

# Taaleri

## Extensive report

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This report is a summary translation of the report “Via Dolorosa jätetty pysyvästi taakse” published on 5/21/2021 at 7:30 pm

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# Road of suffering permanently left behind

We revise Taaleri's target price to EUR 12.5 (previous EUR 11.5) and reiterate our Accumulate recommendation. The company continues with decisive actions to materialize the value of its parts and the next steps for this are clear. Materializing the value of parts still offers a solid return expectation for coming years and if the strategy is successful there is clear value creation potential in the Private equity funds business as well.

## A house of alternative investment products

Taaleri is a private equity fund house that focuses on renewable energy and alternative assets. In addition, Insurance Company Garantia is a part of the Group. At the end of Q1'21, the company managed EUR 1.7 billion in customer assets and employed ca. 100 people. Mergers and acquisitions have historically been a key part of Taaleri's investment story and the latest transaction occurred in 2021, when the company sold its Wealth management business to Aktia Bank Plc.

## Next few years will be spent on ramping up the business and materializing the value in the balance sheet

The cornerstones of Taaleri's strategy period 2021-2023 are: growth in alternative assets, focus & pruning, and cost and capital efficiency. The strategy is focused on developing the Private equity funds and leaving behind opportunistic M&A transactions. Garantia is a separate piece of the strategy, which is also visible in its classification as a strategic investment. In our view, the strategy period 2021-2023 is a kind of construction phase for Taaleri, because the company will focus on developing the Private equity fund business. The strategy revolves around scaling up the business with profitability as a secondary priority. The company's balance sheet is heavily overcapitalized after the Aktia deal and the company will return considerable amounts of capital to shareholders. Furthermore, the company is actively seeking companies to acquire to accelerate the growth of private equity funds.

## Results of the next few years rely mainly on non-recurring earnings, sustainable earnings improvement takes time

For the next few years, Taaleri's result will be bolstered by the non-recurring earnings from cleaning up the balance sheet and the result will seem "too good". The impact of this income on the company value is marginal and we suggest that investors focus on the following factors during this strategy period: The growth of AUM and continuing earnings, cost level development and cost restructuring, the profitability of continuing earnings, Garantia's insurance technical performance and ability to pay dividends, and the performance of the funds. Improving the profitability of continuing earnings will take time and, in our estimate, the proper scaling of the business will happen only after the current strategy period.

## Unjustified discount in share relative to sum of the parts

In this analysis, we will focus on the sum of the parts, as it's the best way to consider the value of different parts of Taaleri and the different profiles of the businesses. Through the sum of the parts, we value the company at EUR 12.7, which is in line with our target price. We don't think that it's justified to value Taaleri lower than the value of its parts, given that the next steps to materialize the value are clear and the company is committed to it. The peer company analysis, absolute multiples and our DCF model support the current price target, even though we don't give them much weight.

## Recommendation

### Accumulate

(previous Accumulate)

### EUR 12.50

(previous EUR 11.50)

### Share price:

11.85



## Key indicators

	2020	2021e	2022e	2023e
<b>Income</b>	69.5	51.7	50.3	68.7
<b>growth %</b>	3%	-26%	-3%	36%
<b>EBIT adj.</b>	17.6	20.2	19.4	36.9
<b>EBIT % adj.</b>	25.4%	39.1%	38.6%	53.7%
<b>Net profit</b>	13.1	125.8	14.7	26.7
<b>EPS (adj.)</b>	0.46	0.55	0.50	0.89
<b>P/E (adj.)</b>	17.6	21.6	23.7	13.3
<b>P/B</b>	1.5	1.4	1.4	1.6
<b>Dividend yield %</b>	3.9%	11.8%	12.9%	5.3%
<b>EV/EBIT (adj.)</b>	13.9	13.3	13.0	7.7
<b>EV/EBITDA</b>	12.1	2.1	12.6	7.6
<b>EV/Sales</b>	3.5	5.2	5.0	4.1

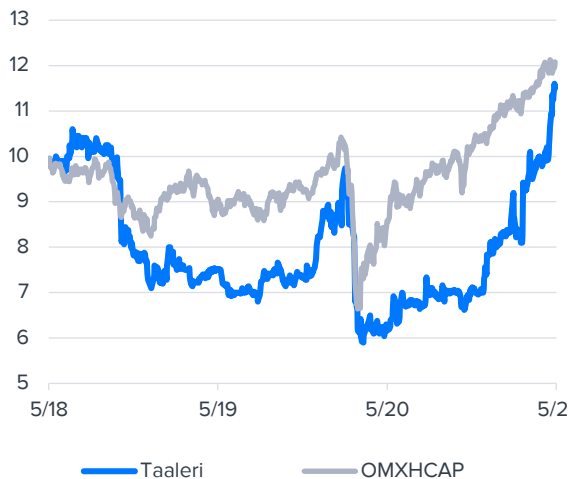
Source: Inderes

## Guidance

No guidance

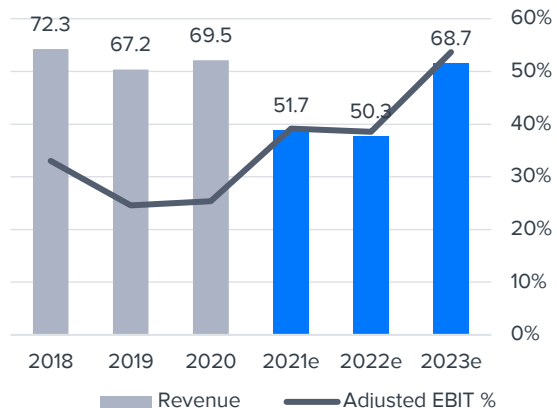
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### Share price



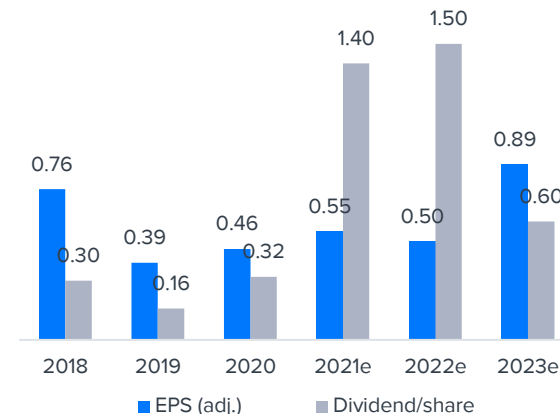
Source: Thomson Reuters

### Revenue and EBIT %



Source: Inderes

### EPS and dividend



Source: Inderes



#### Value drivers

- Scaling of Energy
- Ramping up other Private equity funds
- Garantia's profitable growth
- More efficient use of the balance sheet
- M&A

#### Risk factors

- Performance of funds
- Success of ramping up other Private equity funds
- Scalability of costs and improving cost efficiency
- Garantia's guarantee risks

#### Valuation

- Sum of the parts higher than current share price
- There is still considerable value in parts and when the materializing of the value of the parts develops in the right direction, we feel the return expectation offered by the share is still good enough
- If the strategy is successful, there is clear value creation potential in Private equity funds activities as well

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# Taaleri in brief

Taaleri is a Nordic private equity fund company that focuses on renewable energy and other alternative investments.

## 2007

Year of establishment

## 2013/2016

Listing on First North/The main list of Helsinki stock exchange

## EUR 40.0 million

Income of continuing operations 2020

## EUR 9.1 million (23% of revenue)

Operating profit of continuing operations 2020

## EUR 1.7 billion

Assets under management at the end of Q2'21

## 102

Personnel Q1'21

### 2013-2015

- Listed on the First North marketplace 4/2013
- Finsilva acquisition 6/2014
- Garantia acquisition 3/2015
- Aggressively building up the Private equity fund business
- Part of Finsilva divested 4/2015
- Lainaamo sold to Fellow Finance, Taaleri remains minority stakeholder 5/2015

### 2016-2020

- Listed on the main list 4/2016
- Sale of the rest of Finsilva position 3/2016
- Founding the Energy business in 2016 and ramping it up
- Strong operational development of Garantia
- RaVa group regulations cause problems with capital requirements
- Chronic profitability challenges with Wealth management

### 2021-

- Sale of Wealth management business to Aktia for the debt-free price of EUR 120 million
- New strategy and financial objectives
- Taaleri becomes a product house that focuses on renewable energy and alternative investment products
- RaVa group dissolves
- Materializing considerable overcapitalization through profit distribution and M&A

# Company description

## Taaleri in brief

Taaleri (founded in 2007) is a private equity fund house that focuses on renewable energy and alternative assets. In addition, Insurance Company Garantia is a part of the Group. Taaleri was listed on the First North marketplace in 2013 and on the main list of Helsinki stock exchange in 2016. At the end of Q1'21, the company managed EUR 1.7 billion in customer assets and employed 102 people in continuous operations.

M&A transactions have historically been a key part of Taaleri's investment story and the latest transaction occurred in 2021, when the company sold its Wealth management business to Aktia Bank Plc. We will go over completed M&A transactions on the next page.

## From wealth management to a product-focused private equity fund house

In March 2021, Taaleri announced the sale of their Wealth management business to Aktia for a debt-free price of EUR 120 million. The sale caused a major shift in Taaleri's business structure as Wealth management has been a pivotal part of the company's history. After the sale of the Wealth management business, Taaleri updated its strategy and virtually became a product house that is focused on private equity funds. The company's vision is to be the Nordic pioneer in private equity funds that focus on renewable energy and other alternative assets.

## Two reporting segments

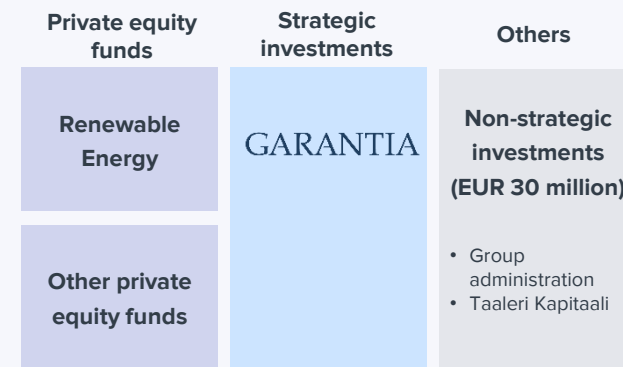
Taaleri's continuing operations consist of two reporting segments: Private equity funds, which is divided to Renewable energy and Other private equity funds, and Strategic investments segment, which consists of the guarantee insurance company Garantia. Other segment contains the Group's non-strategic investments, the investment bank Taaleri Kapitaali, and the group functions that aren't part of the business segments.

In 2020 the income of Taaleri's continuing operations were EUR 40 million and operating profit EUR 9.1 million. A major share of the result of continuing operations (EUR 10.2 million) came from Garantia, while Other equity funds business is still being ramped up for the most part.

## Ownership






Taaleri's ownership base faced a major change, when a significant number of Taaleri's owners were transferred to Aktia as employees. If the board is not considered (ownership of ca. 20%), the ownership of Taaleri personnel is very modest and, in our approximation, only a few percentage points. This is an exceptionally low level for the industry and a problem for the company in the long run. In our opinion, the company will engage the key personnel considerably with stock option programs or with minority interests in operative companies. We believe that this is necessary and, in our view, the most reasonable way would be to increase personnel ownership in the parent company Taaleri to avoid conflicts of interest.

# TAALERI



Largest shareholders 4/2021	%
Veikko Laine Oy	11.5%
Oy Hermitage Ab	10.3%
Elomaa Heikki Juhani	6.1%
Fennia Life Insurance Company Ltd.	5.8%
Swiss Life Luxembourg S.A.	5.2%
Haaparinne Karri Erik	5.1%
Lampinen Petri Juhani	1.8%
Mathur Ranjit	1.6%
Lehto Vesa	1.3%
Kaski Olli Ensio	1.2%
<b>10 largest shareholders in total</b>	<b>49.8%</b>

# Key M&A transactions in Taaleri's history

M&A transaction	Year	Transaction in brief	Effect
	2015-2016	Taaleri acquired 39.5% of Finsilva for EUR 65 million during in the summer 2014. The shares were sold to a Dasos equity fund and Etera in 2015-2016.	Total profit of the transaction > EUR 30 million, IRR- % ~25%
	2015	Garantia acquisition for a favorable price of EUR 60 million (P/E 8x and P/B 0.7x).	Taaleri made a write-up of EUR 27 million to Garantia and the value of the company has increased significantly under Taaleri's ownership.
	2015 & 2018	Taaleri acquired 38.4% of Fellow Finance in 2015 and increased its ownership to 45.7 % in 2018. In our estimate, the valuation of FF in the transaction was EUR 10-15 million.	The development of FF after the IPO has been weak, but the investment has still been very good for Taaleri. The company sold a notable portion of its position when FF was listed.
	2016	Redemption of minority holdings (25%) of Taaleri's Private equity funds business for EUR 12 million (EV EUR 48 million).	The price was in line with the low 2015 EV/EBIT multiple 7x, which was considerably lower than Taaleri's own valuation.
	2021	Taaleri sold their Wealth management business that had faced chronic profitability challenges to Aktia for a debt-free price of EUR 120 million.	On one hand, given the weak performance capacity of Wealth management, the price was good. On the other, considering the full earnings potential, the price was rather inexpensive (EV/EBIT 7x with Aktia's synergies). However, we are skeptical that Taaleri could have brought out the full earnings potential on their own.

