden and the Baltics, where the company announced that it would expand in 2020 through a joint venture with private equity investor BaltCap. CaPS currently employs 13 people and had a revenue of around 10.6 MEUR in 2023 corresponding to around 18% of CapMan's entire revenue. CapMan's holding of the company before the business divestment was 93%.

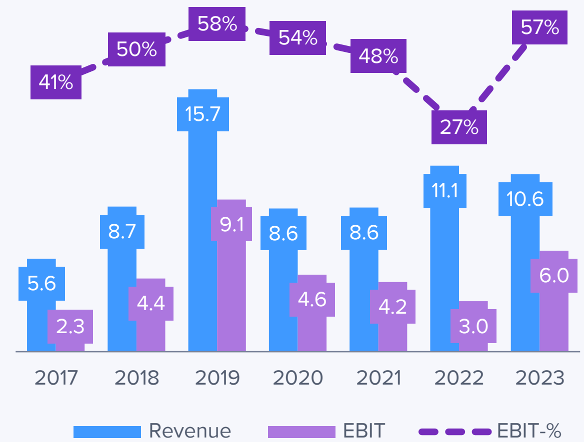
Caps has developed very well in recent years and has been the most significant growth engine in the Services segment. The company's average annual revenue growth rate has been approximately 17% over the past 10 years. CaPS has been the most valuable part of CapMan's services business due to the continuous nature of its business and its high profitability profile (normalized EBIT margin of around 60-70%).

CapMan received a debt-free price of 75 MEUR for its Service business, which we consider rather modest considering the company's historical development. However, the transaction sharpens CapMan's strategy, as the company focuses purely on the fund and asset management business. The majority of CaPS's customer base consists of customers outside of CapMan, so there has been no significant link to the Management Company business in recent years. In connection with the transaction, CapMan will record a significant one-off return in its 2024 result.

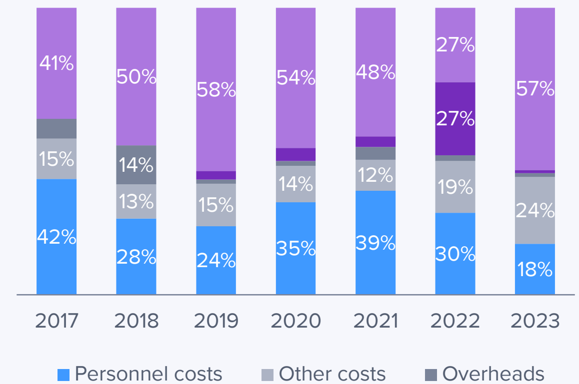
Reporting services were divested earlier

Previously, the Service segment also included the business of JAY Solutions, which provides reporting services (previously JAM Advisors). However, in February 2023, CapMan sold JAY Solutions to the Swedish investment company Bas Invest AB, leaving the asset management business included in the JAM Advisors transaction as part of the Wealth business area. We found the transaction logical, as CapMan was not the optimal home for JAY. The overall significance of the divestment was quite small compared to the highly profitable CaPS, with JAY accounting for only about 19% of the segment's revenue. The business was also loss-making. The deal price was 8.5 MEUR (incl. an additional consideration of 0.5 MEUR), which we consider quite neutral. In connection with the transaction, CapMan made a write-down of 2.6 MEUR in its 2022 result.

Revenue and profitability development in Services (MEUR)



Cost structure of Services



Strategy and financial targets 1/3

The financial targets are ambitious

The growth of the Management Company and Services businesses is central to CapMan's investment story, as growth in recurring revenues is a prerequisite for sustainable profit improvement in the Management Company business. On the other hand, it should be noted that the growth target is somewhat obsolete as the company exits from the Service business later this year. We expect the company to set growth and profitability targets for the Management Company business alone in connection with the CMD in 2025. In any case, growth in line with the target level requires not only strong new sales but also maintaining the current price level of funds.

Doubling assets under management to 10 BNEUR over the strategy period requires over 15% annual growth in capital. We find the target very ambitious, as although the company reached a similar level in its previous strategy period (average 2017-2021: +15%), this requires a clear acceleration of new sales as the comparison figures increase. Success in new sales, on the other hand, depends on the company's ability to offer its customers competitive products and returns. The performance level of CapMan's funds has clearly improved and most of the funds established since 2013 have performed well for investors. In addition, the company has continued to expand its product range and investor base, which means AUM is well placed to continue to grow significantly in the future. However, our estimates are below the company's targets, as the acceleration of new sales would probably require not only strong performance from the company but also traction from the market.

The ROE target is challenging with the current business structure, as the divestment of the highly profitable Service business decreases the return on capital. Although this level is possible, it would require a strong contribution from all three performance components (Management Company business, investment income and carried interest). In recent years, CapMan has missed the target (average 2018-2023: 13.6%) mainly due to weak carried interest income.

The equity ratio was 51% at the end of H1'24, in line with the company's target of over 50%. The company cut its target from 60% to 50% in the CMD in the fall of 2022. The new target gives the company a little more room for maneuver on its balance sheet, but in the big picture, the balance sheet is still rather strong. Maintaining a sufficient level of equity and liquidity is justified, as CapMan has significant investment commitments in its funds, and earnings and cash flows also fluctuate considerably with the investment income.

CapMan updated **its profit distribution policy** last year. According to the new policy, the company intends to distribute at least 70% of the profit for the financial year less changes in the fair value as dividends. In addition, the company can distribute an additional dividend from investment income. With the change, profit distribution is more in line with cash flows from operating activities, which prevents liquidity challenges from arising. The company does not have significant investment needs next to its investment commitments. However, the amount of dividends may vary significantly between financial years depending on the timing of the cash flows from investment income. We discuss the potential uses of the funds from the Service business in more detail in the forecast section of the report.

Financial targets

CapMan's financial objectives 2022-2027:

- Growth of Management Company and Service businesses **>15% p.a.**
- Profitability based on recurring fees from the Management Company and Service businesses **>40%**
- AUM **+10 BNEUR**
- Return on equity **>20 %**
- Equity ratio **>50 %**
- Dividend target of at least **70%** of the profit for the period less changes in fair value

Inderes' estimates 2024-2027e:

- Increase in management fees: **8% p.a.**
- AUM at the end of 2027: **~7.6 BNEUR**
- Average return on equity: **14%**
- Average equity ratio: **58%**

The recording of the CMD can be viewed at the link below:

Strategy and financial targets 2/3

The cornerstones of CapMan's current strategy and their link to value creation

Excellent investment returns

Wider investor base

New products and increasing product sizes

Improving cost-efficiency

Value driver 1: **Income growth**

- CapMan's most important single value driver is the level of return of funds, as it increases the investment income and return-linked fees in the income statement (direct impact) and, in the longer term, recurring fees for the Management Company business through new sales (indirect impact). The polarization between good and bad companies will continue, so CapMan must take its place among the best asset managers. The company's biggest burden of proof is in Private Equity and Infra, as the current Real Estate and Forest Fund teams already have a strong track record. However, the lack of up-to-date reporting makes it difficult to estimate the return levels from outside of the company.
- The key for management fee growth in the coming years is scaling of existing product areas and new products. In particular, increasing fund sizes is essential for earnings growth, as it improves product-specific profitability. This is because, as funds grow, management fees should increase more quickly than overheads and staff requirements. A thought-out expansion of the product supply is also still justified. A higher product volume also offsets the rather cyclical carried interest income.
- We feel the international focus in sales is the right solution, as it is difficult to scale up products with domestic capital alone. In Finland, the focus is on smaller institutions and wealthy individuals through Wealth. This is a relatively new field for CapMan and there is still uncertainty about its success.
- CapMan can also increase its profits through acquisitions. We discuss these in more detail on page 25.

Value driver 2: **Increasing profitability**

- Historically, CapMan's cost efficiency has been weak but since 2020, the development has been clearly better. However, a substantial improvement in profitability from the current level based on recurring fees from the Management Company business requires a strong increase in income.
- With investment income at the core of the business, CapMan's ability to acquire expertise becomes emphasized. The weakness of the business model is the high personnel intensity and high salaries for investment professionals. However, the need for staff should grow more slowly than the funds under management and fee income, although robust evidence of scalability is still lacking. The background engine should also be able to run a more extensive business, which offers scalability potential.
- The third value driver, investment efficiency, is not very relevant for CapMan, as the investment needs of the business are low and regulation does not impose restrictions on solvency. Thus, the company can distribute the majority of its profits to its owners in the form of dividends. However, CapMan has a fair amount of interest-bearing debt and investment commitments, so it must maintain an adequate buffer of liquid assets.

Strategy and financial targets 3/3

CapMan

The returns of funds managed by CapMan are at the core of long-term value creation

Good returns from funds

Satisfied investors

Strong new sales and increased AUM

Earnings growth based on recurring fees form the Management Company business

Higher potential for carried interest income as fund sizes increase

Investment income in the balance sheet

Carried interest income from funds

Acquisitions as part of the growth strategy

Strong track record of creating shareholder value

Acquisitions are an essential part of CapMan's growth strategy, and management has openly expressed their interest in transactions when suitable targets are found. We find the company's target of 10 BNEUR AUM by the end of 2027 overly ambitious organically, so we consider new acquisitions very possible also after the Dasos Capital acquisition.

We believe the consolidation in the Finnish financial sector will continue as rapid and we still see a need for reorganization in the market. Small fund management companies and asset managers, for whom the increasing regulation and reporting requirements create too high a cost and investment need relative to the size of their operations are in the most difficult situation. The biggest challenges for the transactions are probably the different views of business values, the division of management positions in the new company and cultural factors. In the longer term, however, M&A offers CapMan an interesting opportunity for value creation.

We feel the logical targets for CapMan would be specialized product houses, whose expertise the company could scale using its own sales engine. We do not rule out the possibility of the company being part of a larger, probably domestic, financial conglomerate either.

Specialized product houses

We believe the most logical path for CapMan's expansion through acquisitions would be to expand the product offering by acquiring individual investment teams. In this type of acquisition, CapMan can accelerate the growth of the acquisition target by expanding its distribution through its own sales channels to international investors. This is because smaller local fund management companies may not have the resources to sell their products to large international investors, as this requires a credible brand (such as CapMan), as well as a sufficient back office for, e.g., due diligence and reporting requirements for potential investors.

An example of such a transaction is the Dasos Capital acquisition carried out this year. This gave CapMan an entirely new investment area and access to an interesting and growing asset class. The transaction does not provide significant cost synergies, but CapMan is well positioned to accelerate growth.

In terms of the future, an interesting gap in CapMan's product portfolio is at least energy. Among domestic players, e.g., Taaleri's Renewable Energy fund business could be suitable for CapMan, as the funds have been very successful and the team is fairly large even on a European scale. However, the transition would require major changes in Taaleri's strategy, as Energy is at the heart of the company's current business.

In addition, expanding the debt side with an acquisition could be a realistic option, as the current Credit business is small in size and slow to scale up organically.

A product house may well, even probably, be found in other Nordic countries, but we don't know the players in these markets well enough to guess at individual names.

Major mergers

We understand that CapMan is also open to larger merger arrangements. Among domestic players, CapMan would be an interesting partner, e.g., for eQ and Evli. In addition, a merger with Taaleri could make sense, although it would require the separation of Garantia into a separate listed company. Naturally, CapMan could also find interesting partners in other Nordic countries with which to take the new company to the next size.

To our understanding, CapMan's owners have no particular emotional attachment to the company and a potential takeover bid for CapMan's shares would be based purely on shareholder value. We think the most likely buyer would be a foreign entity that would like to expand into the Nordic countries, as it is difficult for us to find domestic buyers for CapMan.

Expanding the investor base

We do not see any relevant acquisition targets for the company in Finland for expanding the investor base, so our eyes are automatically turned to the other Nordic countries. However, we feel the value creation logic of these types of transactions is questionable, so we consider it rather unlikely that the investor base would be expanded with an acquisition.

Asset management market 1/8

In the last 20 years, the non-listed asset market has grown exponentially, with the market cap becoming over tenfold since 1999. Global alternative investment data service Preqin estimates the global market size of unlisted assets to have been around 13,100 BNUSD in June 2023. Although unlisted assets have grown exceptionally fast over the past two decades, they are expected to continue to grow strongly also in the future.

In recent years, capital has been channeled to non-listed asset classes, especially because of the long-standing zero interest rate environment and the willingness of investors to seek income sources that do not correlate with the stock market. Although this trend has weakened, at least temporarily, thanks to the return of interest income, alternative asset classes have established themselves as one of the pillars of a diversified portfolio. In 2023, about 27% of the capital of international institutional investors was made up of unlisted asset classes, compared to 10 years ago, when the share was about 10 percentage points lower (source: CEM Benchmarking).

In the short term, the demand outlook has weakened somewhat for real estate, private equity and infrastructure investments but demand has remained strong, e.g., in unlisted debt investments and forest products.

Private equity

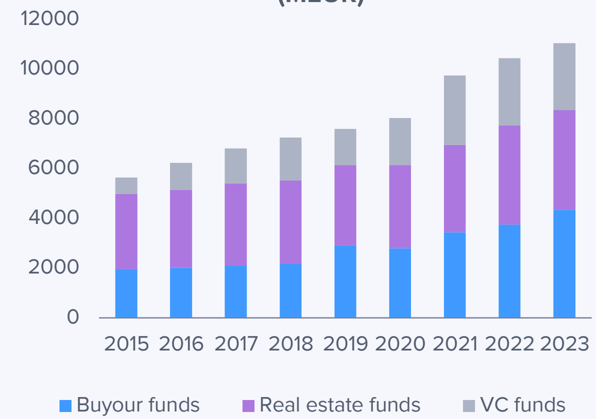
The role of private equity funds as part of institutional investors' portfolios has grown in recent years and many investors have enjoyed excellent returns. For example, over the past 10 years, PE investments in Finnish occupational pension funds have returned an average of 15.2% per year, compared to an annual return of 9.7% for equity investments over the same period.

Private equity investments raised a huge amount of new capital to invest during the zero interest rate period. The massive capital influx has intensified competition between PE funds for good investment opportunities, which according to the consulting house McKinsey, has also, for example, been reflected in valuation levels for buyout transactions. Higher valuation levels have also been reflected in the leverage of PE funds, which in 2021 already rose above pre-financial crisis levels. These factors have contributed to the excellent performance of funds over the past decade.

Like other alternative products, the sale of PE funds has suffered somewhat from the market situation in recent years. In 2023, fundraising dropped to its lowest level in five years (source: McKinsey). In the same year, the valuation levels of buyout transactions started to decline for the first time in a decade, which, together with higher financing costs, significantly reduced the use of leverage in PE funds.

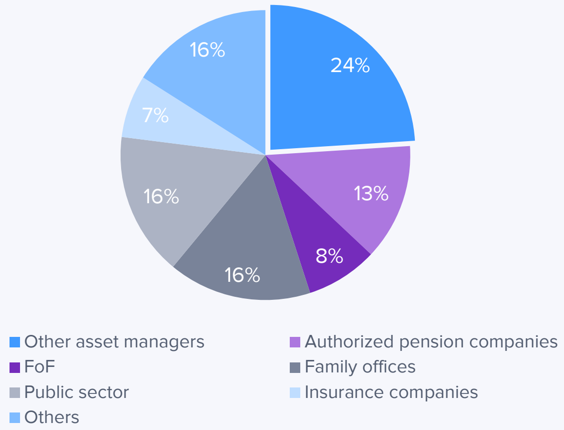
Historically, the returns of PE funds have been heavily dependent on leverage, and according to McKinsey, in 2010-2021, leverage accounted for up to 50% of buyout transaction proceeds. We believe the development between good and bad funds will become more polarized in the next few years, as the rise in risk-free interest rates increases the alternative costs of investments

Alternative fund capital in Finland (MEUR)



Source: Bank of Finland

Distribution of Buyout & Growth fund by type of investor (2022)



Source: Finnish Venture Capital Association

Asset management market 2/8

However, PE funds at the investment stage still have a huge amount of capital to invest, which should help to keep the market active. Overall, we continue to see a bright long-term demand outlook for PE funds, as we expect investors to increase their allocation to these funds along with other alternative asset classes.