# Strategy and financial objectives 1/3

## Strategy

### The strategy is clear for the first time in Taaleri's history

After the Aktia deal, Taaleri published an updated strategy for the period of 2021-2023 and the cornerstones are:

- Growth in alternative investment products
- Focus and pruning
- Cost-efficiency
- Capital efficiency

The strategy is focused on developing the Private equity funds and leaving behind opportunistic M&A transactions outside of the core business. Garantia is a separate piece of the strategy, and it's classified as a strategic investment.

In our view, the strategy period 2021-2023 is a construction phase for Taaleri, because of the company's focus on developing the Private equity fund business. The strategy revolves around scaling up the business with profitability as a secondary priority. This is also visible in financial objectives.

On the level of different business areas, the development of Energy bears the least risk in our opinion and the growth will be seen in the second half of the period with the launch of the SolarWind3 fund.

In our view, the success of the strategy is tied to whether Taaleri succeeds in ramping up Other Private equity funds. Naturally, this requires a significant number of new products and most of all successful

investment activity within them. When Taaleri launches new fund families, the success of the first products is critical. Taaleri plans to start out with rather modest-sized products in new equity funds (Bio & Infra). We think this is the right approach to ensure good investment returns.

In addition to succeeding with the investments, the success of the distribution partnership with Aktia is almost as important. In our view, the main target group of Other Private equity funds is wealthy individuals and smaller institutions and, thus, Aktia's distribution is a pivotal factor. In our opinion, it is clear that without successful distribution partnership with Aktia, Taaleri doesn't meet the requirements to grow Other Private equity funds to the level that they want. Even though the preconditions for the Aktia partnership being successful are good, the company should improve their own distribution capacity to reduce the risk level.

In regard to cost-efficiency, the company is going through a restructuring after the Aktia deal. The cost-efficiency of the company has historically been very low and now after the Aktia deal the company has a great opportunity to clear the table and create a new culture of cost-efficiency. Naturally, a restructuring is not enough, but the company also requires income growth to enhance cost-efficiency.

For capital efficiency, the company aims to materialize the significant overcapitalization in its balance sheet and to release capital that is not related to the core business. The capital will be released through dividends and possible M&A transactions (more information p. 34).



## Strengths and weaknesses of the strategy

### Strengths

- The strategy is clear for the first time in the company's history
- Strategy focuses on the core competency of the company
- The growth outlook in selected segments is good
- The value in Taaleri's balance sheet will be materialized
- Cost-efficiency is a strategic theme
- Garantia returns Taaleri significant amounts of capital

### Weaknesses

- The company is highly dependent on Aktia's distribution
- The starting point of Other Private equity funds is very modest and even in the best scenario, the ramping up takes time
- Cost-efficiency has historically been low and the company hasn't proven that they can improve it
- Even if capital efficiency is improved, the balance sheet will remain heavy with Garantia in the Group
- The different parts of the company don't have relevant strategic synergy and they would be more valuable separately



# Strategy and financial objectives 2/3

## Cornerstones of the strategy



### Growth of continuing earnings and AUM



- New funds
- Growth in the size of funds
- Successful distribution partnership with Aktia
- Building own distribution

### Excellent investment returns



- As a manager that relies on value creation strategies, Taaleri has to systemically make good returns with funds

### More efficient use of the balance sheet



- The company's balance sheet is heavily overcapitalized
- Taaleri wants better returns from the balance sheet
- The balance sheet will be materialized through profit distribution and potential M&A transactions

### Improved cost-efficiency



- Taaleri's cost-efficiency has historically been low and the company has aimed to systemically improve it for the past few years

## Inderes' comments on Taaleri's strategic focal areas

- Taaleri must launch a significant number of new products during the strategy period
- Product sizes must be grown systemically, so that the profitability of each product reaches a good level
- The distribution partnership with Aktia is a pivotal factor in growing Other Private equity funds and the partnership must be successful
- Taaleri should also strengthen its own distribution to be less dependent on a single partner

- The polarization between good and bad managers will continue
- Taaleri must prove to be among the best managers
- The most notable proving grounds will be Other Private equity funds, which are mainly still being built. The track record for Energy is already strong
- Good returns support the growth of the business through product sizes and pricing and offer a significant potential with carried interest income

- The sale of Wealth management helps Taaleri's solvency position significantly
- For the first time in years, the company gets to properly materialize capital from its balance sheet
- The use of balance sheet is stricter than before and if suitable M&A targets cannot be found, the capital will be returned to the shareholders
- At the end of the strategy period, the balance sheet should be significantly lighter and in more efficient use

- The company is going through a major transition and the cost structure must be adjusted to match the new size class
- The conditions to improve cost-efficiency are better after the sale of Wealth management that faced continuous profitability challenges
- In addition to the restructuring, continuous improvements in cost-efficiency require success in other cornerstone areas

# Strategy and financial objectives 3/3

## Financial objectives

### The objectives are realistic

**The income growth target** is a key factor in Taaleri's investment story, because the topline must grow in order to improve profitability. For Private equity funds, a growth of 15% is achievable in our view, as long as the company 1) succeeds in bringing new products to the market, 2) the distribution partnership with Aktia starts working properly, and 3) the market situation remains reasonable at minimum. Naturally, successful investment activities in the funds are vital for the sales of new funds. For Garantia, the 15% growth target is ambitious, but achievable with the help of the OP partnership and new product launches.

**The target of total assets under management** at EUR 3.0 billion is realistic and in line with our estimates. In practice, this will require the launch of the SolarWind3 fund in 2023, several product launches in Other Private equity funds and individual mandates. Furthermore, the capital of older funds (wind power funds in particular) should remain in the management of the company even after exits.

**The profitability target** is rather modest in our opinion. Given Garantia's excellent profitability (operating profit +60%), the rest of the group has to break even to reach the target. In our estimate, the goal of 25% is a minimum level for the current strategy period, where the focus is on building new and cleaning up the balance sheet. 25% is achievable with operational activities and it doesn't require significant performance fees or investment

income. We think this is logical, as the focus of Private equity funds is completely on growth and profitability is a secondary priority when the business is in a ramping/building up stage.

**The return on equity target** reflects the drastically overcapitalized balance sheet of Taaleri. With the current balance sheet structure it's virtually impossible for the company to reach more than 15% and the company must lighten or put its balance sheet to work to reach the target. In comparison to peer companies, it is important to note that Garantia ties up a significant amount of capital and the ROE is low by design, even though the result is excellent. In our view, 15 % is realistic only after the current strategy period and with Garantia being a part of the group, the potential remains close to this level.

**The dividend distribution target** is twofold in our view. On the one hand, the minimum target of 50% is rather prudent in comparison to relevant peer companies, but on the other one, the distribution of extra capital is a significant change to Taaleri's previous policy. In our estimate, the company wants to leave enough room for maneuver in implementing the new strategy and prevent cornering itself with too high dividend promises. We believe that after the current strategy period the company has a distinct need to go from 50% closer to the level of peer companies (commonly +70%).



## Financial objectives

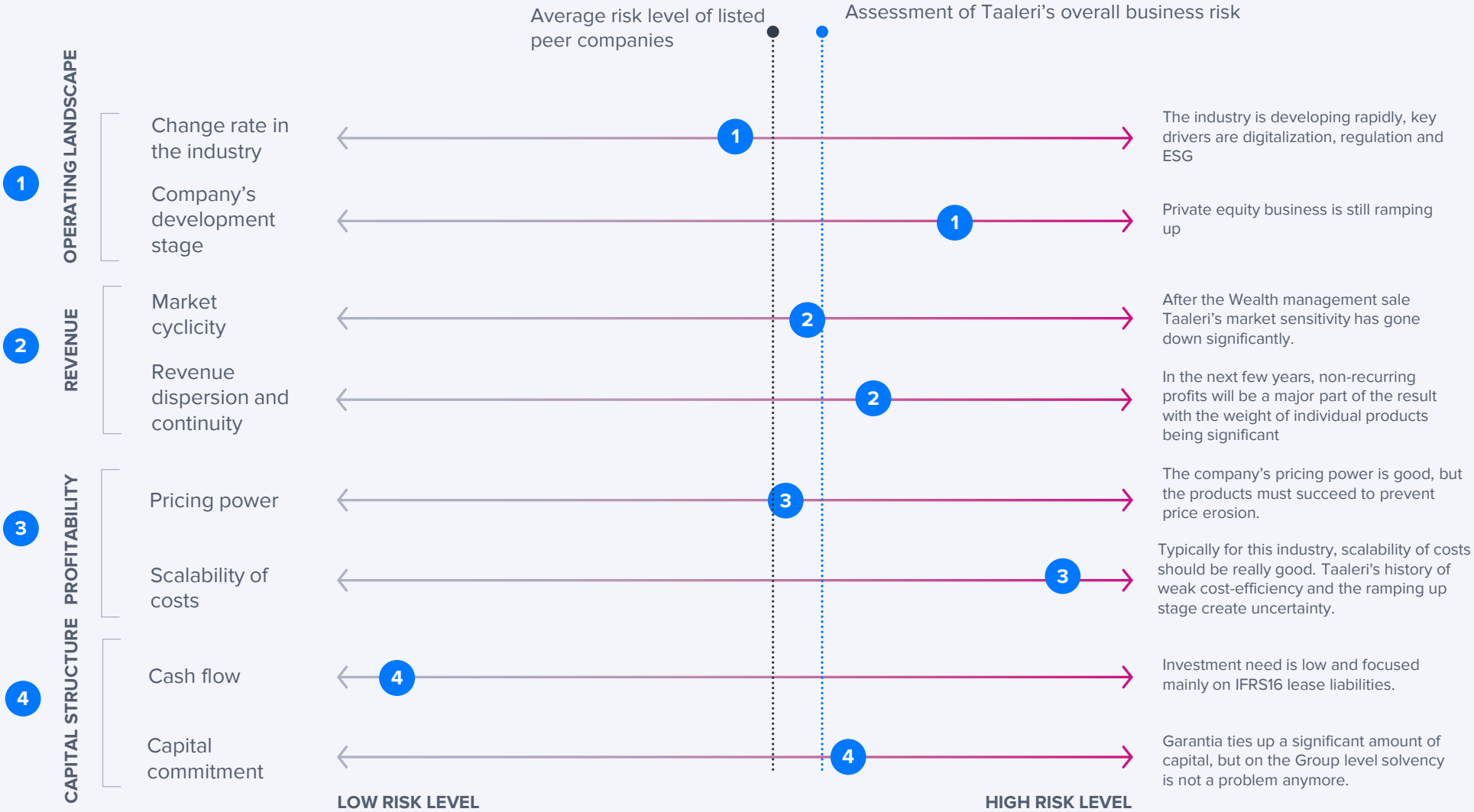
### Taaleri has five financial objectives for the strategy period 2021-2023:

- Continuing earnings growth > 15% annually
- Operating profit > 25%
- Assets under management over EUR 3 billion in 2023
- ROE % > 15%
- At least 50% of the profit to shareholders and extra capital is returned to shareholders

### Inderes estimates

- Private equity funds' continuing earnings 21-23e: 13%/p.a.
- Garantia's continuing earnings 21-23e: 10%/p.a.
- AUM 2023e ~3.2 billion
- EBIT % adj. 21-23e: ~44%
- ROE % adj. 21-23e: ~10%
- 2021-2023e net dividends EUR 2.9/share

# Risk profile of the business model



Source: Inderes

# Investment profile

1.

**Strong growth outlook in Private equity funds**

2.

**Private equity funds are still being ramped up which takes time**

3.

**Garantia's profit and dividend outlook is strong**

4.

**The balance sheet is heavily overcapitalized and is lightened with dividends and M&A**

5.

**The current structure ties up much capital and brings down ROE**

## Potential



- Scaling of Energy
- Ramping up other Private equity funds
- Garantia's profitable growth
- More efficient use of the balance sheet
- M&A

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## Risks



- Success in fund investments
- Success of ramping up other Private equity funds
- Scalability of costs and improving cost-efficiency
- Garantia's guarantee risks

# Private equity funds 1/5

## New core business

After the sale of Wealth management, Taaleri's Private equity fund business is completely focused on alternative investments. The company focuses on so called "impact investments", which in addition to financial profit aim to have a positive impact on the surrounding society (e.g. fighting global warming).

At the end of 2020, the assets under Taaleri's management were ca. EUR 1700 million and the fee and commission income from them was EUR 21.7 million. Of this income a little over EUR 18 million was recurring fees and commission income and the rest different kinds of non-recurring income. The recurring earnings from assets under management is very healthy and the average fee level is ca. 1.2%. Typically for private equity funds, the share of non-recurring income can be very significant and non-recurring income commonly lags behind until the end of a fund's life cycle.

Taaleri has four investment areas that are: Energy, Real Estate, Bioindustry and Infra. Additionally, the company has an assortment of old funds, which we call PE funds. The PE funds aren't in the center of the company's strategy and these funds will eventually leave the AUM. Of the investment areas, Energy is the largest by a great margin and its share of fee and commission income in 2020 is 80%.

Taaleri divides its business into Energy and Other private equity funds (Bio, Real Estate, Infra and PE) in its own reports. In addition, Taaleri reports under Private equity funds the strategic investments related to them. (Q1'21: EUR 22 million). Practically these are one-off investments (such as Texas wind park or Fintoil) or direct investments into the company's funds.

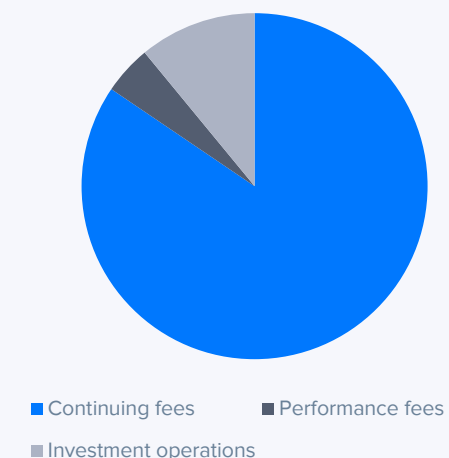
Unlike non-strategic investments, these investments are not meant to be sold, but in our estimate the strategic investments will see some growth, when the company allocates 1-2% of investment commitments into its own funds.

Even though Energy and Other Private equity funds are reported as one single segment, we will analyze them as separate business functions, because they have very little synergy and especially Energy is managed very independently.

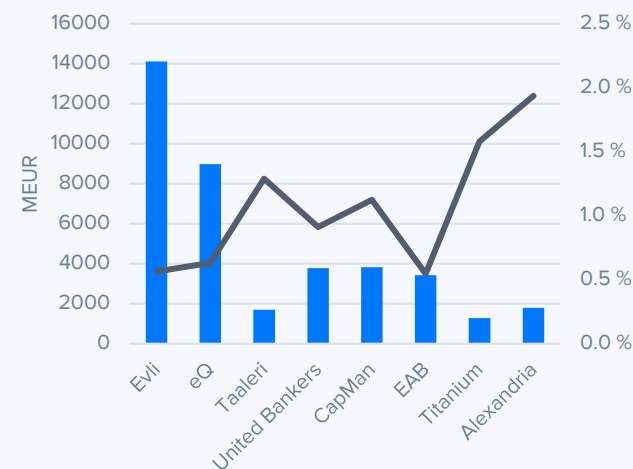
## The distribution model raises concern

After the Aktia deal, Taaleri entered a strategic partnership with Aktia, where Aktia has an exclusive right to distribute Taaleri's funds to retail investors in Finland. We estimate that the distribution capacity of Taaleri is very limited at the moment, barring Energy, which takes care of its own sales with the main target group being large institutions (so-called Tier 1). In our view, the main target group of Other Private equity funds consists of smaller institutions and especially retail investors. In this area Taaleri is very dependent on Aktia. For Taaleri it is of vital importance that the partnership starts working and that Aktia includes Taaleri's products in its standard asset allocation. For example, the sales of open-ended real estate funds will be very dependent on Aktia's asset allocation decisions. In our view, it's really important for Taaleri to improve its own distribution particularly to Tier 2/Tier 3 institutions to secure its distribution capacity in a scenario, where the Aktia partnership doesn't start off as desired. Generally, we approach the Aktia partnership positively and think that it has a good basis for success.

Fee distribution 2020 (EUR 21.7 million)



AUM and earnings/AUM-%



# Private equity funds 2/5

## Energy

### The crown jewel of Private equity funds

Taaleri founded the Energy segment in the spring of 2016 and it develops, builds, finances and operates global energy projects. The focus of the fund is completely on renewable energy, especially solar and wind power. Currently, Energy employs ca. 40 people. Taaleri owns 78.6% of Energy, while the key personnel of Energy owns the rest.

In 2020, Energy's management fees were EUR 17.2 million of which around 80% came from continuing management fees. The rest ca. 20% consisted of different sales of old wind farm projects and performance fees of old wind power funds.

Currently, Energy manages four funds (SolarWind 1, SolarWind 2, Wind Power 2 and Wind Power 3). In addition, the company manages one wind farm mandate for an international group of investors. Energy has around EUR 1.1 billion in assets under management (this includes the debts of old wind power funds).

For the past five years, Energy has been in a ramp-up stage and naturally the business has been unprofitable because of the front-loaded investments. Symbolically, the business became profitable for the first time in 2020, when the SolarWind2 fund properly started to generate income.

### Estimates

For Energy, 2021-2022 will be a kind of interim period when the company focuses on investing the capital of the SolarWind2 fund. Additionally, the company is actively collecting projects for upcoming funds and we believe it's possible that in 2021-2022 the company

launches a separate fund for early-stage energy projects. This fund would not have a relevant effect on the company's numbers and its function would above all be to accelerate the ramping up of future funds.

In our estimate, the company's cost level will finally reach its normal level in 2022. After this, the cost level should start scaling properly, when there is no need to grow the team anymore. In 2021 and 2022 the profitability of the company will be on a modest level (operating profit EUR 1-2 million), but in 2023 we expect a significant growth in operating profit with SolarWind3 making progress and a EUR 10 million non-recurring earnings from exiting the Texas wind project. The results for 2024 and 2025 will also be supported by non-recurring income, when Taaleri exits old wind power funds and records large sales profits. Even though these profits strengthen the company's track-record, they have only little effect on the big picture. Of much greater importance will be Energy's profitability based on recurring profits and how it develops. Energy's result based on recurring profits will grow significantly in 2023-2025 (2025e: EUR 9.5 million). Furthermore, in our forecasts we expect one new mandate annually (EUR 70 million and 0.35% fee-), but these have only a limited effect. Taaleri has set a target of over EUR 2 billion in AUM which is well in line with our forecast of EUR 2.3 billion.

We want to point out that Energy is the segment with the least amount of uncertainty in our forecasts and we are particularly confident about the income. For costs, Energy has an opportunity to prove itself in 2022, as the cost level should finally stabilize.

Income development in energy



Energy estimates (MEUR)



# Private equity funds 3/5

## Other Private equity funds

### Real estate

Taaleri has a history of being a front runner in real estate funds and the company's first real estate funds were founded in 2010. Taaleri had already built a wide selection of closed funds at the beginning of last decade, but around the middle of the decade the company cut down on the number of new funds and focused mainly on one-off special products (e.g. land funds, real estate development, a day-care center fund). In our view, behind the decision to cut down real estate funds was partly the company's market outlook that proved to be wrong and the lack of clear strategy. The size of the real estate business has declined in the past few years and even though its share of the fees is largest of Other Private equity funds (approx. EUR +3 million/2020 and after the Aktia deal ca. EUR 5 million), the size is very modest.

After the Aktia deal, Taaleri has 12 real estate funds and two mandates, with total assets under management of ca. EUR 650 million. Under the new leadership, real estate has become a central part of the product offering. This sentiment is supported by a real estate team of 15 people. In our estimate, the goal is to increase product-specific size classes and especially open-end funds (Taaleri Real Estate and Aktia Commercial Properties) play an important part in the strategy. Additionally, the company will become active in new closed-end real estate funds and we expect it will launch a new closed-end real estate fund during 2021.

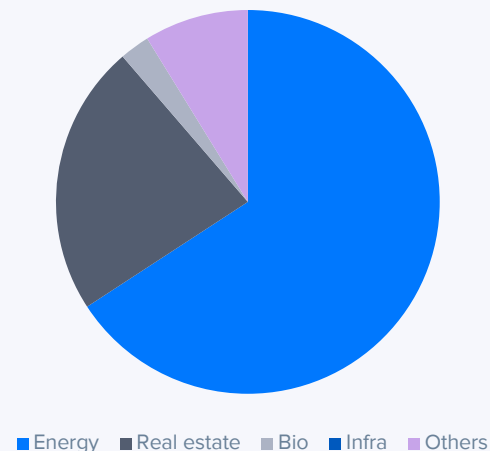
Currently, we have a hard time seeing Taaleri having a competitive edge over other players in the real estate fund field and the company's track record for the past

few years is not too good. For open-end funds we are particularly concerned by the fact that Aktia and Taaleri haven't managed to get their real estate funds rolling (AUM: Taaleri Real Estate EUR 31 million and Aktia Commercial Properties EUR 94 million). Given the challenges with differentiation, Real Estate is most dependent on Aktia's distribution power. We see the greatest amount of risk in Real Estate and, therefore, are rather moderate in our forecasts, because we want to see proof of the business developing.

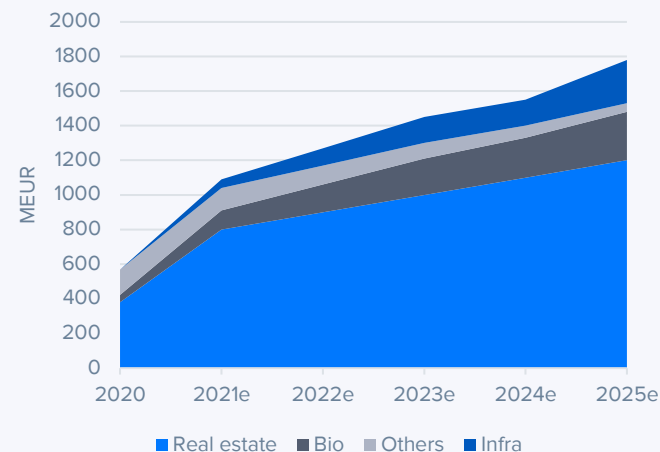
### Infra

The Infra business was transferred to Taaleri as a part of the Aktia transaction with a team of two people and one fund that will be launched during the spring. In our view, the first fund will be rather small (approx. EUR 50 million), and it will be used to build a track record for the team. Successful investment activities in the first fund and growing the team are naturally preconditions for founding new and bigger funds. Because of this, we find it smart that the company prefers a quick launch over maximizing the size of the fund. The business can be seen as a kind of start-up in the eyes of investors and the ramping up will take years. Infra has a really limited effect on the earnings estimates of the next few years. We have a positive outlook on Infra but reiterate that the ramping up will take a long time.

AUM distribution 2020 (EUR 1,700 million)



AUM estimates for Other private asset management



# Private equity funds 4/5

## Bioindustry

In our view, Bioindustry is the most interesting part of the Private equity funds segment. Bioindustry is still a relatively young private equity fund class and Taaleri could be a front runner in the segment. The lack of competition and the high return profile of the field mean that Taaleri has a good pricing power in the segment.

The company already has one joint investment project (Fintoil), and the first fund will be launched during 2021. Just as with Infra, we expect the first fund to be rather small, and that the focus is on a quick ramp-up and securing good investment returns. Like Infra, Bioindustry is in early stages and even though we have a rather positive view on Bio, it can easily take years to reach a meaningful size. For example, the ramping up of Energy to a scalable stage will take ~7-8 years (2016-2024).

## Other Private equity funds - Estimates

Other Private equity funds are still being built and 2021-2023 will be spent ramping up the business. The business is unprofitable at the moment, and we expect that without non-recurring profits the result of 2021 will remain unprofitable because of the front-loaded growth investments and gradually growing AUM. We expect the company to launch the following funds in 2021: Bio1, Infra1, a housing fund and sharpening the strategies of open-ended real estate funds. Furthermore, we expect the company to launch at least one joint investment venture (Biocoal/H2).