Nordic real estate market

The Nordic real estate investment market grew strongly over the past decade. Like other alternative investments, the market growth was supported by historically low interest rates, which made real estate a more attractive investment in recent years. No reasonable returns were available in the interest rate market and investors' assets moved to real estate, which is seen as relatively safe, which also pushed up asset prices. Thus, the zero interest rate environment increased investor demand for real estate and lowered their return requirements.

After an exceptionally bustling decade, high inflation and rising capital costs significantly slowed down real estate transaction activity. The difference between real estate return requirements and the risk-free interest rate narrowed, which put pressure on real estate valuation levels. According to Colliers, transaction volumes in the Nordic real estate market fell to the lowest level in a decade last year.

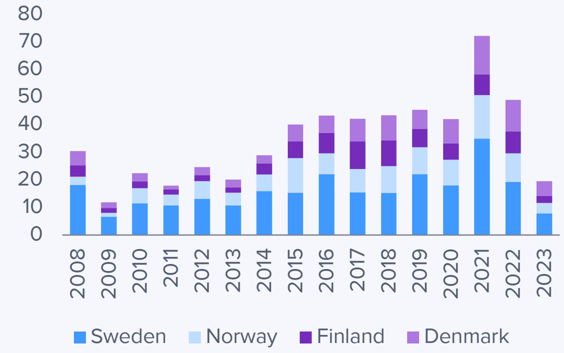
Short-term risks are still elevated

In the Nordic real estate market, the majority of transaction volume is investor-driven, creating a link between transaction activity and investor demand, which is essential for CapMan. This year, activity in the Nordic market has shown signs of a slow pick-up and transaction volumes have risen from the previous year. However, there are quite large differences between the countries, and, e.g., in Finland activity was quite subdued in the first half of the year.

We believe the worst is behind in terms in the value drop of real estate and the peak of the return requirements has probably been reached. For the rest of the year, we see realistic preconditions for real estate transaction activity to gradually start picking up as the general market situation improves and interest rates continue to decline. At the same time, demand for real estate funds should normalize, even if a return to the zero interest rate demand environment is not expected. The fund market should also be supported by the fact that direct real estate investments have become less attractive to investors. However, for many investors, the real estate allocation has temporarily risen above the desired level, which has hampered fundraising.

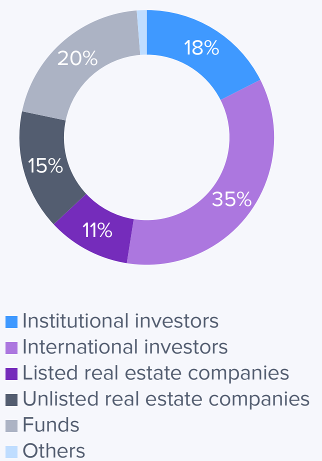
Even though weaker macroeconomics may keep investment demand subdued, especially in the short term, we still see real estate investments as a key part of investment allocation. For example, Preqin expects the AUM of real estate funds to grow at an average annual rate of more than 10% over the next five years, despite the slowdown in fundraising. We believe that the long-term outlook for real estate funds remains good, although the near-term risks for AUM development are still elevated.

Real estate transaction volumes in the Nordic countries (BNEUR)



Source: Colliers

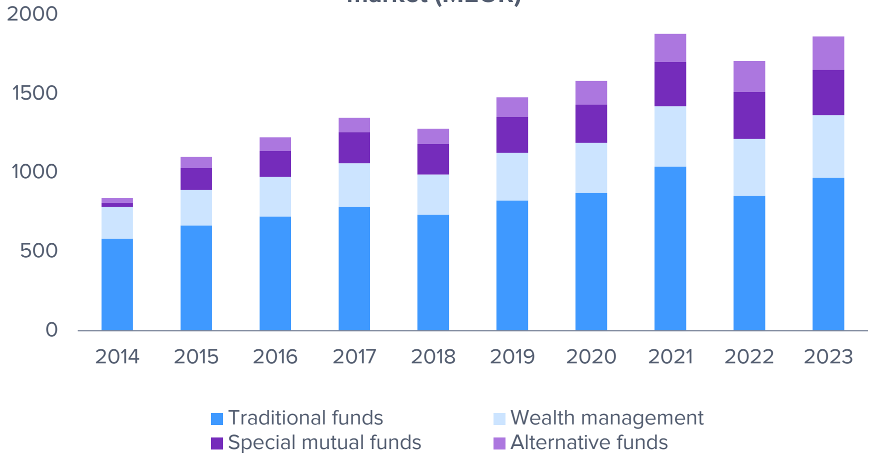
Investors distribution on the Finnish real estate market (2023)



Source: KTI Finnish Property Market Report 2024

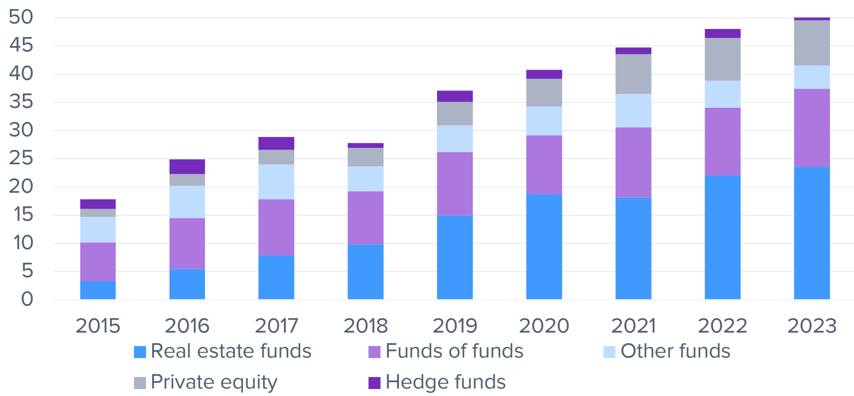
Asset management market 3/8

Revenue development of the Finnish asset managment market (MEUR)



Source: Inderes' estimate

Capital of domestic alternative funds and special investment funds (BNEUR)



Source: Finnish Financial Supervisory Authority / Finnish Investment Survey

Asset management market drivers

- Wealth creation
- Will to prepare
- Need for professional asset management

- Inheritance
- Concerns about the pension system
- Increasing complexity of the capital markets
- Wealth, for example, through acquisitions
- Increased awareness of investing
- More and more people have access to professional wealth management

Strong structural growth trends in the asset management market

Asset management market 4/8 – industry trends

Sustainability (ESG)

Responsibility has become a key part of the investment process as investors increasingly want to have an impact with their capital. Sustainability has already become a central theme guiding investment decisions and a significant standard for the entire industry.

A renaissance for interest rates

After nearly a decade of low interest rates, interest rates have risen sharply, making a return as a relevant asset class.

Digitalization

Digitalization enables a more efficient service for new customer groups and a significant improvement in efficiency in the companies' internal operations.

Increasing regulations

The increasing number of regulations grows the administrative burden of the field and weakens the position of small players in particular In addition to the small players, the regulations hit banks hard

Evolving needs of investors

Unlisted asset classes have become part of a modern investment portfolio	Interest rate products have again become a relevant asset class	Sustainability has become a guiding theme for investment decisions
Investors are looking for more and more individual wealth management	The requirements for asset managers increase as the role of alternatives grows in investment portfolios	Regulation, digitalization and ESG raise the barrier to entry

Investors' requirements are growing

Passive investment products are growing in demand because of their superior cost/profit ratio	The price pressure faced by traditional asset management will continue and fee levels will fall	Wealth managers must find ways to generate genuine additional value to their customers to keep up with the competition

Asset management market 5/8 – industry trends

Victory march of alternative assets

The share of active funds in the AUM has decreased, particularly as a result of passive and non-listed products growing in popularity

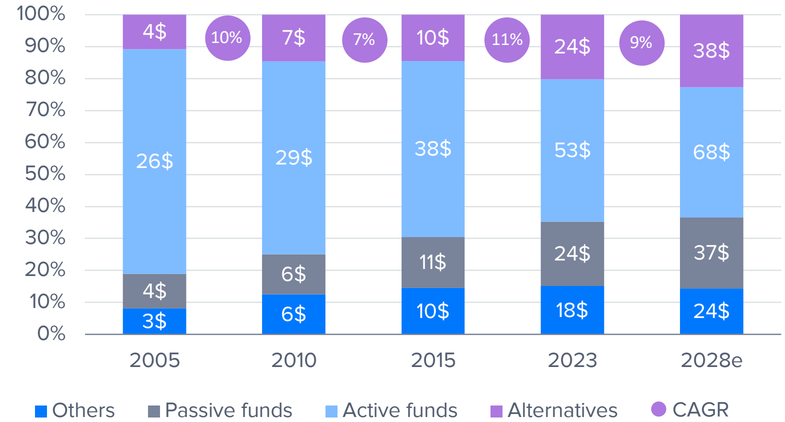
In the big picture, passive products are not a significant source of income for investment service companies due to low fee levels, although they account for a significant share of total assets

The average fee levels for active investment funds have fallen clearly

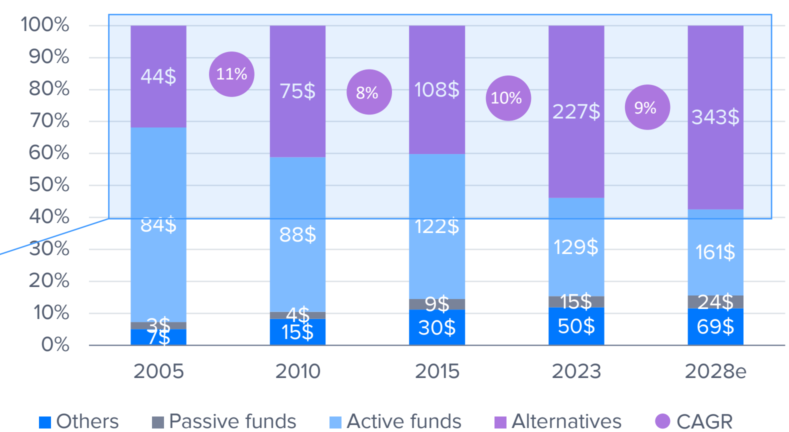
The fee levels of alternative assets are significantly better than for traditional funds

The share of alternative assets of global fee and commission income has risen to over half

Global AUM distribution (BNUSD)



Global revenure distribution (BNUSD)



Source: BCG Global Asset Management 2024

Asset management market 6/8 – industry trends

Investment income in a critical role

Investment assets play a pivotal role in the Finnish pension system and the sustainability of the system depends to a large extent on the long-term returns of pension assets. According to the calculations of the Finnish Center for Pensions, private sector employment pension contributions can be kept under control until the 2050s, provided that the underlying assumptions (real return 2.5% per year until 2028 and then 3.5% per year until 2050) are correct.

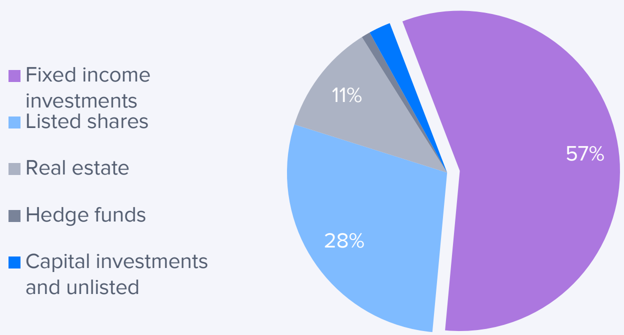
Increasing risk-taking

With the decline in interest rates, pension companies have increasingly had to seek out non-traditional investments and face different and higher risks. This has significantly decreased the weight of fixed income investments in the portfolio.

Sustainability gap is threatening

The fall in real interest rate levels seems to be more permanent than was expected a few years ago. At the same time, the population is aging, which will continue to increase the pressure on raising pension contributions. In light of recent developments and discussions, the share of stocks and alternative investments in the portfolios of pension companies will continue to grow as one of the means to address these challenges.

Allocation of authorized pension providers 2004



Allocation of authorized pension providers 2019

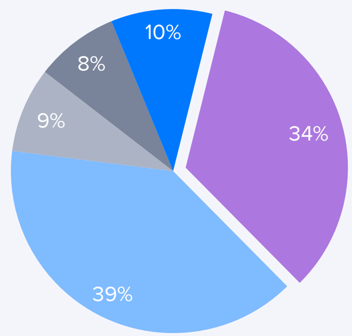
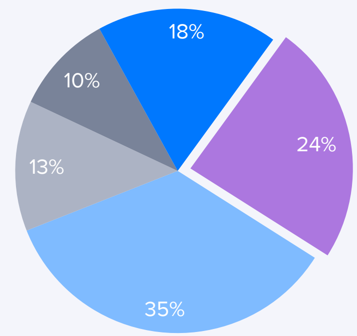


Illustration of possible allocation of authorized pension providers 2029*



Source: Tela, Inderes

Asset management market 7/8 – competitive landscape

Structure of the Finnish asset management market by client size and product positioning

Source: Inderes

Asset management market 8/8 – consolidation expected in the industry

Wealth management competition

Banks: Nordea, OP, S-Pankki, Ålandsbanken, SEB, Aktia, Danske Bank, OmaSp (Lähellä ja läsnä)

Medium-sized investment service companies: Mandatum, Evli, CapMan, LähiTapiola, UB (United Bankers), Taaleri, Titanium, eQ, Alexandria

Small investment service companies: IceCapital, Fourton, Finlandia, PYN (PYN Elite), Fondita

Consolidation drivers

Trends

Digitalization	Regulation
Return of interest rates	Alternative asset classes
Sustainability (ESG)	

Sales synergies	**Cost synergies**
Growing the product and service range	IT costs
Increasing distribution capacity	Administrative expenses
Increasing AUM	Personnel expenses

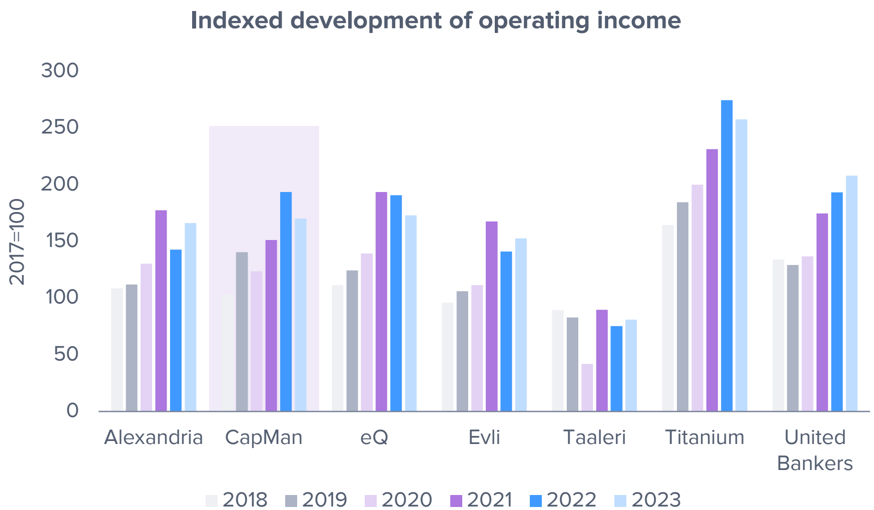
Drivers for consolidation are clear and we believe that consolidation will continue as active

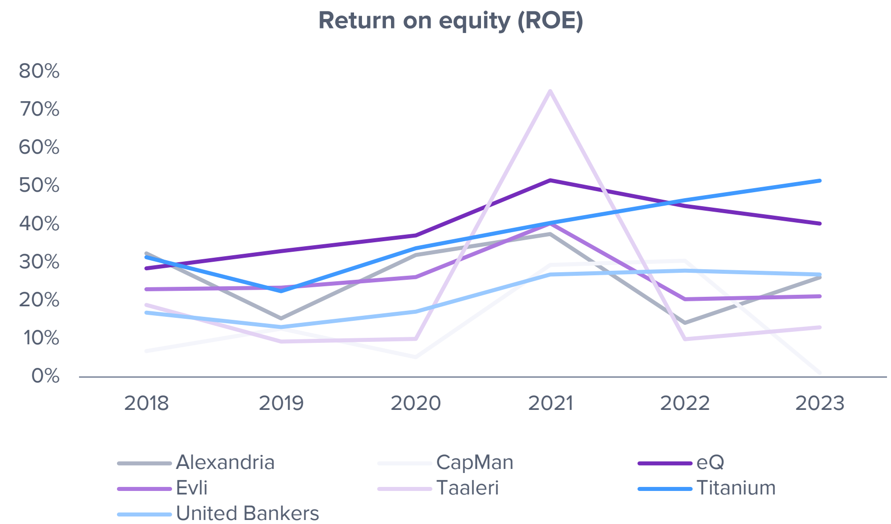
Finalized M&A transactions

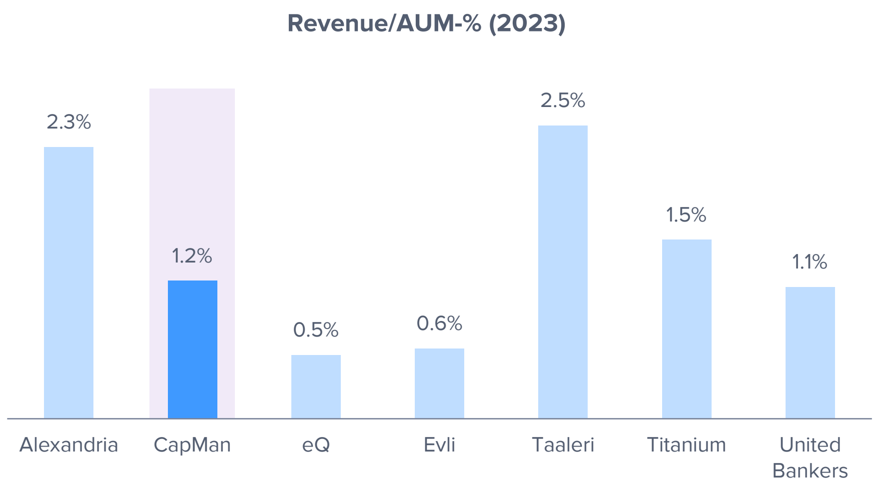
eQ	Advium, IceCapital
UB (United Bankers)	Suomen Pankkiiriliike, KJK Capital
CapMan	Norvestia, Dasos Capital
Elite	Alfred Berg
Titanium	Investium
Aktia	Taaleri Varainhoito
Evli	Elite Alfred Berg, Kelonia (Ab Kelonia Oy)

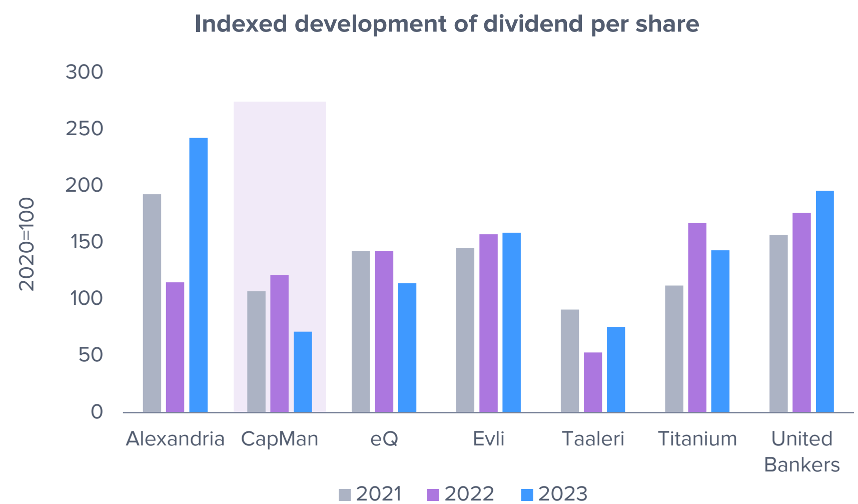
Source: Inderes

CapMan compared to domestic peers 1/2





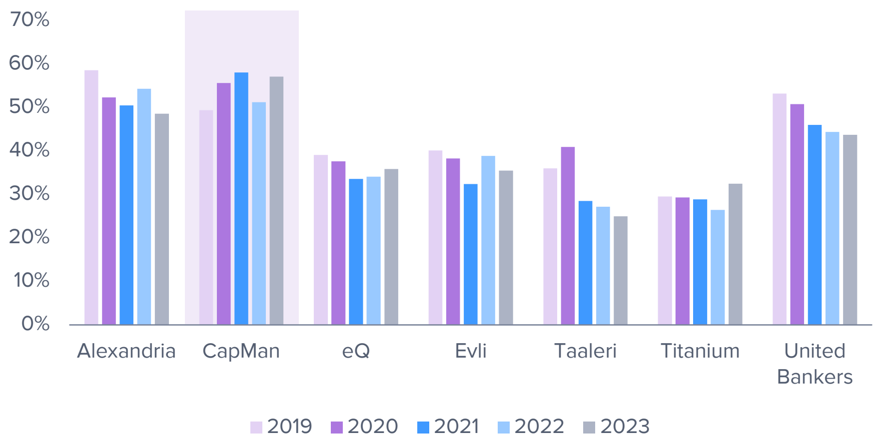




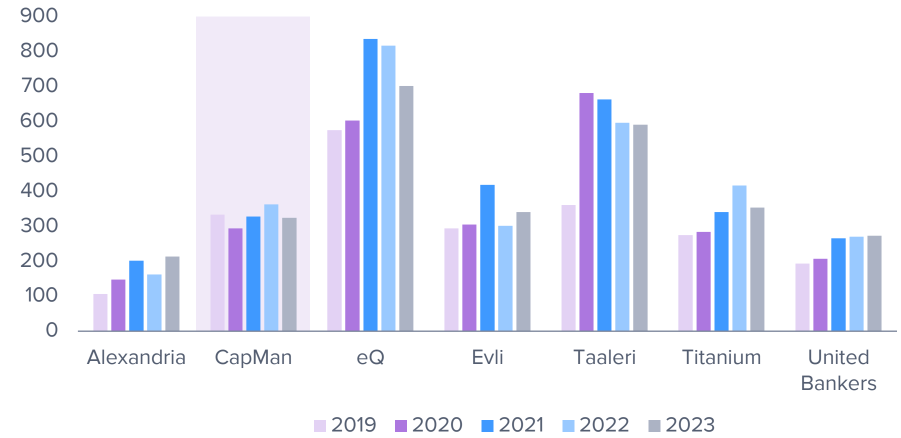
Source: Financial statements of companies

CapMan compared to domestic peers 2/2

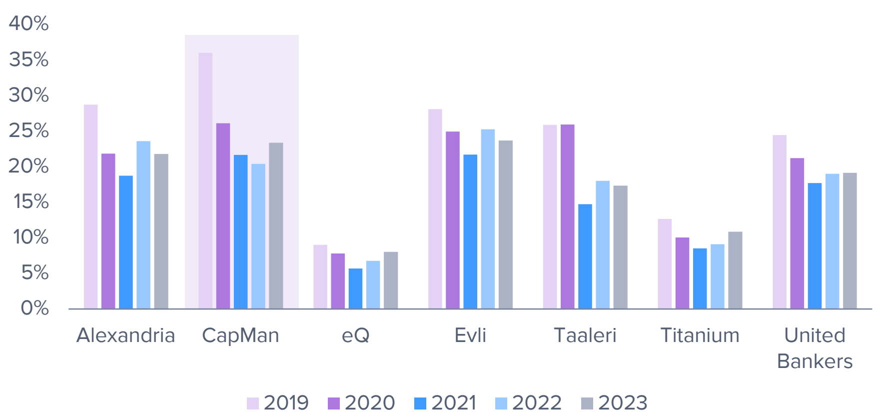
Personnel costs relative to reveneue (Group)



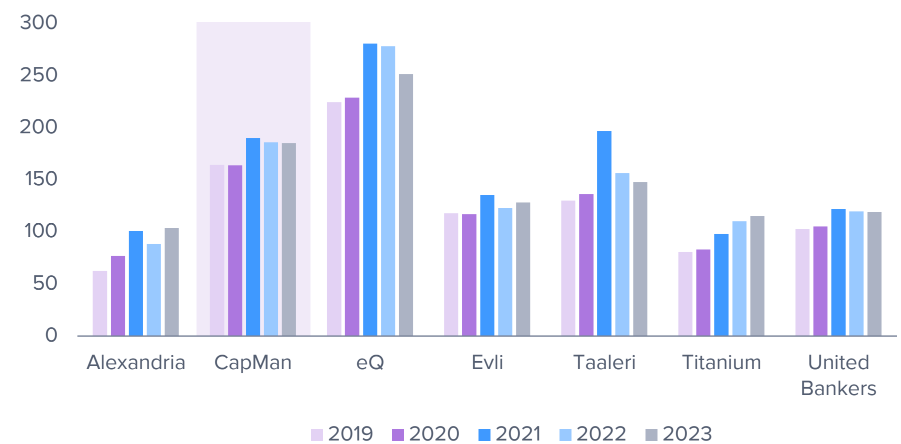
Revenue per employee (TEUR)



Administrative costs, other costs and depreciation relative to revenue (Group)



Personnel costs per employee (TEUR)



Inderes' comments:

- Revenue per employee calculated with average number of employees.
- Agents were included in personnel and personnel costs.
- Taaleri's 2019–2021 figures adjusted for divested Wealth Management business.

Investment profile

1. **A well-known player in the growing asset management market**
2. **Good position in industry trends and strong organic growth outlook**
3. **Cost efficiency can be improved as business grows**
4. **Low investment needs allow for high profit distribution**
5. **M&A transaction option**

Potential

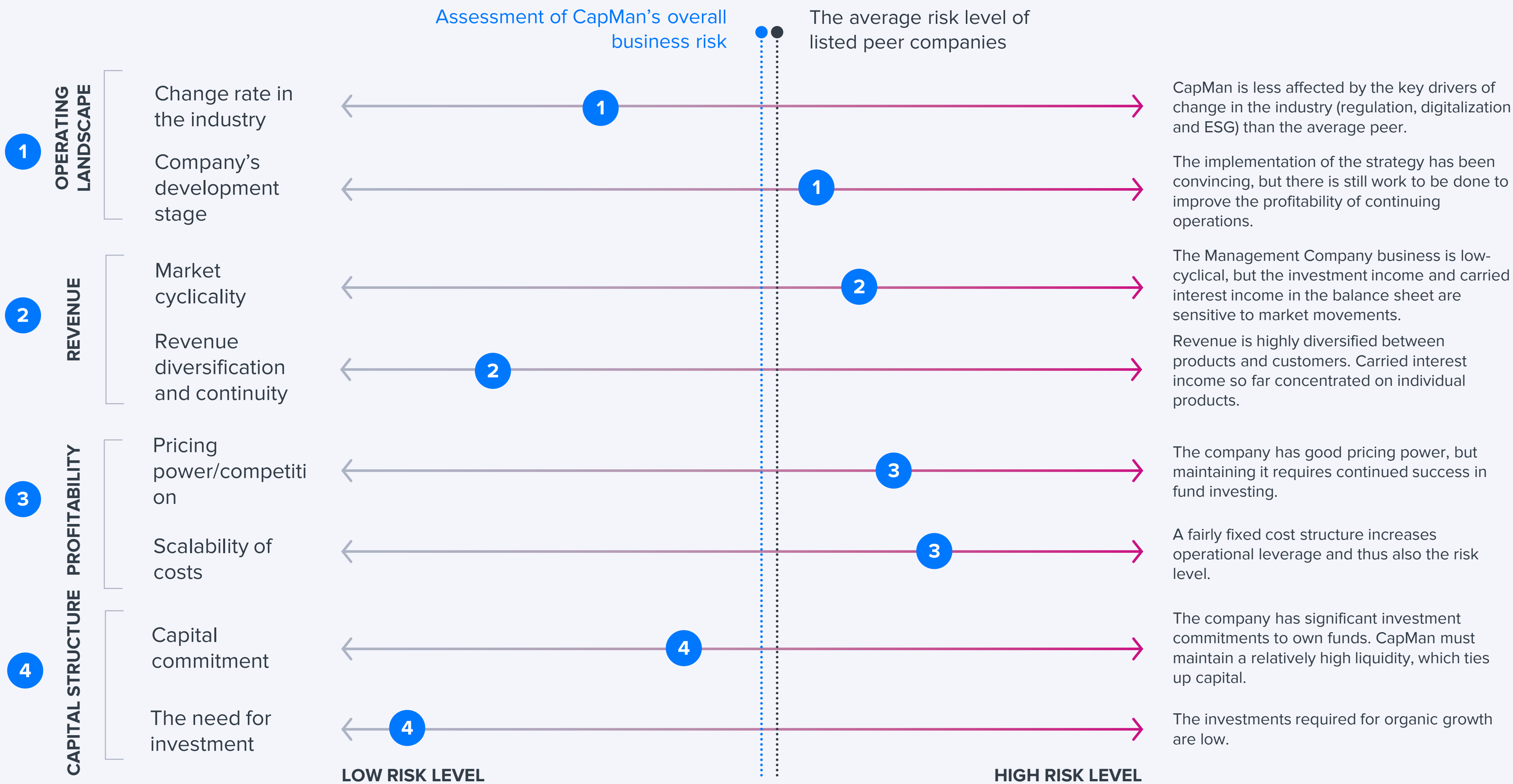
- New products in existing and new strategies
- The growth of product sizes and growth potential from new customers
- Good investment returns will be accompanied by rising carried interest income and on-balance sheet investment income
- Improving cost-efficiency
- Possible value creating acquisitions

Risks

- Weakening investment income and falling short of customer expectations
- Increased cost levels and high bargaining power of the personnel
- A general decline in the attractiveness of alternative asset classes
- Intensified price competition and lower fee levels for existing products
- High dependency of earnings on investment returns

Source: Inderes

Risk profile of the business model



Source: Inderes

Financial position 1/3

CapMan's overall balance sheet is strong, with an equity ratio of 51% and a net gearing ratio of 40% at the end of June 2024. The company's financial objective is to maintain an equity ratio above 50%.

Investments constitute most of the balance sheet

CapMan's balance sheet total at the end of H1'24 was approximately 289 MEUR. The company's investment portfolio, worth 162 MEUR (56% of the balance sheet total), represents the largest part of the balance sheet assets.