In 2021-2023 Other Private equity funds will record significant performance fees from old funds and from exiting strategic investments. We recommend that in regard to Other Private equity funds investors focus on AUM and the growth of continuing earnings and later on cost-efficiency and the profitability of continuous operation, because the value from non-recurring earnings is very marginal for investors.

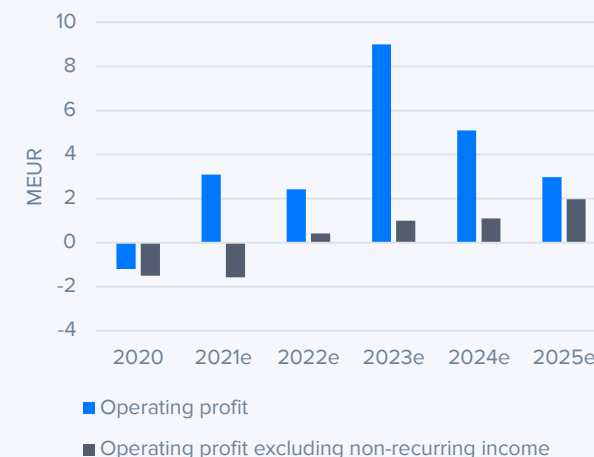
Even though the ramping up of the operations in the next few years is reasonably fast in our estimates, both the absolute and relative profitability will remain modest in 2025 and earnings development will solely rely on non-recurring income. This is caused by the simple fact that ramping up Bio and Infra organically is really slow, and they will become scalable in 2024 at earliest. For Real Estate we are rather conservative in our estimates and want to see concrete proof that the distribution partnership with Aktia works. Because of the frontloaded investments, the profitability will start to scale only after the current strategy period.

In our view, it would be reasonable for Taaleri to accelerate the growth of Other Private equity funds with M&A, because relying on just organic growth will take really long.

Other private asset management estimates



Profitability of Other private asset management





# Private equity funds 5/5

## Valuation

Because Energy and Other Private equity funds have very little synergy, they should be considered separate businesses. We value Strategic investments separately from these businesses and the valuations below are purely related to operating activities.

### Valuation of Energy

The development of Energy has been really impressive for the past few years and its risk level has continuously decreased as the ramping up progresses. Because the risk level related to our forecasts for the next few years is rather low, we are ready to look at long-term potential in Energy. The 2025 earnings estimate paints a good picture of Energy's long-term potential, because in 2025e the company's profitability has become scalable with a new fund. By adjusting the earnings of 2025e (EUR 11 million) from non-recurring profit and the Group's financing costs (these will be considered as a part of Group costs) and applying a 14x EV/EBIT multiple (top end of the 10-14x range we have accepted for wealth managers), the value of the business is EUR 155 million, of which Taaleri's share is EUR 122 million. By discounting the value to the present with Taaleri's required rate of return, the current valuation of Taaleri's share is **EUR 90 million** (prev. EUR 60 million). The valuation is significantly lower than that of peer companies (2021e EV/EBIT 19x), which we find reasonable, given the much smaller size of the company and the ramping up still being in progress. The valuation of peers, however, gives an indication of Energy's value potential.

EUR 90 million leads to a rather high ~8%/AUM rate with the current AUM, but a very reasonable 4%/AUM rate for our 2025 estimate, when the high quality of AUM is considered.

### Valuation of Other Private equity funds

The valuation of Other Private equity funds is really difficult at the moment, because the business is in a build-up stage and the profit based on recurring income is not meaningful even at the end of our estimation period.

In our view, the most reasonable way to evaluate the Private equity fund business is through the AUM. The AUM of Other Private equity funds is in our estimate EUR 700 million, but its quality is mainly rather weak, since a major portion of the funds are old and close to the exit phase. Furthermore, the rate of return of the AUM isn't particularly high (approx. less than 1%), because of the weak mix of the AUM.

By valuing the AUM at 3%, Bio and Infra at 5% and PE at 1%, the total valuation is EUR 26 million (prev. EUR 35 million). In relation to our 2025 estimation of the earnings adjusted from non-recurring income (EUR 2.8 million), we get EV/EBIT 9x, which is very cheap but justified, because of the long and relatively uncertain ramp-up.

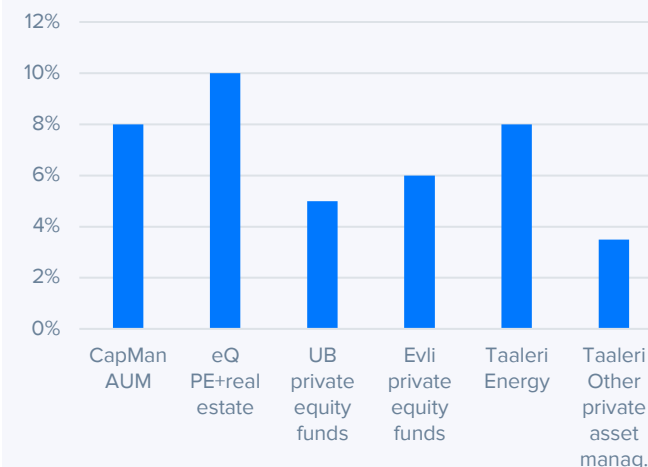
It is clear, that the valuation of EUR 26 million is very low and, in our view, there is a lot of growth potential, as long as the company succeeds in raising assets and launching new funds. At this stage, we believe that it is reasonable to apply a conservative approach.

### Energy peer group valuation

### EV/EBIT

Company	2021e	2022e
ABO Wind AG	16.7	14.4
Acciona SA	20.4	17.7
Energiekontor AG	16.9	12.6
Eolus Vind AB (publ)	13.3	18.6
PNE AG	115.1	41.9
Scatec ASA	25.3	20.8
Carlyle Group Inc	16.6	15.2
EQT AB	34.7	30.8
Apollo Global Management Inc	38.3	34.2
3i Group PLC	7.5	6.4
CapMan Oyj	12.2	10.3
Blackstone Group Inc	20.6	20.6
<b>Average</b>	<b>28.1</b>	<b>20.3</b>
<b>Median</b>	<b>18.7</b>	<b>18.1</b>

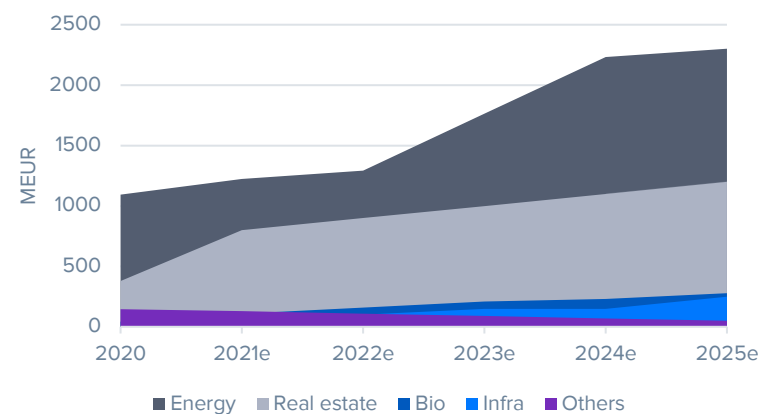
### Value of alternative AUM in companies we follow (Inderes' estimate)



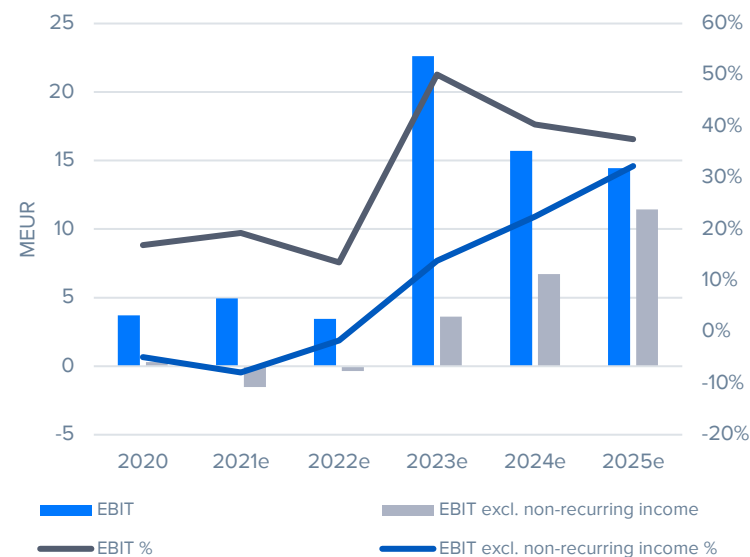
# Summary of Private equity funds

Private equity funds	2020	2021e	2022e	2023e	2024e	2025e
Continuing fees	18.5	19.2	21.7	26.1	29.9	35.5
Performance fees	1.0	4.8	1.8	16.0	7.0	3.0
Investment operations	2.4	1.7	2.0	3.0	2.0	0.0
<b>Income</b>	<b>21.9</b>	<b>25.7</b>	<b>25.5</b>	<b>45.1</b>	<b>38.9</b>	<b>38.5</b>
Commission expenses	-7.0	-7.2	-7.2	-6.3	-5.8	-5.3
Personnel costs	-5.5	-7.9	-8.8	-9.9	-10.8	-11.8
Direct expenses	-3.1	-3.3	-3.6	-3.9	-4.2	-4.5
Other expenses	0.0	0.0	-0.1	-0.1	-0.1	-0.1
Allocation of financing expenses	-2.5	-2.3	-2.4	-2.4	-2.4	-2.4
<b>Operating profit</b>	<b>3.7</b>	<b>4.9</b>	<b>3.4</b>	<b>22.6</b>	<b>15.7</b>	<b>14.4</b>
EBIT %	17 %	19 %	13 %	50 %	40 %	38 %
EBIT excl. non-recurring income	0.3	-1.5	-0.4	3.6	6.7	11.4
EBIT excl. non-recurring income %	-5 %	-8 %	-2 %	14 %	22 %	32 %
Non-recurring income	3.4	6.5	3.8	19.0	9.0	3.0
Number of personnel	47	70	76	82	87	92
<b>Assets under management (GAV)</b>	<b>1,661</b>	<b>2,313</b>	<b>2,563</b>	<b>3,213</b>	<b>,3783</b>	<b>4,083</b>
Energy	1,093	1,223	,1293	1,763	2,233	2,303
Real estate	380	800	900	1000	1100	1200
Bio	42	110	160	210	230	280
Infra		50	100	150	150	250
Others	146	130	110	90	70	50
<b>Energy income</b>	<b>17.4</b>	<b>15.7</b>	<b>15.2</b>	<b>27.7</b>	<b>24.8</b>	<b>25.9</b>
Continuing fees	14.3	13.9	13.4	16.7	19.8	23.9
Performance fees	1.0	1.8	1.8	11.0	5.0	2.0
Investment operations	2.1	0.0	0.0	0.0	0.0	0.0
<b>Income of Other private asset management</b>	<b>4.5</b>	<b>10.0</b>	<b>10.3</b>	<b>17.4</b>	<b>14.1</b>	<b>12.6</b>
Continuing fees	4.2	5.4	8.3	9.4	10.1	11.6
Performance fees	0.0	3.0	0.0	5.0	2.0	1.0
Investment operations	0.3	1.7	2.0	3.0	2.0	0.0
<b>Operating profit Energy</b>	<b>4.9</b>	<b>1.9</b>	<b>1.0</b>	<b>13.6</b>	<b>10.6</b>	<b>11.5</b>
EBIT excl. non-recurring income Energy	1.8	0.1	-0.8	2.6	5.6	9.5
<b>Operating profit Other private asset management</b>	<b>-0.8</b>	<b>-0.8</b>	<b>-0.8</b>	<b>-0.8</b>	<b>-0.8</b>	<b>-0.8</b>
EBIT excl. non-recurring income Other private asset manag.	-1.5	-1.6	0.4	1.0	1.1	2.0

## AUM growth 2021-2025e



## Profitability of private asset management



# Summary of funds

Renewable energy	Established	Type	AUM Q1'21*	Phase	Profit distribution potential*
Taaleri SolarWind II	2019	Private equity fund	320	Investment period	
Taaleri Tuulitehdas II Ky	2014	Private equity fund	350	Invested	Considerable, estimated 2023-2024
Taaleri Tuulitehdas III Ky	2016	Private equity fund	60	Invested	Moderate, estimated 2023-2024
Taaleri Aurinkotuuli Ky	2016	Private equity fund	220	Invested	Considerable, estimated 2023-2024
Taaleri Tuulirahasto IV Ky	2019	Private equity fund	70	Investment period	
Mandates	-	-	70	-	
<b>Total</b>			<b>1,093</b>		