In addition to the investment portfolio, CapMan also had a strong cash position of around 49 MEUR at the end of H1'24. In addition, the company has an unused liquidity facility of 20 MEUR. CapMan's cash position will grow significantly later this year, as the company will receive some 60 MEUR in cash from the Service business divestment. After this, the liquidity is clearly higher than the company's needs, so we expect CapMan to either 1) repay interest-bearing liabilities, 2) implement new M&A transactions, or 3) pay the excess capital as dividends to its owners.

We estimate that the cash required for the company's business is around 20-30 MEUR. The moderately high cash needs are explained in particular by significant off-balance sheet investment commitments and volatile earnings. CapMan's own balance sheet investments no longer play as significant a role in the launch of new funds, so in the future, organic growth of the fund business does not tie up much additional capital.

Other items are less important

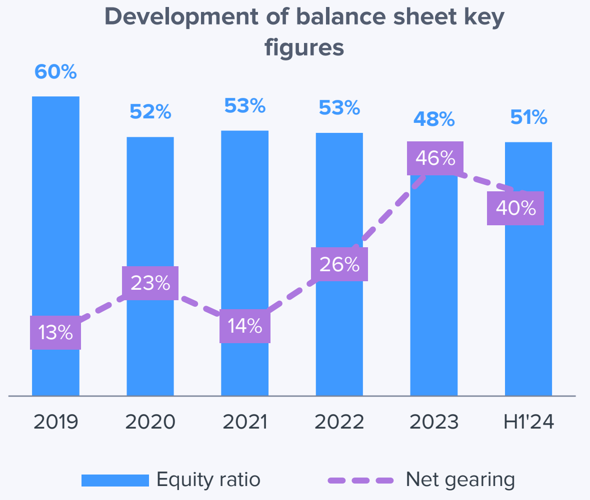
The company has 30.6 MEUR of goodwill in its balance sheet, most of which consists of Dasos Capital acquisition in early 2024. Other assets in the balance sheet consist mainly of working capital items related to normal operations such as fee receivables from funds and deferred tax assets. Tangible fixed assets on the balance sheet (3.6 MEUR) mainly consist of IFRS 16 lease liabilities.

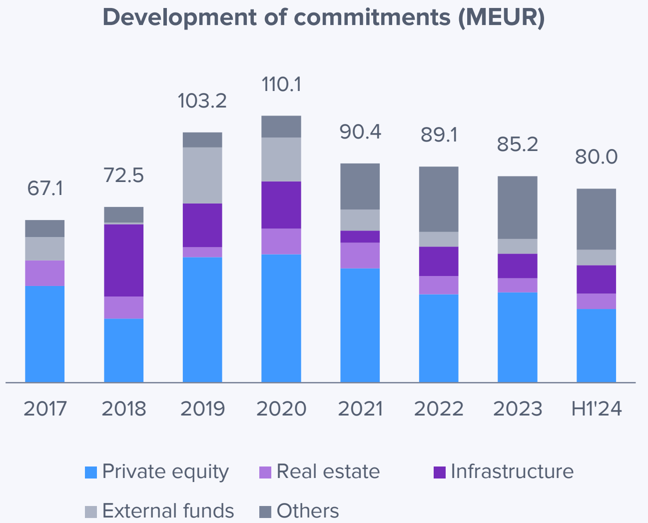
A fair amount of debt and liabilities

CapMan's equity at the end of June was 145 MEUR and the company had 104 MEUR of interest-bearing debt (excluding IFRS16 lease liabilities) in its balance sheet. Other liabilities in the balance sheet consist mainly of trade payables and other non-interest-bearing liabilities related to operational business.

In addition to interest-bearing liabilities, CapMan had off-balance sheet investment commitments totaling some 80 MEUR at the end of H1'24 The largest commitments were to the Growth equity (17 MEUR) and Buyout funds (13 MEUR) and CapMan Wealth's investment programs (15 MEUR). In practice, the commitments mean that CapMan is also committed to investing its own funds in the fundraising stage. Investments in own funds are in line with CapMan's strategy and the company's long-term objective is to make investments that equal 1-5% of the start-up capital of a new fund.

Even if CapMan were in principle able to avoid these investment commitments, this could be interpreted as a clear vote of no confidence in the future investment performance of the funds, which, in turn, could make fundraising and fund ramp-up more difficult. Therefore, these should be classified as mandatory investments or liabilities in the analysis.





Financial position 2/3

Investment activities are also financed with debt financing

At the end of H1'24, CapMan had some 104 MEUR in interest-bearing debt. 40 MEUR of this falls due in 2027 and 60 MEUR in 2029.

We suspect CapMan aims to maintain a certain amount of debt with which it finances part of its balance sheet investment activities. The company's current ROE target (>20%) in practice also requires the use of leverage. Therefore, the company will seek to refinance its interest-bearing loans before they expire. For example, this year, the company issued a new 60 MEUR bond, replacing its previous 50 MEUR bond, thus extending the maturity distribution of its financial liabilities.

The company pays a fixed interest rate (4.5-6.5%) on its loans, so a change in interest rates has no immediate impact on the company's profitability and cash flows. However, the higher interest rate level significantly raised the financing costs when the new bond was issued. In addition, in the newest bond, the interest rate is partly linked to CapMan's sustainability targets. If these are not met, the interest rate on the loan increases by 1.25 percentage points for 2027-2029 in the weakest scenario.

Equity ratio best describes the gearing

Although the company has a high equity ratio and a strong balance sheet, the amount of interest-bearing debt cannot be considered insignificant relative to the size of the company. For example, relative to the EBITDA adjusted for investment income and carried interest income the debt amount is very high (>6x with 2024 earnings forecasts). Considering the cash needs created by investment commitments, we believe that the ratio should be viewed in terms of gross debt, which doesn't deduct cash from liabilities. The current debt amount cannot be justified based on the operational result and cash flows, so CapMan's credit rating is largely tied to the company's investment portfolio.

A much more useful indicator for assessing CapMan's gearing is the equity ratio, as the assets in the balance sheet consist mainly of investments whose liquidation value can be assumed to be at least moderately close to their book values and thus safeguard debt repayment capacity. CapMan's gearing target (>50%) and covenants protecting lenders of financial liabilities are also linked to the equity ratio. Covenant levels are not public information, but we estimate these to be somewhat below the company's target level. In addition to equity, the covenants concern CapMan's net gearing, which partly explains the large cash position in the balance sheet.

In any case, an investor should note that with the current amount of debt, CapMan is somewhat dependent on the confidence of debt financers in the quality of their investment portfolio. Full repayment of the loans as they mature could prove quite challenging, as the amount of debt (including off-balance sheet investment commitments) is quite high relative to the performance and the liquidity of the investment portfolio is relatively weak. In this context, we assume that not all of the proceeds from the Service business divestment will be used for debt redemption, but the majority will be allocated either to profit distribution or M&A.

Moderate financing risk

In our opinion, CapMan's current debt can be considered reasonable relative to the size of the investment portfolio (interest-bearing debt around 64% of the fair value of investments), so we believe that CapMan can easily refinance its maturing loan liabilities. This is also indicated by the interest rate level of the company's bonds on the secondary market (~6%), which does not indicate significant a credit risk in the eyes of financiers.

However, we expect CapMan to use some of the cash assets from the Service business divestments to lower its debt, as the transaction will negatively impact the cash flow in the coming years and thus also the company's debt repayment capacity. The entire 60 MEUR is unlikely to be allocated to this, as a significant reduction in leverage would make it clearly more difficult to achieve the ROE target. However, we believe the company could not bear a substantially higher debt burden than presently without a clear increase in financial risks.

Investors should note that, unlike other asset management companies on Nasdaq Helsinki, in CapMan's case, investors have to bear a moderate financial risk. The risk has naturally declined over the past couple of years, as evidenced by the company's listed bonds, whose risk premium (the spread over the risk-free rate) has narrowed somewhat.

Financial position 3/3

The timing of investment income fluctuates cash flow

When looking at CapMan's cash flows from operating activities, it should be noted that investment income recorded at fair value may not correspond to their cash flows in the short term. This is because funds are valued quarterly at fair value and the change is recognized as income or loss in the income statement. Investments only turn into cash flow when the fund's investment targets are eventually sold at the end of the fund's lifecycle and the capital is returned to investors.

Typically, however, there is no significant delay between the profit or loss recognition and the repatriation of cash flows, as the largest revaluations are usually made when the fund sells its investments at the end of its lifecycle. Therefore, cash conversion of investment income is already fairly good over a period or more than 12 months. An exception to this is periods like those in recent years, where sales of investment targets are delayed as market transaction activity cools down.

Updating the profit distribution policy was justified

Due to factors related to the timing of cash flows from investment income, CapMan updated its profit distribution policy toward the end of last year. According to the updated policy, the company distributes at least 70% of the profit for the financial year less changes in the fair value of investments as dividends. Consequently, profit distribution is now better aligned with the development of the company's operating cash flow.

CapMan's essential investment needs consist of investment commitments to its own funds. However, CapMan's own balance sheet investments no longer play a significant role in the launch of new funds, so we do not expect considerable growth in the size of CapMan's investment portfolio. Thus, investment commitments can be met with cash flows from existing investments when the funds sell their assets and return the capital with profits to investors (including CapMan itself).

It should also be noted that in the future, CapMan's balance sheet investments will focus on the company's own funds, so investments in external funds (and exits) will clearly support investment capacity in the coming years. As a result, the company will be able to distribute the majority of the results from its Management Company business to the shareholders as dividends.

In addition to the basic dividend, we expect CapMan to distribute additional dividends as investments are exited. The company's management has also highlighted this option. In addition, the 60 MEUR cash sum from the Service business will enable abundant profit distribution in the next few years if the company's management and Board do not find other uses for the funds.

Previous profit distribution policy was susceptible to liquidity challenges

Previously, CapMan sought an annually increasing dividend. This could have caused liquidity challenges in a situation where significant investment income recognized in accounting results would not have been converted into actual cash flows soon enough. On the other hand, financing the increasing dividend from operating cash flow alone would not have been possible. For example, CapMan's cumulative operating cash flow in 2017-2023 was only good 3 MEUR, so CapMan financed the dividend of the corresponding period (>140 MEUR) from its investment income.

Even though CapMan's profitability based on recurring fees has improved clearly, dividend payments in line with the old target could have required at least a temporary increase in debt, which we would not have considered justified. The updated profit distribution policy tackles this challenge, as in the future, dividend payments will be more closely tied to CapMan's cash flows. Consequently, the risk level associated with the company's liquidity development has decreased clearly. The biannual dividend also balances liquidity development.

Under the current dividend policy, the investor should expect significant fluctuations in the annual profit distribution. In years when CapMan makes significant exits from its investments, profit distribution can be generous, whereas in some years profit distribution may depend solely on the results of the Management Company business. However, it is just a question of timing, and we expect CapMan's cumulative profit distribution to be approximately equivalent to the earnings accrual over the longer term. An exception to this may be the unwinding of excess liquidity on the balance sheet if CapMan decides to distribute the proceeds from the Service business divestment as dividends.

Estimates 1/6

Underlying assumptions of estimates

However, in the short term, uncertainty surrounding earnings forecasts remains elevated due to the more difficult fundraising market. CapMan is particularly affected by the headwinds in the real estate sector, which slows down the progress of ongoing significant fundraising projects. In the longer term, the key driver for the stock is naturally growth in customer assets and fee income, as we believe CapMan is excellently positioned in its sector (wealth management + alternative asset classes). Here, CapMan's fund returns play a significant role. Next to new sales, the investor bears the risk of the general development of asset values, as these have a significant weight in CapMan's business through investment income and carried interest income of funds.

In our forecasts, we assume that the market situation and demand for alternative investments will remain subdued this year and gradually pick up from the first half of next year. However, we expect the improvement to be gradual, so there is no significant spike in demand expected yet at least next year. Especially for real estate, we find increased transaction activity to be the most important factor, as it would enable releasing capital from old funds. Income from real estate should also gradually improve as interest rates stabilize.

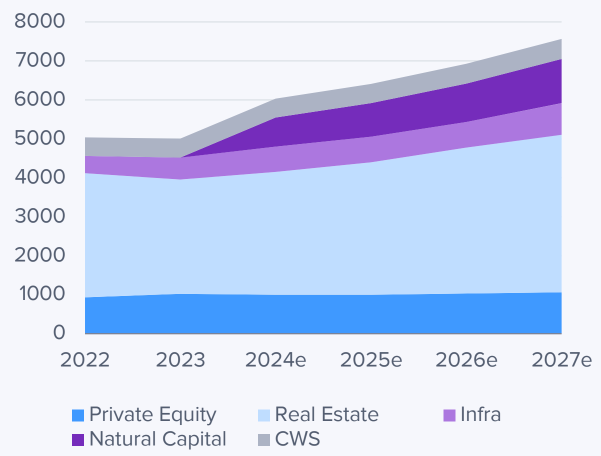
Overall, we expect alternative products to continue to be a key part of investors' portfolios, which supports the growth outlook of the fund category. However, these expectations have clearly moderated in recent years. Ultimately, market growth also depends on the development of the general sentiment, as when the return outlook is strong, asset values balloon and new sales perform better than average. In addition, CapMan's success is influenced by the return levels of the company's own funds.

We note that the dependence of CapMan's Management Company business' income and earnings on market development is lower than for its key domestic peers in the short term, as income comes entirely from alternative investments and, to a large extent, from development work that creates value in the investment targets. However, we point out that alternative investments are not immune to market price developments, and if the weak market situation persists, the impact will eventually be reflected in the demand and valuation levels of alternative investments. This, in turn, brings a cyclical element to CapMan's earnings through balance sheet investments.

2024: Towards a better end of the year

CapMan has had a decent start to the year, raising a respectable amount of capital for the final closures of its Infra 2 and Growth 3 funds. Over the last 18 months, sales have naturally been clearly weaker than in 2017-2022 but this has been affected by the increased interest rate levels that have plagued the entire market and temporarily weakened the demand for alternative products. However, the acquisition of the forest asset manager Dasos Capital at the end of Q1 increased the Group's AUM by more than 700 MEUR (+14%).

AUM estimates (MEUR)



Estimates 2/6

Adjusted for non-recurring fees, profitability based on recurring fees remained modest in H1, and the return on the investment portfolio was also lower than we expected. This was particularly affected by negative returns from external operators' VC funds.

During H2, however, the first closing of the newest Nordic Real Estate fund (NRE 4) restores CapMan's customer assets under management to organic growth. We estimate, however, that sales will only kick off properly next year, as real estate market activity slowly normalizes and value changes stabilize. There have already been initial signs of a halt in value drops in the market.

For the current year, we expect CapMan's adjusted EBIT to be 87 MEUR and earnings per share EUR 0.42. However, the strong profit growth is explained by the non-recurring income from the sale of the CaPS service business. Our EBIT forecast adjusted for this is 32.3 MEUR and our EPS estimate is EUR 0.11.

The result of the Management Company business is supported by the profitable business of Dasos Capital and the first closure of the NRE 4 fund. We also expect a total of 6.5 MEUR in carried interest income, most of which were recorded already in H1. In our forecasts, the result from investment activities gradually picks up toward the end of the year.

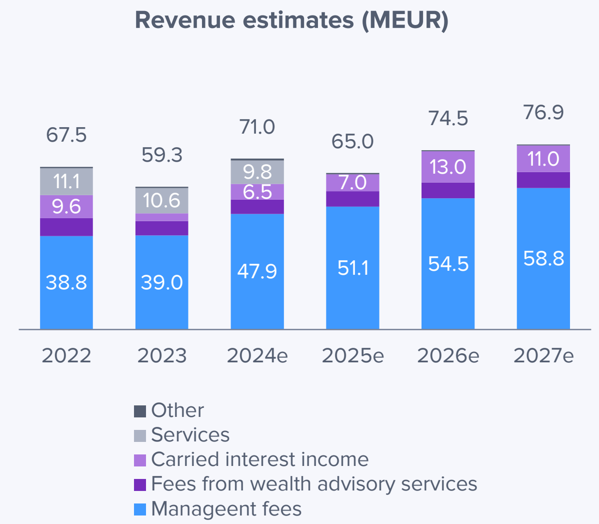
More detailed earnings forecasts can be found in table on page 47.

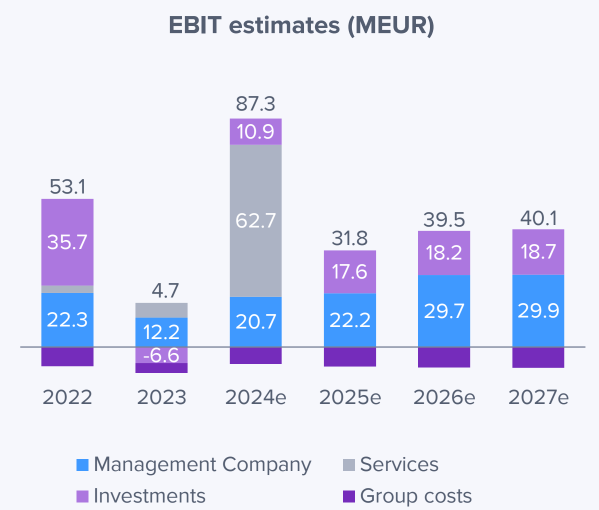
2025-2027: Time for the Management Company business to prove itself

Overall, we expect an average annual growth of some 500 MEUR in CapMan's AUM throughout the target period that ends in 2027. Relative to AUM, this corresponds to an average annual growth rate of around 8%.

In our forecasts, customer funds under management will thus increase to some 7.6 BNEUR by the end of 2027. This is clearly below the company's own targets, as CapMan targets over 10 BNEUR in AUM by the end of 2027. We consider this level possible, but also believe that it would require a significant boost from the market. Acquisitions do provide a route to increase AUM quickly, but based on previous management comments, CapMan believes that the target can be achieved by organic growth in the current product areas alone.

In any case, the AUM growth we expect is at a fairly healthy level. However, success in sales is particularly important in the coming years, as several real estate funds of a significant size will enter the fund-raising phase during the strategy period.





Estimates 3/6

The key drivers behind our growth forecasts are real estate products and forest funds, where we see CapMan's competitiveness as excellent. On the private equity side, growth is challenging, as buyout funds' performance has historically been subdued on average. As the size classes of individual Growth funds cannot be significantly increased from the current level, substantial increases in the assets managed by PE funds in the coming years may prove too big a challenge. However, the performance fee potential especially in growth funds is significant.

Overall, recurring fees in the Management Company business are expected to grow at an annual rate of around 8% in 2025-2027.

Considering the frontloaded growth investments made in recent years and the strong growth outlook for customer assets under management, profitability based on recurring fees from the Management Company business is well placed to scale in the coming years. The increase in relative profitability is, in addition to revenue growth, generated by improved cost scalability.

We are, however, relatively cautious in our forecasts, as the company's track record of scaling the fund business above the level we predict is still lacking. Profitability was relatively subdued in the previous strategy period, which is certainly partly explained by the growth investments brought about by the ramp-up of new funds and investment areas.

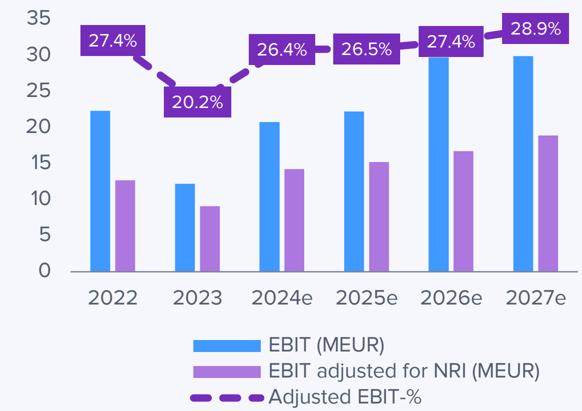
Profitability based on recurring fees from the Management Company business improves in our forecasts to some 29% in 2027 (2023: 20.2%). As in recent years, most of this is explained by the scalability of other operating costs.

2025-2027: More balanced profit distribution

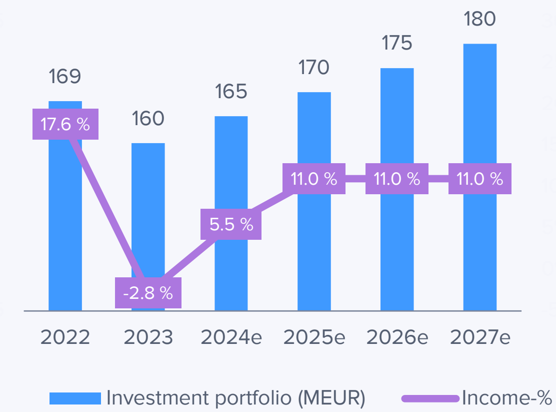
In our forecasts, carried interest income will be 7-13 MEUR for the coming years, with an average of approximately 10 MEUR. During the strategy period, we expect significant carried income interest at least from NRE 2, Infra I and Buyout 11 funds. We note that Dasos' old funds do not generate performance fees for CapMan, so we will have to wait for these for a long time from forest funds. The Management Company business' EBIT will grow faster than the result of continuing operations due to rising carried interest income – overall by a strong 15% in 2025-2027.

For CapMan's investment portfolio, we expect an average annual return of approximately 11%. Our expected return is roughly in line with our estimate of the average return of the corresponding funds, which enables CapMan to grow its AUM with the general alternative market. We note that our investment income forecasts are based on the assumption of the average return on the portfolio. Therefore, we do not attempt to estimate variations between individual years. In turn, the size of the investment portfolio only grows moderately from its current level in our forecasts, so we expect the focus of the result to shift more strongly to the Management Company business in the future. Investment income will naturally continue to play an important role in the future.

Earnings estomates of Management Company business



Investment income estimates



Estimates 4/6

Increasing profitability requires cost management

In addition to CapMan's operational segments, the company incurs expenses related to Group operations. Group expenses (Other and eliminations segment in reporting) include, e.g., rents for premises, management salary expenses and other Group overheads. Some of these costs are allocated to operating segments.

Historically, CapMan has allocated approximately 40% of its Group expenses to its Management Company and Service businesses. Of this, the share of the Service business has been very low, so the divestment of the business will not substantially change the situation. The company does not allocate significant expenses to investment activities either. We expect Group expenses adjusted for allocations to be some 7.8 MEUR in 2025 and to grow from this level by approximately 3% annually.

The Group's personnel costs fluctuate both based on variable performance bonuses and the management's share-based remuneration, Our estimate of management's share-based remuneration is around 1 MEUR per year, which corresponds roughly to the average historical level. Although these have no cash flow effect, under IFRS the deferred cost effect (the estimated number of shares to be awarded times the share price) is recognized in the income statement throughout the vesting and payment period of the share-based payment. Therefore, these correspond roughly to the negative impact of remuneration schemes on the value of the current shareholders' holdings.

It is important for investors to monitor the development of the Other and eliminations segment in addition to the continued improvement in the performance of the Management Company business, as the importance of the performance improvement would be substantially diluted if a significant part of this performance growth were buried by group expenses.

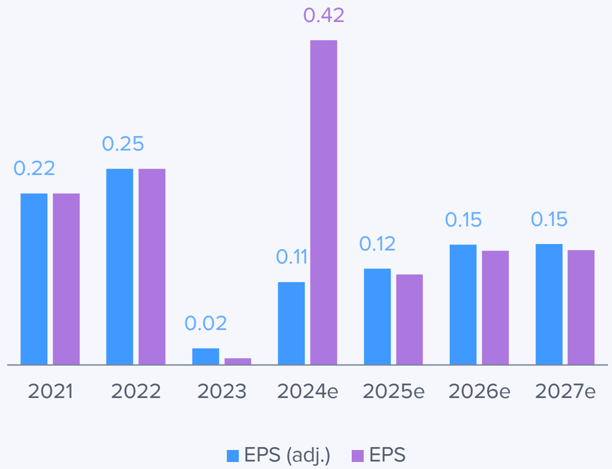
In our forecasts, financing costs are around 5.6–5.8 MEUR in the coming years, as CapMan's bonds have fixed interest rates. Minority holdings, on the other hand, are estimated to consume 2 MEUR of the earnings annually. Several subsidiaries responsible for fund management have material minority holdings (e.g., infra, buyout, growth).

Overall, we expect CapMan's Group-level adjusted EBIT to grow on average by approximately 9% from 2024 to 2027. Removing the Service business from the reported figures lowers the Group-level growth figure somewhat. Our growth forecast adjusted for the Service business for CapMan's EBIT is clearly higher – approximately 17%. In addition to the improved profitability of the Management Company, Group performance is supported by investment income, which is expected to increase from the muted level of 2024.

Roughly half of the EBIT we expect for 2025-2027 still comes from investment income, and the weight of carried interest income is significant (~20-30%). This highlights that CapMan's value development and share return are strongly linked to the performance of the funds managed by the company.

Summary	2023	2024e	2025e	2026e
Revenue	59.4	71.0	65.0	74.5
growth-%	-12%	20%	-9%	15%
EBIT adj.	6.7	32.3	33.2	40.9
EBIT % adj.	11.4%	45.5%	51.1%	54.8%
Net profit	1.3	73.5	19.8	26.0
EPS (adj.)	0.02	0.11	0.12	0.15

EPS estimates



Estimates 5/6

In turn, we expect annual EPS growth to be 13% in the corresponding period. The EPS growth forecast is higher than the EBIT, as the 2024 earnings forecast includes exceptionally high minority interests in the carried interest income of the Nest Capital debt fund. Of the current funds, CapMan only recognizes the Group's share of carried interest income in its income statement, so these will not increase the minority's income share in the future.

Long-term estimates

We feel CapMan's strategy is taking the company in the right direction and it has positioned itself well considering the industry trends. We therefore see demand for the company's products also in the future. The company's long-term success, on the other hand, boils down to CapMan's ability to generate good returns for its fund investors and successful cost management. In particular, maintaining good fund returns enables long-term AUM growth, which also increases the potential for carried interest income as fund sizes increase. Of course, AUM growth is, in the short term, influenced by other factors, such as the market situation and the success of the company's sales efforts. However, long-term success cannot be achieved without good investment returns from the funds.

We expect the growth in the Management Company business to clearly exceed general economic growth also in the longer term, but the growth rate in Group level figures is depressed by the significant weight of investment income. These are not expected to increase, as CapMan is likely to continue distributing the entire profit from investment activities as dividends to shareholders.

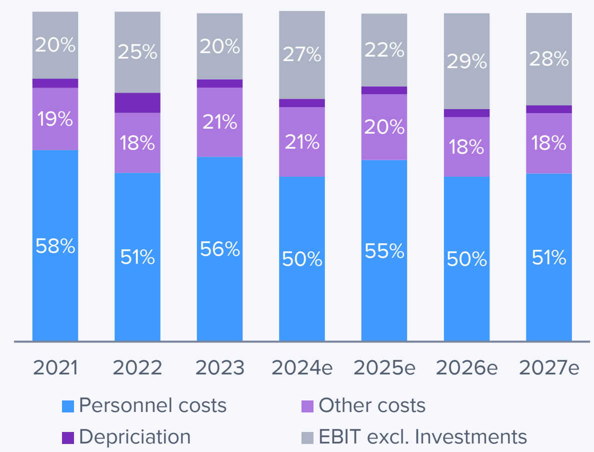
In the longer term, the weight of the Management Company business should continue to grow, as we estimate that the company does not aim to significantly increase the size of its investment portfolio. Nor do we expect a significant change in the investment portfolio allocation. The only material exception to this is external venture capital fund investments, which should mainly exit the portfolio during 2025-2027.

Profit distribution forecasts

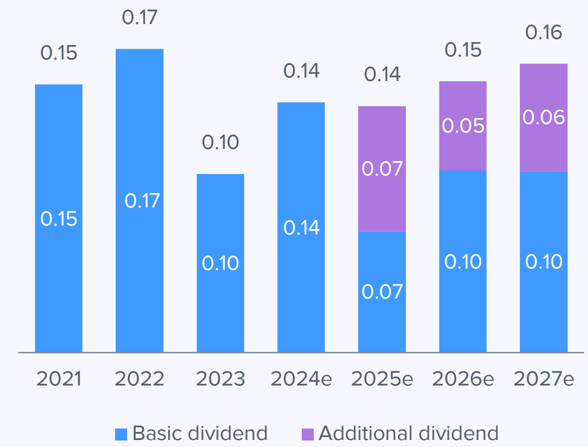
CapMan aims to distribute at least 70% of the profit for the financial year less changes in fair value as dividends. Our own dividend forecasts expect a payout ratio of approximately 85%, which is the basic dividend in our forecasts. In addition, we expect the company will distribute additional dividends as the investments are exited. We note that there is considerable uncertainty about the timing of the additional dividends, and instead of a steady additional dividend, these may in reality be less frequent than we forecast, and thus the individual payment can be larger. In CapMan's case, dividend forecasts should be treated with special caution.

However, the cumulative payout ratio over the entire forecast period should be close to 100%, as the growth of the Management Company and Service businesses hardly ties up any capital The company's Board of Directors has publicly estimated that the dividend for this year will be EUR 0.14 per share.

Cost structure development



Dividend estimates



Estimates 6/6

How the extra funds will be used is still a mystery

The divestment of the Service business creates at least a temporary special situation for CapMan's balance sheet. The transaction provides the company with approximately 60 MEUR of additional funds that are not publicly earmarked for any specific purpose. Therefore, we have not included, e.g., acquisitions in our forecasts, although based on the company's comments, these may well be in the pipeline. Possible acquisitions could naturally be financed through share swaps instead of cash, as CapMan did in the Dasos Capital acquisition.

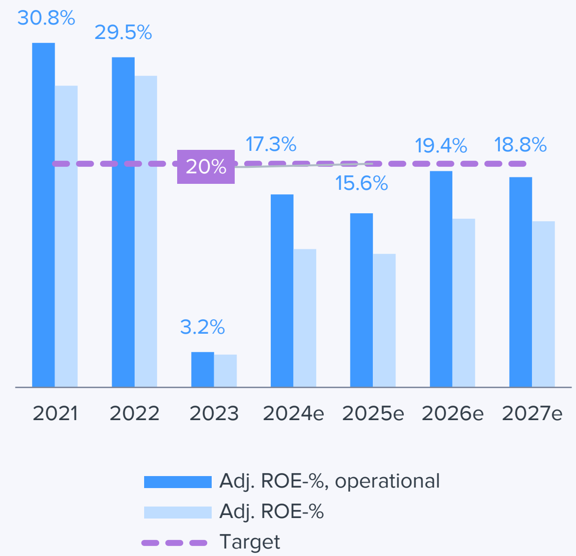
We have also not considered the excess capital in our profit distribution forecasts. Thus, the unwinding of the excess capital will eventually lead to either 1) a higher profit distribution or 2) stronger growth in the Management Company business than we expect. However, from a valuation point of view and our perception, this is irrelevant, as we will explain in the next paragraph of the report.