Real estate	Established	Type	AUM Q2'21	Phase	Profit distribution potential*
Taaleri Asuntorahasto VI Ky	2012	Private equity fund	100	Invested	Moderate during 2021
Taaleri Kiinteistökehitysrahasto Ky	2015	Private equity fund	100	Invested	No
Taaleri Linnainmaankulma Ky	2011	Private equity fund	10	Invested	No
Taaleri Metsäraho III Ky	2014	Private equity fund	30	Invested	Moderate, estimated 2023-2024
Taaleri Päiväkotikiinteistöt Ky	2019	Private equity fund	80	Investment period	
Taaleri Rauman Asuntorahasto IV Ky	2010	Private equity fund	4	Invested	No
Taaleri Tallikiinteistöt Ky	2018	Private equity fund	30	Investment period	Moderate, 2024-2026
Taaleri Tonttirahasto I Ky	2015	Private equity fund	50	Invested	Moderate, 2023-2024
Taaleri Tonttirahasto II Ky	2016	Private equity fund	60	Invested	Moderate, 2024-2025
Taaleri Vuokrakoti Ky	2016	Private equity fund	100	Investment period	
Aktia Toimitilat	2018	Private equity fund	94	Open	Moderate
Taaleri Kiinteistöt	2019	Private equity fund	31	Open	Moderate
Mandates	-	-	150	-	
<b>Real estate total</b>			<b>456</b>		

Bioindustry	Established	Type	AUM Q1'21*	Phase	Profit distribution potential*
Taaleri Biojalostamo Ky	2020	Co-investment	42	Investment period	
<b>Total</b>			<b>42</b>		

## Other private asset management

Other funds, total		-	146	-	No considerable potential
<b>Other private equity funds, total</b>			<b>644</b>		
<b>AUM total</b>			<b>1,736</b>		

*\*\*fund-specific figures are Inderes' estimates*

# Garantia 1/4

## Company description

Garantia (founded in 1993) is an insurance company that specializes in guarantee insurance with a wide range of different guarantee products. Garantia's product range for corporations consists of e.g. loan guarantees, commercial guarantees, investment guarantees and residual value guarantees. On the consumer side, Garantia offers rent guarantees and mortgage guarantees through partners. Additionally, Garantia is responsible for the calculation of TyEL reference rates through a contract made with earnings-related pension insurers.

Guarantee insurance works the same way as bank guarantees. Garantia and the customer make a contract, in which Garantia commits to fulfill the obligations of the customer that are being insured in case of insolvency or inability to fulfill their obligations. The insured commitment can be for example a loan, supply agreement or delivery contract. The insurance portfolio of Garantia was EUR 1.7 billion at the end of Q1'21.

## Solvency

At the end of March 2021, Garantia's solvency ratio was 232%, while the minimum ratio set by the regulator is 100%. The credit rating from S&P is the main guide for Garantia's solvency and in our view the comfort zone for the company's solvency ratio is around 170-200%. Thus, solvency will not be an issue for Garantia's growth in the next few years and the company's balance sheet enables EUR +10 million to be distributed to shareholders annually. S&P confirmed an A- rating

for Garantia in October 2020 with a stable outlook.

## Past development

Garantia's financial development should be analyzed over a longer period than a business cycle, given the nature of the business. Garantia's profitability and earnings have had an upward trajectory through 2008 to 2020. The company's result before taxes (PTP) was EUR 11.6 million last year with the average result level being EUR 7 million. This increase in earnings is above all a result of development in insurance technical performance.

The insurance technical performance of Garantia has reached new heights in the past few years, for in 2018-2020 the insurance technical result has been on average EUR 7.7 million, almost doubling the average insurance technical result (EUR 3.9 million) of the past 10 years. For the same three-year period, the combined ratio has been on average 42%, which is significantly better than the average of the past 10 years (2008-2017: on average 61%). In our view, the development of insurance technical profitability is a result of strong growth in insurance premiums, great success in risk management and better cost-efficiency that has come with growth.

Garantia made a strategic decision to shift the focus of the guarantee business from minimum risk to guarantee services that require less capital, e.g., mortgage, maintenance charge, rental and leasing guarantees. In 2020, the volume of consumer guarantees surpassed corporate

guarantees for the first time. The decision has been excellent, as it has improved Garantia's capital efficiency and because of that, Garantia can provide Taaleri with a meaningfully better dividend stream.

## Investment operations

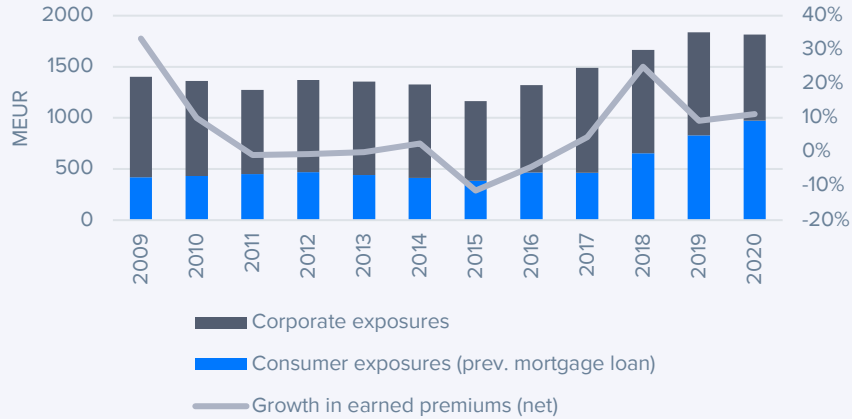
The goal of Garantia's investment activity is a steady and stable growth of assets by pursuing the best possible profit within the selected risk level. In practice, Garantia is a very conservative investor and the risk level of its investing is on par with that of pension insurance companies. Historically, the share of equity investments has been around 20% and fixed income investments 80%.

The value of Garantia's investment portfolio was EUR 152 million at the end of Q1'21. Of this 14% was in equity and capital investments, 1% in real estate and the rest in fixed income investments.

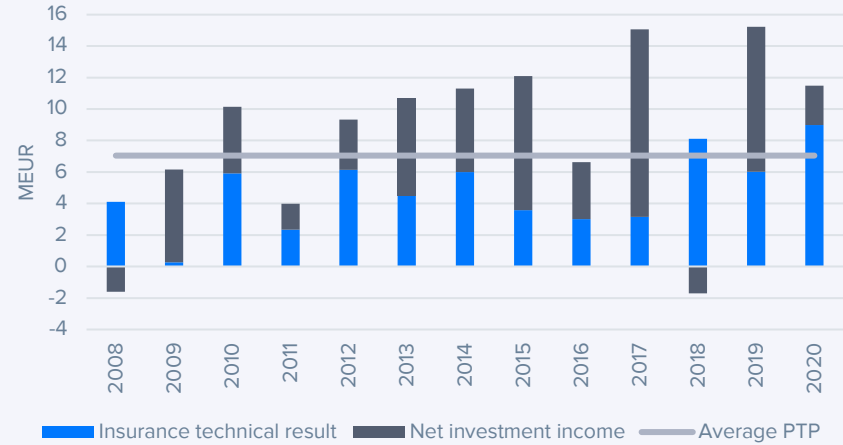
Over a longer period, Garantia's investment activity has been successful as the average return of the portfolio was 4.4% in 2008-2020. In our estimate, the structural return is lower than this, because of the very low interest rate level.

# Garantia 2/4

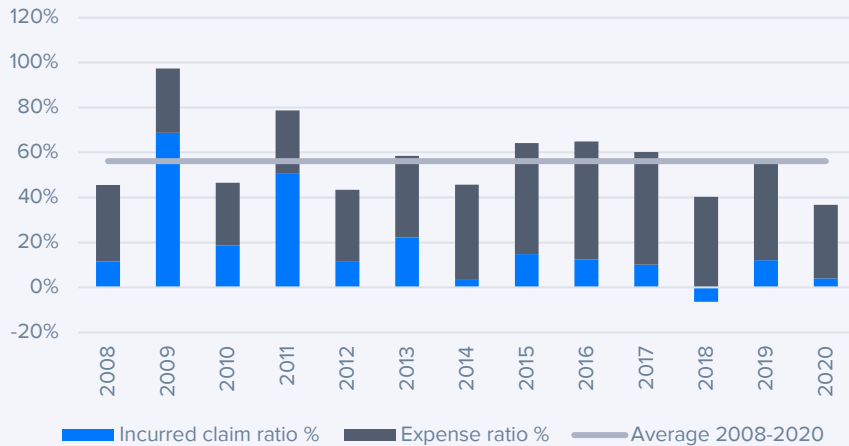
### Development of earned premiums and guaranty insurance exposure



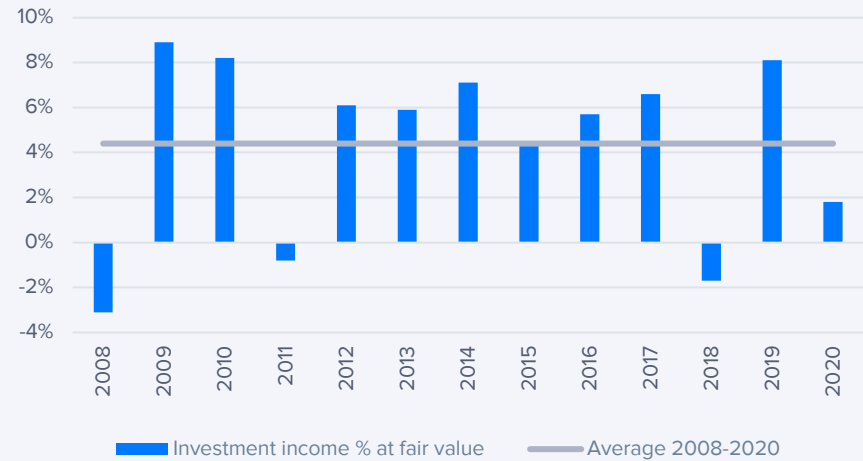
### Earnings development 2008-2020



### Development of the combined ratio



### Income from investment operations



# Garantia 3/4

## Estimates

In our view, the outlook of the next few years is beneficial for Garantia. We expect that the profitable growth of the company will continue in the upcoming years especially in diversified guarantee insurance classes. The growth outlook is supported by the expected revival of the Finnish economy and the major distribution partnership of mortgage guarantees with OP in which the parties entered in October. In general, we expect that the premium income of Garantia grows on average by around 10% (CAGR) through 2020 to 2024.

We estimate that the insurance technical performance of Garantia remains excellent for the next few years. We expect the number of incurred claims to raise to ca. 13-15% from the exceptionally low level of the 2020 COVID year (4.0%) The cost ratio continues to decline in our estimates because of the increase in premium income. As a result, the combined ratio remains on an excellent level of 43-45% (2020: 37%).

The main challenge in investment activities is the declining fixed income of the portfolio and the decline in longer-term expected returns caused by the elevated valuation levels of the stock market. We expect that Garantia's portfolio reaches an annual return of 3% or ca. EUR 5 million.

As a whole, we expect strong growth in earnings in the next few years and estimate that in 2021-2024 the company reaches EUR 13.9-17.3 million in earnings before tax (PTP). The quality of earnings continues improving in the next few years when the

company continues to shift from volatile investment earnings to more predictable and valuable insurance technical earnings. During this strategy period, the weight of Garantia's earnings is heavily emphasized for the Group as other operations are still being ramped up.

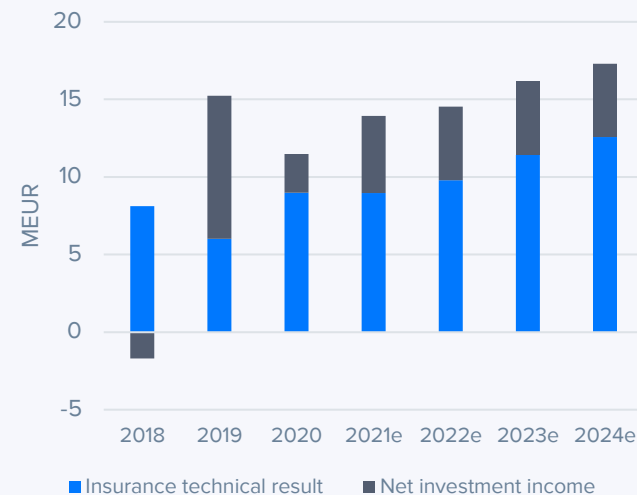
## Valuation of Garantia

In our valuation, we expect that Garantia is a permanent ownership for Taaleri. Therefore, the value of Garantia is the current value of the dividends it yields to Taaleri. In this analysis, the dividend discount model is the most natural approach to take now that Garantia is finally returning significant capital to Taaleri.

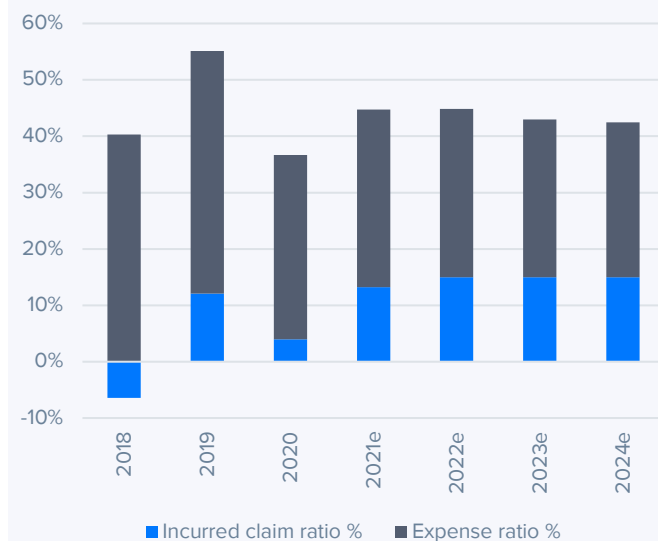
We expect in our DDM that Garantia is able to return all of its earnings after tax to Taaleri as cash flow and the dividend growth follows the earnings development that we predicted.

For 2021 we expect EUR 11 million in dividends from Garantia and by 2024 the dividend level rises to around EUR 14 million. With our estimated earnings development and profit distribution policy, Garantia's solvency ratio will settle between 193-216%, while we estimate that the comfort zone for the company is roughly 170-200%.

Garantia's earnings estimates



Insurance technical profitability 2018-2024e



# Garantia 4/4

In our DDM valuation, we have applied the ROE ratio that we used for Taaleri, which is 8.9% (comparison to peers p. 41). Given that Garantia's track record of high dividends is restricted to 2020, we have set the growth expectation of the residual period or the so called "terminal period" at 0% because of the prudence principle.

Our DDM indicates the fair value of Garantia at EUR 155 million. The value is significantly higher than our previous estimates, as we have previously estimated the value of Garantia to be around EUR 120-130 million. A fair value of EUR 155 million reflects the change in Garantia's strategy (the shift of focus to diversified guarantees) and the improved dividend yield that is a result of major improvements in capital efficiency. In our view, it would be reasonable to value Garantia even higher. For example, applying

terminal growth of 1.5% gives us a valuation of EUR 180 million. However, we want to see concrete proof on the improvement of the dividend stream, before we take a stronger opinion.

## From a capital eater to a dividend machine

For investors, it is really important to understand that Garantia's role as a part of Taaleri has changed during the past few years. Because of Garantia's excellent development on their own, its value has gone up significantly and Garantia has become a dividend machine for Taaleri. Furthermore, after the dissolution of the RaVa group, solvency is not an issue to the Group anymore and, in this sense, owning Garantia is not a problem.

Given these facts, Taaleri doesn't have the need to sell Garantia, especially not for an unfavorable price. This notion is visible in our valuation and, in our view, selling Garantia for less than our valuation wouldn't be in the best interest of shareholders.

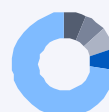
Garantia's DDM calculation	2020	2021e	2022e	2023e	2024e	TERM
<b>PTP</b>	<b>11.6</b>	<b>13.9</b>	<b>14.5</b>	<b>16.2</b>	<b>17.3</b>	
Dividends	10.0	11.1	11.6	12.9	13.8	155
Solvency %	229%	216%	207%	198%	193%	
Discounted dividends		10.8	10.3	10.5	10.3	116
Discounted dividends, cumulative		158	147	137	126	116
<b>Equity value DDM</b>		<b>158</b>				

## Cost of equity

Risk-free interest	2.0 %
Beta	1.25
Market risk premium	4.75%
Liquidity premium	1.00%
<b>Cost of equity</b>	<b>8.9 %</b>

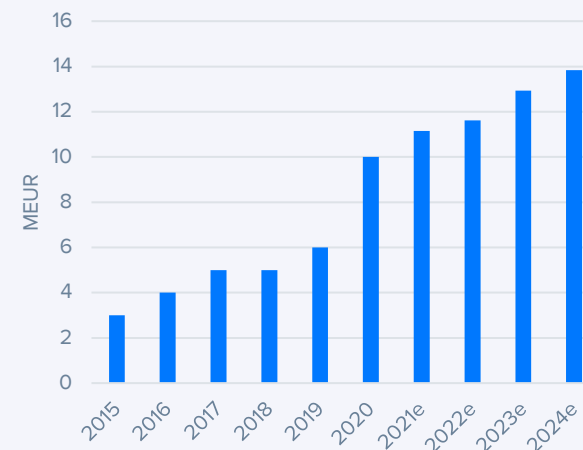
Source: Inderes

## Periodical cash flow distribution



■ 2021e ■ 2022e ■ 2023e ■ 2024e ■ TERM

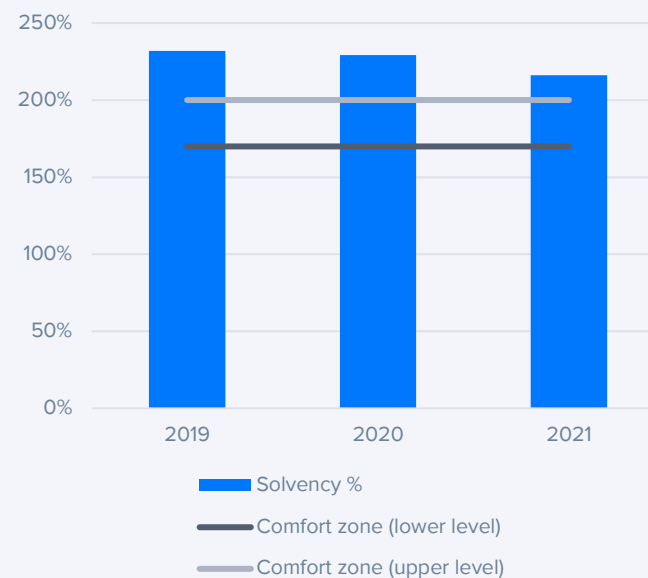
## Garantia's dividends 2015-2024e



# Summary of Garantia

Garantia MEUR	2020	2021e	2022e	2023e	2024e
<b>Earned premiums, net</b>	<b>14.9</b>	<b>16.2</b>	<b>17.7</b>	<b>20.0</b>	<b>21.8</b>
Claims incurred	-0.3	-2.1	-2.7	-3.0	-3.3
<b>Guaranty insurance operations' net income</b>	<b>14.6</b>	<b>14.1</b>	<b>15.1</b>	<b>17.0</b>	<b>18.6</b>
Operating expenses	-5.6	-5.1	-5.3	-5.6	-6.0
<b>Insurance technical result</b>	<b>9.0</b>	<b>9.0</b>	<b>9.8</b>	<b>11.4</b>	<b>12.6</b>
Net investment income	2.5	5.0	4.7	4.7	4.7
Profit before taxes	11.5	13.9	14.5	16.2	17.3
<b>Reported PTP (incl. overheads)</b>	<b>9.5</b>	<b>12.3</b>	<b>12.9</b>	<b>14.6</b>	<b>15.7</b>
Reported income (incl. investment income)	17.2	19.0	19.8	21.8	23.3
Insurance portfolio, MEUR	1,817	1,800	1,950	2,200	2,400
Incurred claim ratio %	4 %	13 %	15 %	15 %	15 %
Expense ratio %	33 %	31 %	30 %	28 %	27 %
<b>Combined ratio %</b>	<b>37 %</b>	<b>45 %</b>	<b>45 %</b>	<b>43 %</b>	<b>42 %</b>
Investment portfolio income %	1.8 %	3.2 %	3.0 %	3.0 %	3.0 %
Investment portfolio, MEUR	159	159	158	158	158
Solvency %	229 %	216 %	207 %	198 %	193 %

Garantia's solvency (SCR)





# Other segment

Taaleri's Other segment consists of Group management, Taaleri Kapitaali and the Group's non-strategic investments. The segment employed 25 people at the end of Q1 and had around EUR 40 million in investments. The Other segment doesn't have its own operations barring Taaleri Kapitaali and the income is mainly generated through non-recurring earnings from M&A transactions and balance sheet investments.

## Cost analysis

The operational costs of the segment were ca. EUR 10 million in 2020. The cost level is very heavy and, in our view, it doesn't reflect Taaleri's normal Group costs. The Group's cost level will decrease significantly in 2021-2022. The largest individual cost saving will come from smaller interest expenses, since Taaleri announced the redemption of their EUR 35 million bond after the Aktia deal. Furthermore, to our understanding the company has already paid back its EUR 15 million bank loan. As a result of these two, the financial costs should decrease from over EUR 3 million to under EUR 1 million. In 2024, the interest expenses will reach zero, when the company gets to redeem its high interest Tier 2 loan of EUR 15 million in the end of 2023.

Another significant point of saving is personnel costs. After the Aktia deal, the company will require a much smaller administration staff. Additionally, the company will quickly reduce its position in the non-strategic Mobify Oy to less than 50%, after which it won't be consolidated into the Group's numbers. Given these factors, we expect the number of Taaleri personnel to be roughly halved from the

current 25. Because of this, the personnel costs (2020: EUR 4.5 million) will go down significantly. In our estimate, the new normal level will be around EUR 3 million, because we expect that the Group will record reasonable option costs in this segment. Additionally, we expect a moderate level of dilution in the share count.

All in all, we estimate that next year the Group's cost level decreases from EUR 10 million to ca. EUR 5 million. The level is in our view reasonable and for the first time in Taaleri's history it stands up to scrutiny when compared to the most relevant peers.

## Investments

The most significant non-strategic investments from Taaleri's own balance sheet are: Taaleri Telakka shipyard fund, Fellow Finance ownership, Fellow Finance loan, Inderes (15% ownership), the loan for the housing project in Canada and Ficolo. Additionally, the company has ca. EUR 8 million in smaller investments. The company also has EUR 10 million worth of Aktia shares, which we consider a strategic investment.

Taaleri has stated in its strategy that non-strategic investments will be sold in the next few years and the company's goal is to sell a majority of these during the current strategy period. We want to point out to investors that these sales aren't in Taaleri's hands for the most part, because it is a minority shareholder in most of the projects. Furthermore, Taaleri is in no rush to get rid of these investments and, therefore, we think that the current strategy period is an ambitious timeline. In our estimate, all non-strategic investments will be sold by 2025.

## Future estimates

In the next few years, the income of the Balance sheet investments segment will vary significantly because of the profit from sales of the non-strategic investments. In our view, the income level of the segment has a marginal significance on the valuation of Taaleri. For the Balance sheet investments segment, investors should focus especially on the development of the cost structure.

In its own reporting, Taaleri appraises annually ca. EUR 4 million of group costs to the operative segments. Because of this, the profit adjusted from non-recurring earnings of the Balance sheet investments segment will be close to zero for the next few years. Due to sales gains from cleaning up the portfolio, the average result of the next few years will be ca. EUR 2 million, but this has no meaningful impact.

## Valuation of the segment

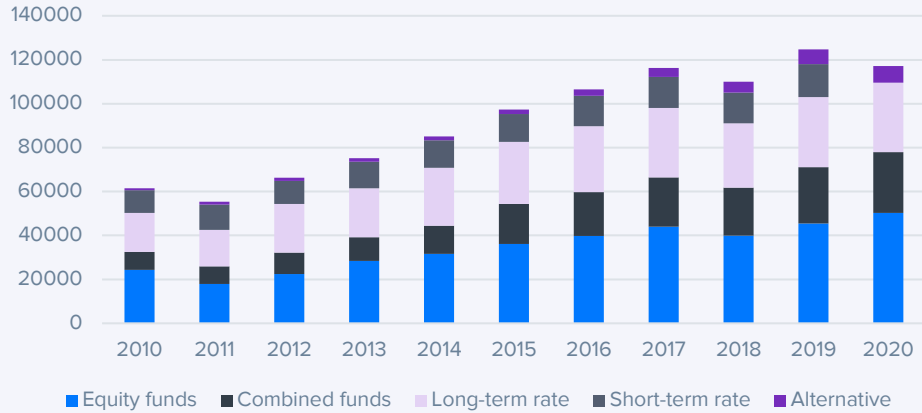
The valuation of the Balance sheet investment segment consists of its investment portfolio and group costs. We haven't considered the cost appraisal to other segments in the group costs. In our view, this paints a clearer picture of the value of different segments.