On the other hand, we do not believe in a significant redemption of interest-bearing debt, as this would make it very difficult to achieve the company's target ROE. Considering the ROE target of over 20%, M&A transactions also pose a significant challenge, as in acquisitions the buyer often has to pay a considerable share of the potential already as part of the purchase price. This, in turn, leads to a decreasing ROE as goodwill on the balance sheet grows. We have illustrated this with a graph on the right-hand side of the page, where CapMan's operational ROE adjusted for goodwill is clearly higher than the figure for total equity. The difference is mainly explained by the goodwill generated by the Dasos Capital acquisition.

The balance sheet investment activity does not reach a 20% ROE either with our current return forecasts and estimated leverage. Organic growth in the Management Company business, on the other hand, is highly profitable from an ROE perspective. Organic growth, therefore, creates by far the most shareholder value of CapMan's return components. However, at the Group level, ROE remains below the company's target level throughout the forecast period due to the above reasons.

From the point of view of shareholder value creation, the absolute level of return on capital is not important, as every investment that exceeds the return requirement is, in principle, favorable to the shareholder. It is interesting to see how CapMan will balance between growth and return on capital in its targets going forward. We expect the company will update its financial targets while providing more detailed information on the strategic focus areas and future growth projects at the CMD in March 2025.

ROE* estimates



**The ROE figures have been adjusted to exclude the 60 MEUR additional assets from the Service business divestment, as we do not expect CapMan to keep these on its balance sheet in the longer term. The return figures also do not consider one-off income or expenses.*

In addition, when calculating operational equity, the goodwill arising from acquisitions has been adjusted from equity. The key figure thus illustrates the operational profitability of current operations.

Summary of estimates

MEUR	2020	2021	2022	2023	2024e	2025e	2026e	2027e
Revenue	**43.0**	**52.8**	**67.5**	**59.4**	**71.0**	**65.0**	**74.5**	**76.9**
Fund management fees	29.0	36.6	38.8	39.0	47.9	51.1	54.5	58.8
Carried interest income	0.9	2.9	9.6	3.1	6.5	7.0	13.0	11.0
Fees from wealth advisory services	4.0	4.2	7.4	6.0	6.0	6.4	6.5	6.6
Service business	8.6	8.6	11.1	10.6	9.8	0.0	0.0	0.0
Others and eliminations	0.7	0.5	0.6	0.5	0.8	0.5	0.5	0.5
Other operating income	0.0	0.0	0.0	0.1	57.0	0.0	0.0	0.0
Personnel costs	-23.9	-30.6	-34.6	-33.9	-35.9	-36.7	-38.4	-40.2
Other costs	-9.7	-10.0	-12.2	-13.2	-15.0	-12.9	-13.4	-14.0
Depriciation	-1.5	-1.5	-4.2	-1.5	-1.8	-1.6	-1.8	-1.8
Changes in fair value	4.4	33.9	36.5	-6.1	11.6	18.2	18.7	19.3
EBIT	**12.3**	**44.6**	**53.1**	**4.7**	**87.0**	**31.8**	**39.5**	**40.1**
NRI	0.0	0.0	0.0	-2.0	54.7	-1.4	-1.4	-1.4
Adjusted EBIT	**12.3**	**44.6**	**53.1**	**6.7**	**32.3**	**33.2**	**40.9**	**41.4**
EBIT adjusted for investments and profit distribution	**7.5**	**9.0**	**7.8**	**8.2**	**12.6**	**7.2**	**8.3**	**10.3**
AUM (MEUR)	**3827**	**4909**	**5040**	**5005**	**6035**	**6407**	**6926**	**7564**
Private Equity	998	991	933	1,022	1,000	1,000	1,030	1,060
Real Estate	2,440	3,060	3,187	2,933	3,147	3,397	3,747	4,047
Infra	357	355	442	562	656	656	656	806
Natural Capital	0	0	0	0	747	859	988	1,136
Others	32	503	478	488	485	495	505	515
AUM growth-%	*18%*	*28%*	*3%*	*-1%*	*21%*	*6%*	*8%*	*9%*
EBIT-%	*28.7 %*	*84.6 %*	*78.6 %*	*7.9 %*	*122.5 %*	*49.0 %*	*53.0 %*	*52.1 %*
EBIT-% excl. Investments and profit distribution	*17.7 %*	*18.0 %*	*13.4 %*	*14.5 %*	*19.6 %*	*12.4 %*	*13.5 %*	*15.7 %*
EPS (adjusted for NRI)	*0.03*	*0.22*	*0.25*	*0.02*	*0.11*	*0.12*	*0.15*	*0.15*
Dividend/share	*0.14*	*0.15*	*0.17*	*0.10*	*0.14*	*0.14*	*0.15*	*0.16*
Payout ratio-%	*424%*	*68%*	*68%*	*468%*	*132%*	*116%*	*99%*	*105%*
*ROE-%, adjusted**	*4.5 %*	*27.0 %*	*27.9 %*	*2.9 %*	*12.4 %*	*11.9 %*	*15.1 %*	*14.9 %*
*Equity ratio**	*51.8 %*	*53.0 %*	*52.5 %*	*47.7 %*	*52.5 %*	*60.4 %*	*60.3 %*	*60.7 %*
Income from balance sheet investments, %	*3.8 %*	*27.6 %*	*24.7 %*	*-3.6 %*	*7.2 %*	*11.0 %*	*11.0 %*	*11.0 %*

**60 MEUR excess assets generated from the divestment of the Service business has been adjusted from own assets and cash assets*

Valuation 1/4

We feel CapMan is well positioned in its sector. We believe that alternative investment funds will continue to be a clear growth area in the future, and the company has credible investment teams in several key asset classes.

Investors should also note that investing in CapMan's share provides exposure to alternative asset returns through the company's investment portfolio and carried interest income. Therefore, for a private investor, the share can be seen as a relevant alternative to alternative funds, which often have a minimum investment requirement of hundreds of thousands of euros. Of course, for the equation to work, CapMan's share price must be at an attractive level. A key factor behind the price drop in recent years is the moderation of the growth and return outlook for alternative investments, which underlines the dependence of CapMan's short-term price development on market conditions.

Valuation summary

In our valuation of CapMan, our main focus in on the sum of the parts calculation, as due to CapMan's various income components (investment income, carried interest income, recurring income from the Management Company business), the method provides a better picture of the reasonable valuation of the share than Group-level figures.

We have also examined the valuation through a peer group. We have not applied this as an actual valuation method, but the purpose of the peer group analysis is to support the conclusions of our sum of the parts (SOTP) calculation.

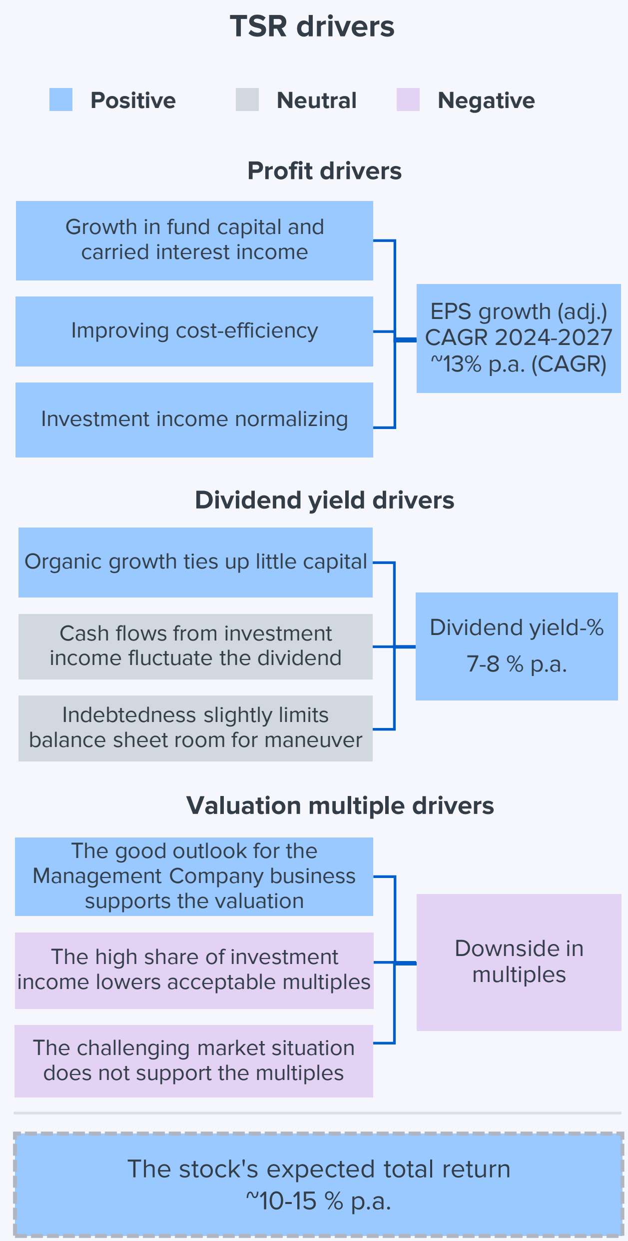
The value of CapMan's share based on our sum of the parts calculation is unchanged at some EUR 2.1 per share, which is also in line with our target price. We have gauged a fair value of EUR 1.9-2.2 per share for CapMan.

If the company is successful in its investment operations, the stock has a potential for higher valuation, but especially if the challenges in the real estate market continue, the development may also fall short of our expectations. However, we believe that the current share price offers a sensible expected return, especially in the longer term.

Expected return is sufficient

With the price drop in recent years, CapMan's expected return has focused more on dividend yield, which provides a clear backbone to the share price. In addition, the earnings growth outlook is quite good. However, we feel earnings-based pricing multiples are elevated, which affects the equation negatively. Overall, our expected return estimate is around 10-15% in the coming years.

CapMan's approved multiples are depressed by the inherently low P/E ratio of the investment portfolio, as the higher risk of unlisted fund investments increases their required return. The weight of investment income in the result will remain quite high also in the future, so we do not expect any significant change in the acceptable multiple levels in the coming years.



Valuation 2/4

The sum of the parts is most suitable

The sum of the parts provides a good starting point for CapMan's valuation, as the company's various earnings components differ, e.g., in terms of risks.

We have valued the Management Company business that generates recurring fees at 15x EV/EBIT and next year's EBIT estimate adjusted for amortization of intangible assets. Thus, the enterprise value (EV) for the Management Company business in 250 MEUR. The EV is supported by low investment needs, a strong growth outlook and a moderate risk level.

We have applied a 11x multiple to carried interest income and our estimate of the average level of carried interest income (~10 MEUR). Thus, the present value of carried interest income is 110 MEUR in our calculations. The multiple is relatively conservative, as it does not consider the growth in the recurring business in full, which, thanks to increasing fund sizes, should also raise the performance-based fee component over time in line with the AUM. On the other hand, the company's evidence of its ability to stably forge corresponding carried interest income is still lacking, so we believe that caution is justified at this stage. The EV/EBIT ratio for the entire Management Company business is thus approximately 14x in our calculations.

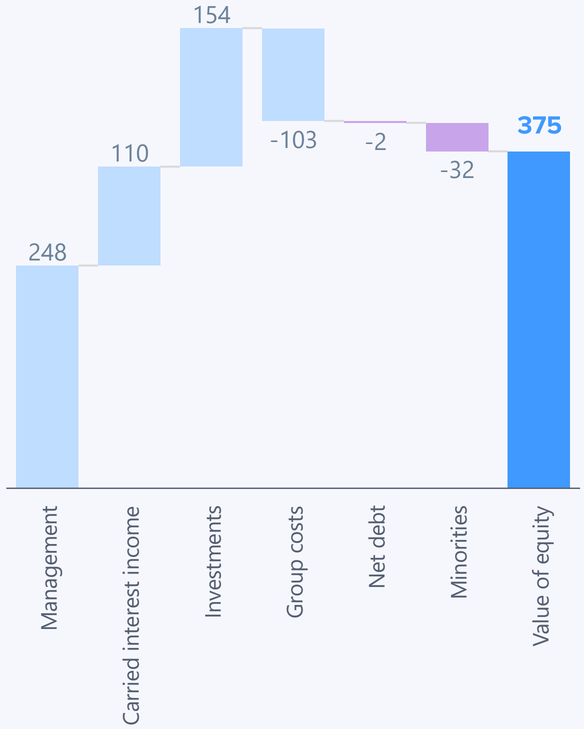
In addition, CapMan has a large amount of balance sheet investments that we have valued at the balance sheet value of the assets while the company applies the fair value method in its accounting. Our key assumption is that the return of the investment portfolio will in the long run roughly correspond to its required return. Considering tax liabilities, the value of CapMan's investment portfolio is thus 154 MEUR.

The present value of Group expenses is around -100 MEUR in our calculations. When estimating Group expenses, we use our forecast for next year and a growth factor of 3%. We have set the value of the Management Company business' minority holdings at -32 MEUR. Several subsidiaries responsible for fund management have material minority holdings (e.g., infra, buyout, growth).

CapMan is roughly net debt-free in our calculations. The net debt includes interest-bearing liabilities of 104 MEUR and the cash assets adjusted for dividends. In addition, we have included the cash assets of approximately 60 MEUR from the Service business divestment in the net debt. This means that at this stage we assume that the expected return on any new acquisitions or other growth investments made with the assets is roughly equivalent to the required return of the assets. The impact on CapMan's value may also eventually be positive if the return on investments exceeds the company's required return (ROIC>WACC). Similarly, in a situation where the return on investment is insufficient (ROIC<WACC), the impact on the value is negative. At present, however, there is no visibility of how the funds will be used, so we consider the assumption of a neutral impact to be justified. This also means that our value based on the SOTP does not change substantially even if CapMan decides to distribute the entire sum as dividends.

The value to CapMan indicated by our sum of the parts calculation is 375 MEUR or around EUR 2.1 per share.

Sum of the parts calculation (MEUR)



Valuation 3/4

Applying the cash flow model (DCF) is challenging

Our DCF model (p. 56) is based on the expectation that CapMan's sustainable EBIT level from now on is good 40 MEUR annually. The terminal assumption for the model is a 45% margin, which roughly corresponds to the average of the last five years. This also considers the increase in the relative share of the Management Company business, which should slightly reduce the Group-level margin over the long term.

The growth factor in the terminal phase is 2.5%, which is roughly equivalent to our estimate of long-term nominal GDP growth. Our DCF model indicates a value of some EUR 2.2 per share for CapMan's share.

However, we believe that at Group-level the DCF model is somewhat unsuitable for CapMan. Nothing really prevents using the DCF model as such but the different risk profiles of various income sources make the consistent application of the method somewhat more difficult.

A particular challenge is the company's investment portfolio, whose cash flow forecasting is exceptionally demanding. This is because there may be significant delays in the timing of accounting revenue and cash flows from investments. We have discussed this dynamic in more detail on page 40 of the report. In addition, annual fluctuations in investment income can be significant.

Thus, we consider the SOTP calculation to be a much more useful valuation method for CapMan, and the result of the DCF model should be viewed mainly as supporting the SOTP calculation. We note that our SOTP calculation is also based on the cash flows from operating activities, so its underlying assumptions do not materially differ from the Group-level cash flow model (DCF).

Fund returns ultimately drive the value of the company

In the longer term, the key driver of the share is the return of CapMan's funds, as successful investment operations support new sales and increase carried interest income and investment income on the balance sheet. However, in the short term, uncertainty surrounding earnings forecasts remains high due to the more difficult fundraising market.