We have defined the net value of group costs at EUR -45 million (normalized result / the Group ROE requirement).

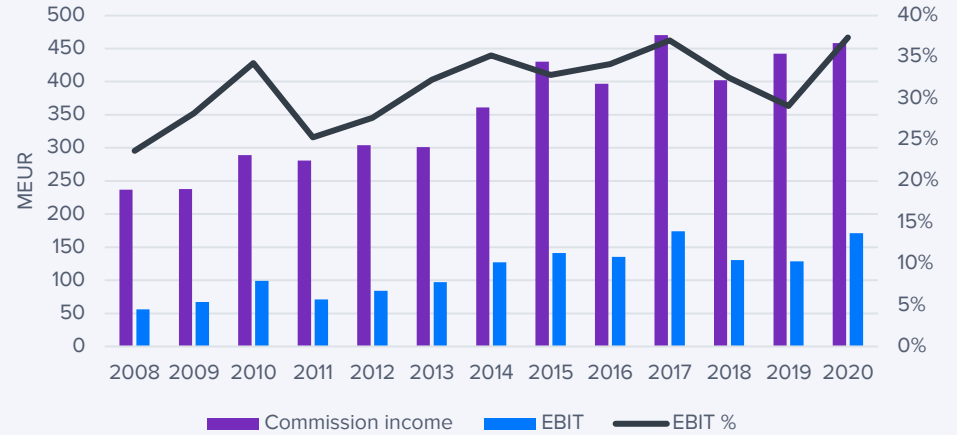
We have taken the investments into account as part of the Group's investment assets.

# Investment service market in Finland

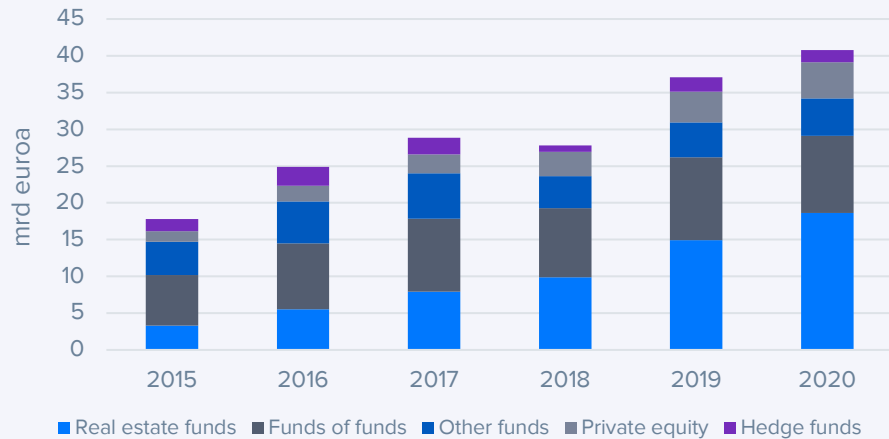
Development of investment fund capital in Finland (MEUR)



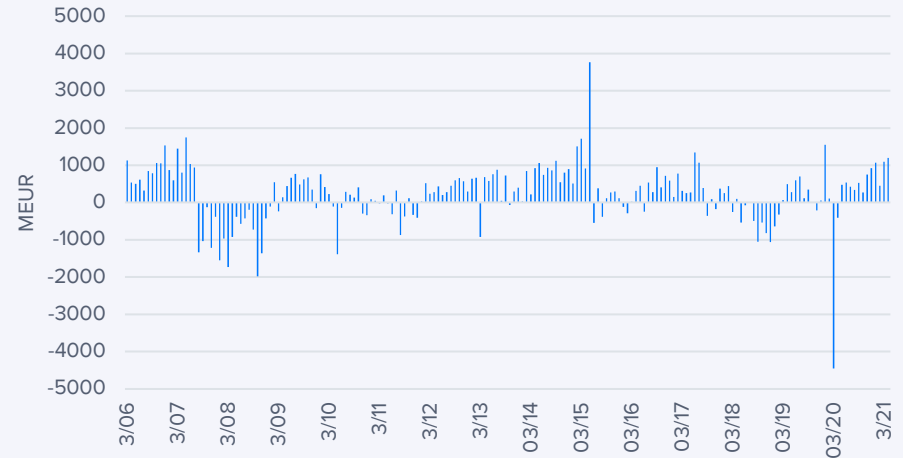
Income of investment service companies and profitability in Finland



Capital of alternative investment funds (AIF) managed by domestic alternative investment fund managers



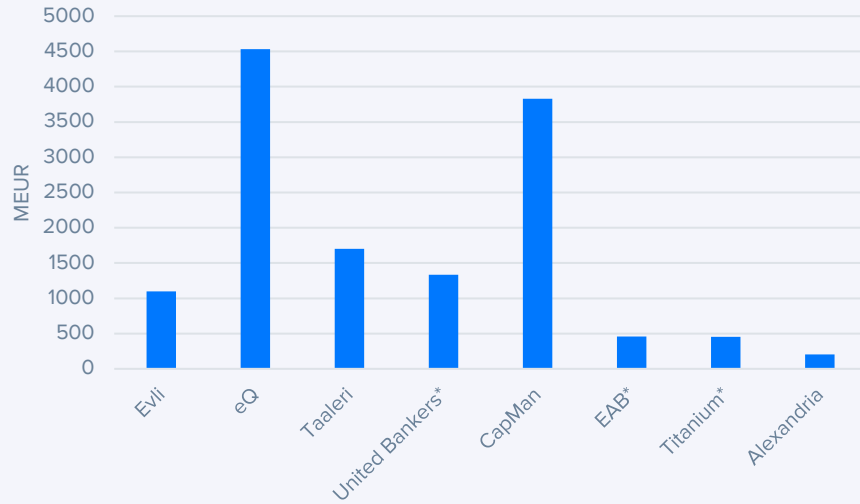
Net subscriptions of domestic investment funds



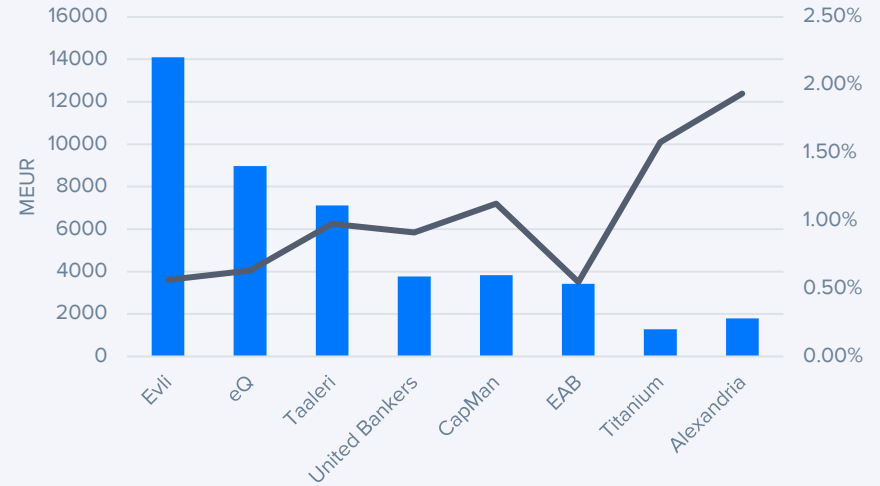
Source: Inderes, Statistics Finland, FIN-FSA, Investment Research Finland

# Comparison to most relevant listed Finnish peers

AUM alternative 2020 (\*Inderes' estimates)



AUM and earnings/AUM-%



Growth and profitability



Share of continuing earnings and AUM mix



Source: Investment Research Finland, companies, Inderes

# Industry drivers and trends



## 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 grow 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.



## Permanently lower interest rate level

The interest rate level has lowered permanently on a global scale because of the actions of central banks after the finance and Euro crises. The concept of risk-free interest has also been altered. The debt management ability of states that was once considered risk-free is now being questioned.



## Responsibility (ESG)

ESG has become an important trend, when investors have started to demand finance sector companies to address ESG questions more actively. For investors, this is most importantly risk management, as negligence is more easily made public because of developments in digitalization and transparency.

## Evolving needs of investors

New asset classes fulfill the hole left by the fixed income market

The number of real property products will grow significantly

The products have to be more transparent than before (ESG)

Investors are looking for more and more individual wealth management

Risk is re-defined

Regulation, digitalization and ESG raise the threshold to enter the industry

## Investors' requirements are growing

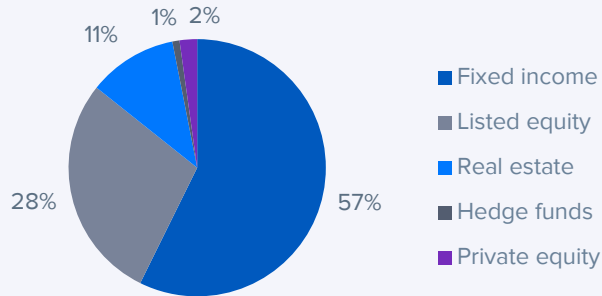
Passive investment products are growing in demand because of their superior cost/profit ratio

Traditional wealth management will face even more aggressive price pressure

Wealth managers must find ways to generate genuine additional value to their customers

# Industry drivers and trends

Allocation of employment pension institutions 2004



Allocation of employment pension institutions 2019

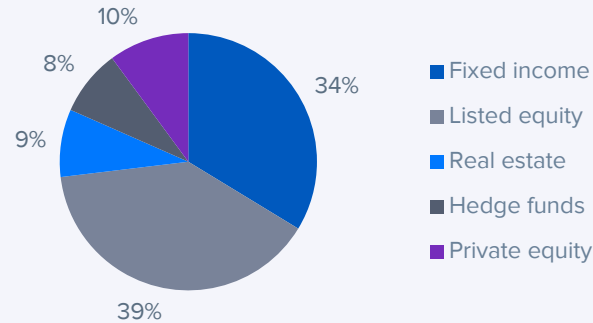
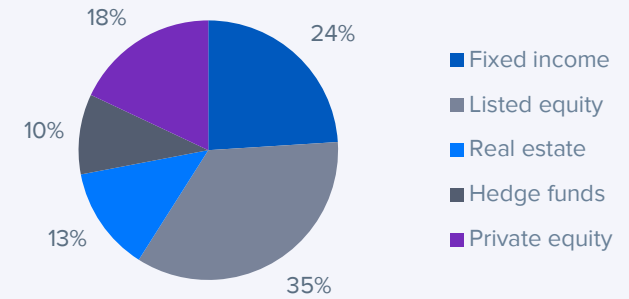
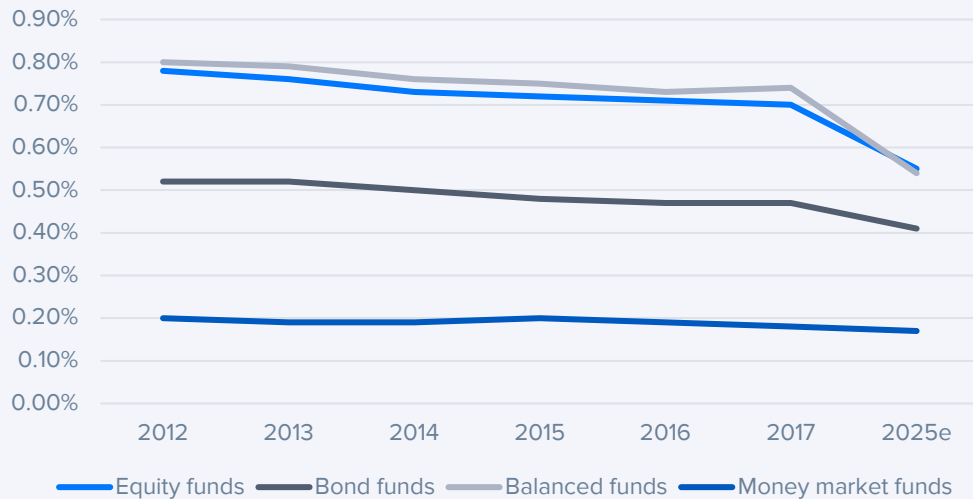