Acquisitions can also be a clear driver for the stock, and we give a significant probability that the company will be part of an M&A transaction in the coming years (either a Dasos-type acquisition or a larger merger). In our opinion, the probability of this option increased slightly with the Service business divestment, as the company now has a significant amount of extra cash on its balance sheet. With these funds, the company stated that it is considering accelerating the growth of its Management Company business, which we interpret as referring above all to the possibility of acquisitions.

However, we have not considered the impact of acquisitions in our valuation, because if the arrangement fails, the impact on the company's value may also be negative. We feel the probability of value creation in the industry is, however, better than for an average M&A transaction.

Factors supporting CapMan's valuation:

- Good long-term growth outlook for customer assets under management
- Improved profitability based on recurring fees
- Strong position in alternative funds
- High payout ratio
- Moderate risk level of the Management Company business

Factors negatively affecting the valuation:

- The significant share of investment income in the result and their higher required return
- Investment income is cyclical in nature and fluctuate the result
- Challenging market situation

Valuation 4/4

The peer group is not optimal

We have used all listed asset managers as domestic peers. However, the average comparability between CapMan and the peer group is not very good, as the other listed asset managers operate mainly in different markets. There are also differences between business models. The main difference is the large investment assets in CapMan's balance sheet, which lowers the company's structural earnings multiples and strongly fluctuates annual earnings figures. Therefore, the usefulness of Group-level figures in the peer group analysis is weak.

On a general level, however, we believe that CapMan's Management Company business should be priced roughly in line with Evli and eQ, as both companies are focused on institutional customers and their business growth outlook is good. In addition, the importance of the non-financial result lines is low for both peers. We see no significant differences in the level of risk between companies either.

Evli's and eQ's average P/E ratio for the next few years is approximately 17x, which is roughly in line with the level we applied to CapMan's Management Company business. The 14x EV/EBIT applied to CapMan's Management Company business, converted to P/E, is approximately 18x, assuming that no interest-bearing debt is allocated to CapMan's Management Company business (enterprise value = equity value), considering the estimated minority share and applying a tax rate of 20%.

Therefore, a substantially higher valuation of CapMan's Management Company business cannot be accepted, based on the market pricing of the peers either. Of course, it should be noted that the sample is very small.

Investment activities raises the required return

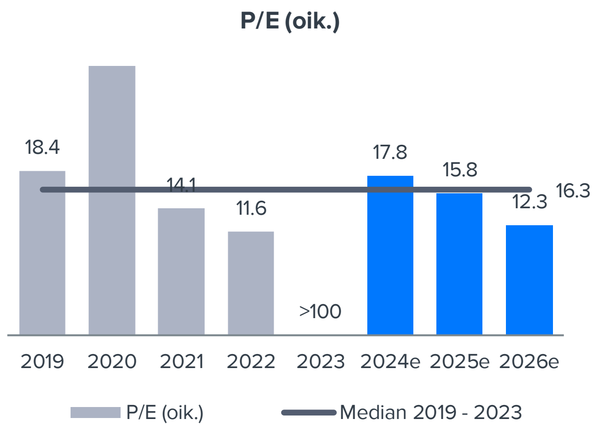
In our valuation, we have applied a 9.2% required return (WACC) for CapMan at Group level. The company's required ROE is 10.4%, which reflects its indebtedness and the higher risk level of investment activities.

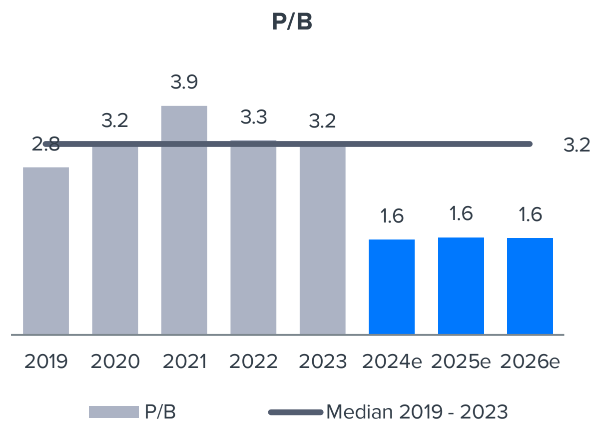
In the SOTP calculation, the required return of CapMan's Management Company business is slightly lower than the Group-level required return of 9.0%, which is in line with the level we apply to Evli and eQ. CapMan's required return for investment activities is inherently clearly higher than this, which explains the difference between the management business and the Group's required return.

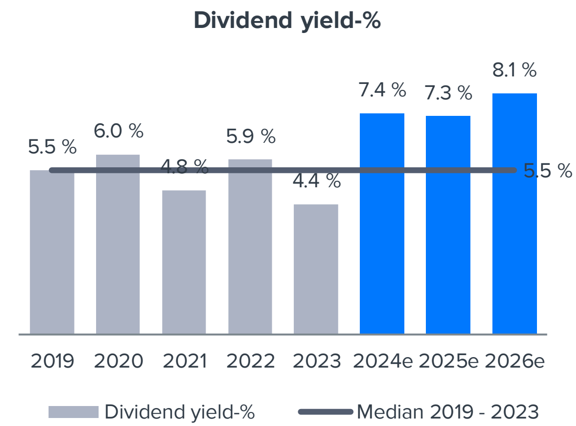
Valuation table

Valuation	2019	2020	2021	2022	2023	2024e	2025e	2026e	2027e
Share price	2.36	2.32	3.10	2.90	2.29	**1.89**	**1.89**	**1.89**	**1.89**
Number of shares, millions	152.2	155.8	156.6	158.1	158.6	**176.9**	**177.4**	**177.9**	**178.4**
Market cap	359	361	486	458	363	**334**	**334**	**334**	**334**
EV	385	395	513	506	426	**371**	**382**	**385**	**390**
P/E (oik.)	18.4	70.3	14.1	11.6	>100	**17.8**	**15.8**	**12.3**	**12.2**
P/E	25.7	70.3	14.1	11.6	>100	**4.6**	**16.9**	**12.9**	**12.9**
P/B	2.8	3.2	3.9	3.3	3.2	**1.6**	**1.6**	**1.6**	**1.6**
P/S	7.3	8.4	9.2	6.8	6.1	**4.7**	**5.1**	**4.5**	**4.3**
EV/Sales	7.9	9.2	9.7	7.5	7.2	**5.2**	**5.9**	**5.2**	**5.1**
EV/EBITDA	15.4	28.7	11.1	8.8	68.7	**4.1**	**11.0**	**9.0**	**9.0**
EV/EBIT (adj.)	15.4	32.0	11.5	9.5	63.2	**11.5**	**11.5**	**9.4**	**9.4**
Payout ratio (%)	141.7 %	424.1 %	68.5 %	67.8 %	1179.0 %	**33.7 %**	**123.4 %**	**103.8 %**	**110.0 %**
Dividend yield-%	5.5 %	6.0 %	4.8 %	5.9 %	4.4 %	**7.4 %**	**7.3 %**	**8.1 %**	**8.6 %**

Source: Inderes







Peer group valuation

Peer group valuation	Market cap	EV	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%		P/B
Company	**MEUR**	**MEUR**	**2024e**	**2025e**	**2024e**	**2025e**	**2024e**	**2025e**	**2024e**	**2025e**	**2024e**	**2025e**	**2024e**
Alexandria	83	82	7.6	7.4	6.3	6.1	1.8	1.6	10.2	10.8	7.5	8.0	2.5
Aktia	683	837							7.3	7.7	8.8	8.5	1.0
eQ	565	536	14.1	12.0	13.7	11.6	7.7	6.8	18.7	16.1	5.6	6.4	7.4
Evli	500	497	10.8	10.7	7.7	9.5	3.9	4.5	15.0	14.7	7.7	8.1	3.5
Taaleri	232	229	6.6	6.1	6.5	6.0	3.5	3.2	9.6	9.8	6.5	6.7	1.1
Titanium	105	91	9.5	9.6	8.9	8.8	4.0	4.0	13.8	13.8	8.1	8.1	6.2
United Bankers	195	176	8.2	8.7	7.4	7.7	3.0	2.8	12.2	13.5	6.1	6.4	3.3
CapMan (Inderes)	**334**	**371**	**11.5**	**11.5**	**4.1**	**11.0**	**5.2**	**5.9**	**17.8**	**15.8**	**7.4**	**7.3**	**1.6**
Average			**9.5**	**9.1**	**8.4**	**8.3**	**4.0**	**3.8**	**12.4**	**12.3**	**7.2**	**7.4**	**3.6**
Median			**8.9**	**9.1**	**7.5**	**8.3**	**3.7**	**3.6**	**12.2**	**13.5**	**7.5**	**8.0**	**3.3**
Diff-% to median			***30%***	***26%***	***-45%***	***33%***	***41%***	***65%***	***46%***	***18%***	***-1%***	***-9%***	***-52%***

Source: Refinitiv / Inderes

Income statement

Income statement	2022	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24	Q2'24	Q3'24e	Q4'24e	2024e	2025e	2026e	2027e
Revenue	**67.5**	**15.1**	**16.5**	**13.7**	**14.1**	**59.4**	**18.4**	**18.4**	**16.9**	**17.4**	**71.0**	**65.0**	**74.5**	**76.9**
Management company business	55.9	12.5	13.7	11.1	11.0	48.2	15.4	15.1	14.1	15.9	60.4	64.5	74.0	76.4
Service business	11.1	2.6	2.7	2.5	2.8	10.6	2.9	3.1	2.8	1.0	9.8	0.0	0.0	0.0
Investment business	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.6	0.0	0.1	0.1	0.3	0.5	0.2	0.2	0.0	0.5	0.8	0.5	0.5	0.5
EBITDA	**57.3**	**0.9**	**4.6**	**5.2**	**-4.4**	**6.2**	**7.8**	**6.1**	**9.2**	**66.5**	**89.5**	**34.8**	**42.7**	**43.2**
Depreciation	-4.2	-0.4	-0.4	-0.4	-0.4	-1.5	-0.5	-0.7	-0.7	-0.7	-2.5	-3.0	-3.2	-3.2
EBIT (excl. NRI)	**53.1**	**0.5**	**4.2**	**4.8**	**-2.8**	**6.7**	**8.5**	**5.8**	**8.8**	**9.1**	**32.3**	**33.2**	**40.9**	**41.4**
EBIT	**53.1**	**0.5**	**4.2**	**4.8**	**-4.8**	**4.7**	**7.3**	**5.4**	**8.5**	**65.8**	**87.0**	**31.8**	**39.5**	**40.1**
Management company business	22.3	3.2	5.0	3.6	0.5	12.2	6.3	4.3	4.7	5.2	20.4	22.2	29.7	29.9
Service business	3.0	1.5	1.5	1.4	1.6	6.0	1.7	1.7	1.7	57.6	62.7	0.0	0.0	0.0
Investment business	35.7	-2.5	-0.4	0.9	-4.5	-6.6	2.1	1.0	3.1	4.6	10.9	17.6	18.2	18.7
Other	-7.9	-1.6	-1.9	-1.1	-2.4	-6.9	-2.8	-1.6	-1.1	-1.5	-6.9	-8.0	-8.4	-8.6
Net financial items	-5.5	-0.5	-0.3	-0.1	0.3	-0.7	-0.9	-1.1	-1.4	-1.4	-4.8	-4.8	-4.5	-4.5
PTP	**47.6**	**0.0**	**3.8**	**4.7**	**-4.5**	**4.0**	**6.4**	**4.3**	**7.1**	**64.4**	**82.2**	**27.1**	**35.0**	**35.6**
Taxes	-6.6	0.7	0.2	-1.1	-0.4	-0.6	-1.5	-0.4	-1.1	-0.8	-3.8	-5.4	-7.0	-7.1
Minority interest	-1.4	-0.5	-0.7	-0.2	-0.7	-2.0	-2.4	-1.3	-0.6	-0.6	-5.0	-1.8	-2.0	-2.3
Net earnings	**39.6**	**0.3**	**3.3**	**3.4**	**-5.7**	**1.3**	**2.5**	**2.6**	**5.4**	**62.9**	**73.5**	**19.8**	**26.0**	**26.2**
EPS (adj.)	**0.25**	**0.00**	**0.02**	**0.02**	**-0.02**	**0.02**	**0.02**	**0.02**	**0.03**	**0.04**	**0.11**	**0.12**	**0.15**	**0.15**
EPS (rep.)	**0.25**	**0.00**	**0.02**	**0.02**	**-0.04**	**0.01**	**0.01**	**0.01**	**0.03**	**0.36**	**0.42**	**0.11**	**0.15**	**0.15**

Key figures	2022	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24	Q2'24	Q3'24e	Q4'24e	2024e	2025e	2026e	2027e
Revenue growth-%	27.9 %	6.1 %	-6.7 %	-13.8 %	-28.7 %	-12.1 %	21.9 %	11.2 %	23.0 %	23.9 %	19.6 %	-8.5 %	14.7 %	3.2 %
Adjusted EBIT growth-%	19.0 %	-97.2 %	-70.4 %	-62.1 %	-137.0 %	-87.3 %	1511.0 %	39.8 %	83.4 %	-430.2 %	379.0 %	2.8 %	23.2 %	1.4 %
EBITDA-%	84.9 %	6.1 %	27.6 %	37.6 %	-31.4 %	10.4 %	42.2 %	33.4 %	54.4 %	381.3 %	126.1 %	53.5 %	57.3 %	56.2 %
Adjusted EBIT-%	78.6 %	3.5 %	25.3 %	35.0 %	-19.6 %	11.4 %	46.4 %	31.8 %	52.2 %	52.3 %	45.5 %	51.1 %	54.8 %	53.9 %
Net earnings-%	58.7 %	2.0 %	20.2 %	24.7 %	-40.3 %	2.3 %	13.6 %	14.3 %	32.0 %	361.1 %	103.4 %	30.5 %	34.9 %	34.1 %

Source: Inderes

Balance sheet

Assets	2022	2023	2024e	2025e	2026e
Non-current assets	**183**	**173**	**214**	**218**	**221**
Goodwill	7.9	7.9	30.9	30.9	30.9
Intangible assets	0.1	0.0	11.9	10.6	9.2
Tangible assets	3.6	4.1	4.2	4.3	4.3
Associated companies	0.0	0.0	0.0	0.0	0.0
Other investments	170	159	165	170	175
Other non-current assets	0.0	0.0	0.0	0.0	0.0
Deferred tax assets	1.8	1.9	1.9	1.9	1.9
Current assets	**87.6**	**68.0**	**134**	**104**	**106**
Inventories	0.0	0.0	0.0	0.0	0.0
Other current assets	5.8	6.5	10.0	10.0	10.0
Receivables	26.3	20.5	24.9	26.0	29.8
Cash and equivalents	55.6	41.0	99.3	68.4	65.8
Balance sheet total	**270**	**241**	**348**	**322**	**327**

Source: Inderes

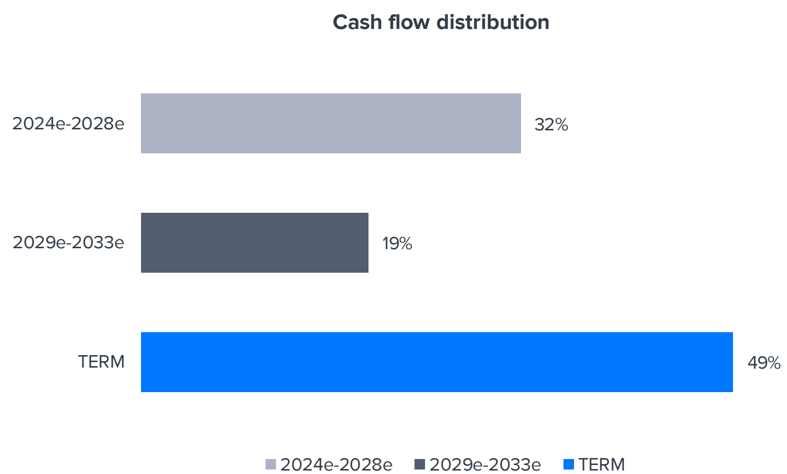
Liabilities & equity	2022	2023	2024e	2025e	2026e
Equity	**142**	**115**	**211**	**206**	**207**
Share capital	0.8	0.8	37.8	37.8	37.8
Retained earnings	65.5	52.9	111	106	107
Hybrid bonds	0.0	0.0	0.0	0.0	0.0
Revaluation reserve	38.4	38.4	38.4	38.4	38.4
Other equity	35.4	21.1	21.1	21.1	21.1
Minorities	2.1	1.9	3.0	3.0	3.0
Non-current liabilities	**108**	**98.9**	**110**	**91.5**	**91.5**
Deferred tax liabilities	8.4	6.0	6.0	6.0	6.0
Provisions	0.0	0.0	0.0	0.0	0.0
Interest bearing debt	91.9	92.5	104	85.0	85.0
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	7.3	0.5	0.5	0.5	0.5
Current liabilities	**20.8**	**27.5**	**26.8**	**24.7**	**28.0**
Interest bearing debt	1.1	1.4	0.0	0.0	0.0
Payables	18.4	24.2	24.9	22.7	26.1
Other current liabilities	1.2	1.9	1.9	1.9	1.9
Balance sheet total	**271**	**242**	**348**	**322**	**327**

DCF calculation

DCF model	2023	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	TERM
Revenue growth-%	-12.1 %	19.6 %	-8.5 %	14.7 %	3.2 %	5.0 %	5.0 %	5.0 %	5.0 %	3.0 %	2.5 %	2.5 %
EBIT-%	7.9 %	122.5 %	49.0 %	53.0 %	52.1 %	50.0 %	49.0 %	48.0 %	47.0 %	45.0 %	45.0 %	45.0 %
EBIT (operating profit)	**4.7**	**87.0**	**31.8**	**39.5**	**40.1**	**40.4**	**41.5**	**42.7**	**43.9**	**43.3**	**44.4**	
+ Depreciation	1.5	2.5	3.0	3.2	3.2	3.0	2.9	2.8	2.8	2.8	2.8	
- Paid taxes	-3.2	-3.8	-5.4	-7.0	-7.1	-7.1	-7.4	-7.6	-7.9	-7.7	-7.9	
- Tax, financial expenses	-0.1	-0.2	-1.0	-0.9	-0.9	-0.9	-0.9	-0.9	-0.9	-0.9	-0.9	
+ Tax, financial income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Change in working capital	11.5	-7.1	-3.2	-0.5	-0.1	-0.2	-0.2	-0.2	-0.2	-0.1	-0.1	
Operating cash flow	**14.4**	**78.4**	**25.2**	**34.3**	**35.1**	**35.1**	**35.9**	**36.8**	**37.7**	**37.3**	**38.2**	
+ Change in other long-term liabilities	-6.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	8.1	-43.1	-6.7	-6.8	-6.9	-2.0	-2.1	-2.2	-2.3	-2.4	-2.7	
Free operating cash flow	**15.6**	**35.3**	**18.5**	**27.5**	**28.2**	**33.1**	**33.8**	**34.6**	**35.4**	**34.9**	**35.4**	
+/- Other	0.0	39.0	3.0	-3.0	-2.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	15.6	74.3	21.5	24.5	26.2	33.1	33.8	34.6	35.4	34.9	35.4	543
Discounted FCFF		**73.0**	**19.3**	**20.2**	**19.8**	**22.9**	**21.4**	**20.1**	**18.8**	**17.0**	**15.8**	**242**
Sum of FCFF present value		490	417	398	378	358	335	314	294	275	258	242
Enterprise value DCF		**490**										
- Interest bearing debt		-93.9										
+ Cash and cash equivalents		41.0										
-Minorities		-31.5										
-Dividend/capital return		-15.9										
Equity value DCF		**390**										
Equity value DCF per share		**2.2**										

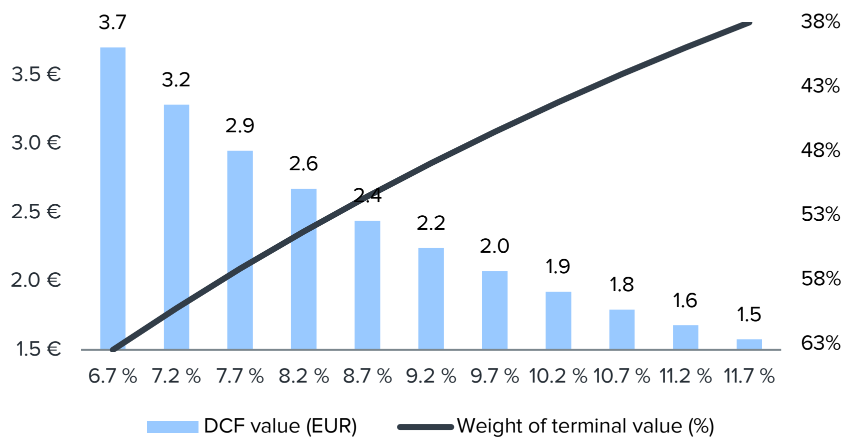
WACC	
Tax-% (WACC)	20.0 %
Target debt ratio (D/(D+E)	20.0 %
Cost of debt	5.5 %
Equity Beta	1.45
Market risk premium	4.75%
Liquidity premium	1.00%
Risk free interest rate	2.5 %
Cost of equity	**10.4 %**
Weighted average cost of capital (WACC)	**9.2 %**

Source: Inderes

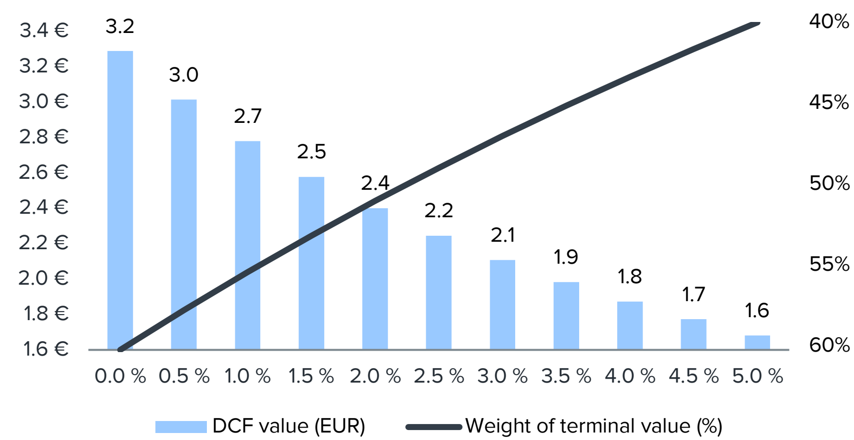


DCF sensitivity calculations and key assumptions in graphs

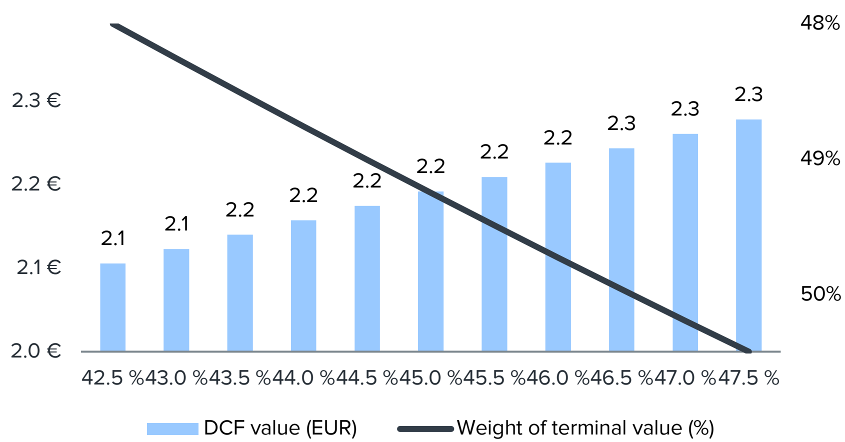
Sensitivity of DCF to changes in the WACC-%



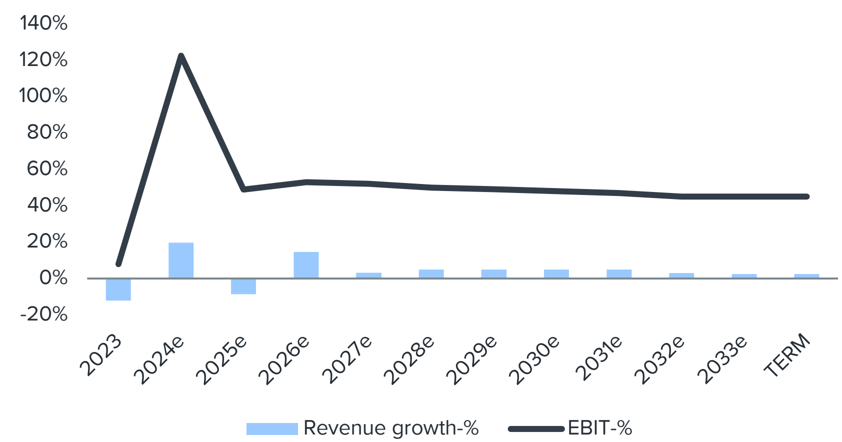
Sensitivity of DCF to changes in the risk-free rate



Sensitivity of DCF to changes in the terminal EBIT margin



Growth and profitability assumptions in the DCF calculation



Source: Inderes. Note that the weight of the terminal value (%) is shown on an inverse scale for clarity.

Summary

Income statement	2021	2022	2023	2024e	2025e
Revenue	52.8	67.5	59.4	**71.0**	**65.0**
EBITDA	46.1	57.3	6.2	**89.5**	**34.8**
EBIT	44.6	53.1	4.7	**87.0**	**31.8**
PTP	40.6	47.6	4.0	**82.2**	**27.1**
Net Income	34.3	39.6	1.3	**73.5**	**19.8**
Extraordinary items	0.0	0.0	-2.0	**54.7**	**-1.4**

Balance sheet	2021	2022	2023	2024e	2025e
Balance sheet total	240.3	270.5	241.4	**348.0**	**322.0**
Equity capital	127.4	142.1	115.1	**210.8**	**205.8**
Goodwill	15.3	7.9	7.9	**30.9**	**30.9**
Net debt	17.8	37.4	52.8	**4.7**	**16.6**

Cash flow	2021	2022	2023	2024e	2025e
EBITDA	46.1	57.3	6.2	**89.5**	**34.8**
Change in working capital	0.2	-1.9	11.5	**-7.1**	**-3.2**
Operating cash flow	46.0	49.1	14.4	**78.4**	**25.2**
CAPEX	-14.2	-37.3	8.1	**-43.1**	**-6.7**
Free cash flow	57.2	11.5	15.6	**74.3**	**21.5**

Valuation multiples	2021	2022	2023	2024e	2025e
EV/S	9.7	7.5	7.2	**5.2**	**5.9**
EV/EBITDA	11.1	8.8	68.7	**4.1**	**11.0**
EV/EBIT (adj.)	11.5	9.5	63.2	**11.5**	**11.5**
P/E (adj.)	14.1	11.6	>100	**17.8**	**15.8**
P/B	3.9	3.3	3.2	**1.6**	**1.6**
Dividend-%	4.8 %	5.9 %	4.4 %	**7.4 %**	**7.3 %**

Source: Inderes

Per share data	2021	2022	2023	2024e	2025e
EPS (reported)	0.22	0.25	0.01	**0.42**	**0.11**
EPS (adj.)	0.22	0.25	0.02	**0.11**	**0.12**
OCF / share	0.29	0.31	0.09	**0.44**	**0.14**
FCF / share	0.37	0.07	0.10	**0.42**	**0.12**
Book value / share	0.80	0.89	0.71	**1.17**	**1.14**
Dividend / share	0.15	0.17	0.10	**0.14**	**0.14**

Growth and profitability	2021	2022	2023	2024e	2025e
Revenue growth-%	23%	28%	-12%	**20%**	**-9%**
EBITDA growth-%	236%	24%	-89%	**1345%**	**-61%**
EBIT (adj.) growth-%	262%	19%	-87%	**379%**	**3%**
EPS (adj.) growth-%	564%	14%	-91%	**396%**	**13%**
EBITDA-%	87.4 %	84.9 %	10.4 %	**126.1 %**	**53.5 %**
EBIT (adj.)-%	84.6 %	78.6 %	11.4 %	**45.5 %**	**51.1 %**
EBIT-%	84.6 %	78.6 %	7.9 %	**122.5 %**	**49.0 %**
ROE-%	28.8 %	29.8 %	1.1 %	**45.8 %**	**9.7 %**
ROI-%	21.9 %	23.8 %	2.1 %	**33.2 %**	**10.5 %**
Equity ratio	53.0 %	52.6 %	47.7 %	**60.6 %**	**63.9 %**
Gearing	14.0 %	26.3 %	45.9 %	**2.2 %**	**8.1 %**

Disclaimer and recommendation history

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Accumulate — The 12-month risk-adjusted expected shareholder return of the share is attractive

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Recommendation history (>12 mo)

Date	Recommendation	Target	Share price
8/9/2019	Buy	2.00 €	1.75 €
9/26/2019	Accumulate	2.00 €	1.87 €
11/1/2019	Reduce	2.10 €	2.06 €
1/31/2020	Buy	2.75 €	2.48 €
3/20/2020	Buy	2.00 €	1.52 €
4/7/2020	Accumulate	1.90 €	1.70 €
4/24/2020	Accumulate	1.90 €	1.76 €
8/7/2020	Accumulate	2.10 €	1.96 €
10/30/2020	Accumulate	2.10 €	1.93 €
2/5/2021	Accumulate	2.80 €	2.63 €
2/22/2021	Accumulate	2.80 €	2.68 €
4/30/2021	Accumulate	3.00 €	2.78 €
8/6/2021	Accumulate	3.30 €	3.04 €
10/28/2021	Accumulate	3.30 €	2.98 €
1/5/2022	Accumulate	3.30 €	3.10 €
2/4/2022	Accumulate	3.30 €	3.00 €
3/21/2022	Accumulate	3.10 €	2.81 €
4/29/2022	Buy	3.10 €	2.62 €
8/5/2022	Accumulate	3.30 €	3.09 €
10/28/2022	Accumulate	3.00 €	2.60 €
11/14/2022	Accumulate	3.00 €	2.58 €
2/3/2022	Accumulate	3.10 €	2.89 €
5/2/2023	Accumulate	2.90 €	2.59 €
8/4/2023	Accumulate	2.70 €	2.57 €
10/27/2023	Accumulate	2.40 €	2.06 €
2/8/2024	Accumulate	2.20 €	1.96 €
3/6/2024	Accumulate	2.20 €	1.94 €
5/6/2024	Reduce	2.20 €	2.10 €
6/3/2024	Accumulate	2.20 €	1.91 €
8/8/2024	Accumulate	2.10 €	1.78 €
10/7/2024	Accumulate	2.10 €	1.92 €
10/21/2024	Accumulate	2.10 €	1.89 €

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