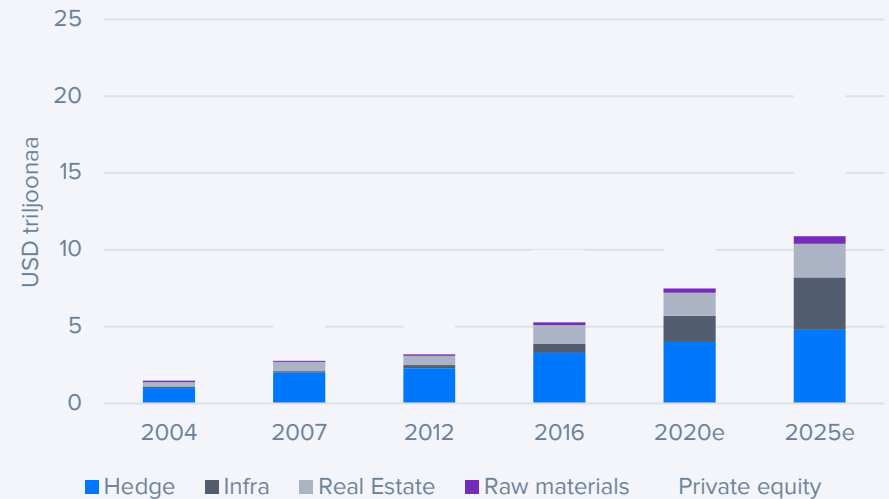
Illustration of possible allocation of employment pension institutions 2029\*



Global fee levels of active investment funds

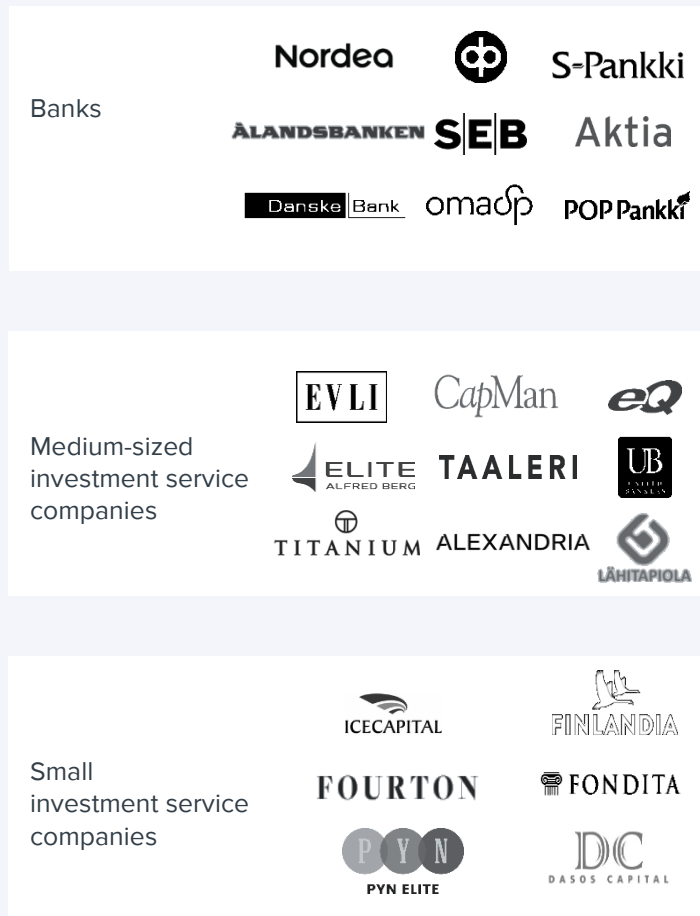


Alternative asset classes 2004-2025e

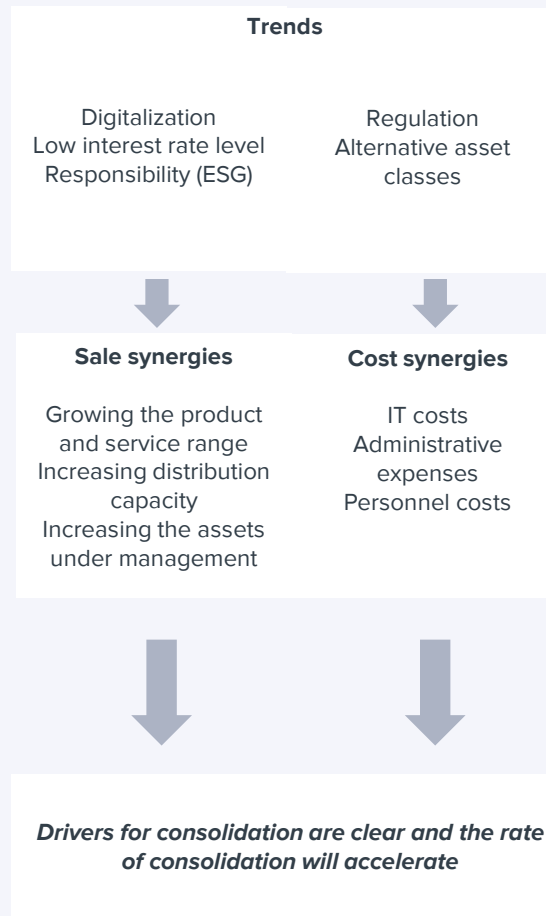


# Consolidation in the cards for the industry

## Wealth management competition



## Consolidation drivers



## Finalized M&A transactions



# Taaleri's positioning to industry trends

Scale: ✓ — ✓✓✓

Trend	Taaleri's position	Comment
<b>Regulation</b>	✓✓✓	After the sale of Wealth management, Taaleri's solvency position will become much better and the related regulation will no longer be a problem. As the company focuses solely on fund management, the regulation related to the core business is also lighter.
<b>Raising requirements from customers</b>	✓✓	The company's track record in alternative funds is chiefly strong, particularly for Energy. For Other Equity funds, the company has a lot to prove and for example the track record of Bio and Infra is practically zero.
<b>Low interest rate level</b>	✓✓	In the past few years, Taaleri hasn't wholly succeeded in utilizing the raised interest of investors caused by the low interest rate level. This is visible as passiveness in e.g., real estate and forestry sectors. In our view, behind this is the company's unwillingness to be flexible with the required rate of return, which has prevented full utilization of the low interest rates.
<b>Digitalization</b>	✓✓	Taaleri has historically had continuous struggles with its IT systems and they have been a key factor behind low cost-efficiency. After the Wealth management sale, the IT systems will no longer create an extra cost burden and given Taaleri's new focus, digitalization is much less important for them than to relevant peers.
<b>Alternative asset classes</b>	✓✓✓	The company's strategy hinges completely on alternative asset classes and with the improvements in track record in the past few years, Taaleri's position has improved in the unlisted field.
<b>Constant price pressure</b>	✓✓	Taaleri hasn't faced meaningful price pressure in its private equity funds and in our view the company's pricing power in there is strong (barring real estate). The company has to succeed in investment activities in the future as well to maintain the current level of fees.
<b>Responsibility</b>	✓✓✓	Taaleri has taken responsibility (ESG) as a cornerstone of its strategy and the company has been a front runner in this sense. Taaleri's strategy that relies on impact investing is a great response to this trend and the private equity funds and Energy business in particular offer excellent possibilities to profit from this trend.

# Summary of listed peer companies

	eQ	Taaleri	Titanium	Evli	EAB Group	CapMan	United Bankers	Aktia	Alexandria
<b>MCAP (MEUR)</b>	<b>800</b>	<b>350</b>	<b>130</b>	<b>430</b>	<b>50</b>	<b>400</b>	<b>130</b>	<b>750</b>	<b>90</b>
<b>Total return from the share</b>	Starting from 2011 total return ~1,500%. IRR +30%.	Since 2013 IPO total return +550%. IPO adjusted IRR ~25%.	Since 2017 listing total return ~160%. IRR +30%.	Since 2015 IPO total return +200%. IRR +20%.	Since 2015 listing total return ~-25%. IRR ~-4%.	Starting from 2014 total return ~200%. IRR ~20%.	Since 2014 listing total return ~120%. IRR ~15%.	Since 2009 IPO total return ~190%. IRR ~10%.	Listed in spring 2021.
<b>Actual profitability</b>	EBIT +50%. Profitability at excellent level already without performance fees.	Garantia's profitability has been very good but in Asset management (incl. Private asset management) profitability has been weak, especially in terms of continuing earnings.	EBIT % (adj.) +50%. Excellent profitability, performance and transaction fees play an important role.	EBIT +40%. Very good profitability and practically based solely on continuing earnings.	2020 profitability muted. Restructuring has helped lower cost level to sensible levels and in future profitability should scale clearly with growth.	Profitability based on continuing earnings from management business has improved clearly in recent years. Still improvement potential in cost efficiency, however.	EBIT (adj.) +20%. Moderate profitability, mix has improved clearly.	ROE has been satisfactory in recent years, around ~8% (adj.).	Historical profitability has been weak and the minority profit share is very high. 2020 clearly best in history.
<b>Track-record</b>	2014-2020 EPS CAGR-% +20%. The company's track-record of organic growth is exceptionally strong in recent years. Shareholder value has grown rapidly.	2014-2021e EPS EUR ~9.0. The company has created considerable shareholder value with M&A transactions. Operational earnings development has been more varied due to cost challenges.	2014-2020 EBIT (adj. CAGR-%) ~50%. Very strong track-record due to the exceptionally attractive fee structure of Hoivarahasto.	2014-2020 EPS CAGR ~20%. Result has grown clearly thanks to improved cost efficiency and excellent new sales.	The company has grown but profitability has constantly been weak. Unclear if growth has been profitable.	Track-record very strong under new CEO, considerable earnings improvement however still unproven.	New sales has developed strongly and profitability has started improving. The strategy has been correct but progress has been slower than we expected.	The track-record of asset management is good. Growth has been weak and profitability challenging in conventional banking.	The company has grown stably but profitability has been subdued. Historically shareholder value was not really created.
<b>Strengths / weaknesses</b>	Strong institutional sales & excellent products. Weakness is dependency on individual products.	Strong track-record in private equity funds. Cost control challenging.	Hoivarahasto is an exceptionally good product for the fund manager. Dependency on one fund is a weakness.	Excellent institutional sales. International sales and low price level clear strengths. Dependency on conventional asset management and banking operations are key weaknesses..	Strong sales to retail customers but weaker position in institutions. Cost efficiency has clearly fallen behind peers in	Position in alternative investments is a strength. Subdued profitability of management business and dependency own balance sheet revenue as weaknesses.	Real property strategy and extensive sales force as strengths. Varying product quality and cost level after SPL merger weaknesses.	As a result of the Taaleri deal the company has excellent conventional asset management. Lack of alternative investment products and cost efficiency are key challenges.	network in the less competed private investor segment is a strength. Weaknesses include cost efficiency and products' price competitiveness.
<b>Strategic direction</b>	Continues growing strongly in real estate and PE funds and maintains exceptional cost efficiency. M&A transactions possible.	Continues strong organic and inorganic growth of the business. M&A transactions part of the story also in future.	Ramp-up of Baltia fund and expansion of product offering. Acquisitions highly possible.	Growth in alternative investment products and international sales. Ramp-down of banking activities. M&A transactions unlikely.	Continues growing strongly in asset management. In the short-term, focus on sustainable result turnaround and ramp-up of alternative funds.	Continued profitable growth in management. operations. Acquisitions possible..	Focus on growth and continuing earnings. Growth in real property products and private equity funds. Acquisitions probable.	Company seeks strong growth especially in asset management with which profitability should also be able to scale.	Focus on increasing continuing earnings and customer-specific size class. Here funds and asset management services are in focus.



# Financial position 1/3

## The company ties up a lot of capital

Unlike other finance houses, Taaleri's operations tie up significant amounts of capital. This is caused by Garantia's high capital requirements and for other operations the committed capital is mainly limited to balance sheet investments.

## Balance sheet after the Wealth management sale

Taaleri's balance sheet faced a major change during Q2'21 because of the Aktia deal. The company's balance sheet total will increase to ca. EUR 360 million. During Q2, Taaleri will distribute around EUR 30 million to shareholders, as well pay back EUR 50 million of loans. Thus, the balance sheet total will be around EUR 280-290 million at the end of Q2. The balance sheet remains very heavy and reflects the company's enormous overcapitalization.

Garantia's investment assets is the largest item on the balance sheet with a value of EUR 152 million at the end of Q1.

The second largest item is the cash position, which we estimate to be around EUR 60 million. Additionally, the Group's own balance sheet investments reach EUR 60 in our estimate. Of these, EUR 30 million is non-strategic investments, ca. EUR 20 million strategic investments, and EUR 10 million Aktia shares (more details p. 25 and 35).

Outside of these, the balance sheet is very light after the sale of Wealth management. There are virtually no immaterial or material assets in the balance sheet and other items (e.g. claims) are related to running operations.

At the end of Q2, the equity will be approximately

EUR 210 million with EUR 15 million in interest-bearing liabilities (Tier 2 loan). It wouldn't make sense financially to pay back the tier2 loan before it is due in 2024, because the redemption would cause significant compensation fees to the borrowers.

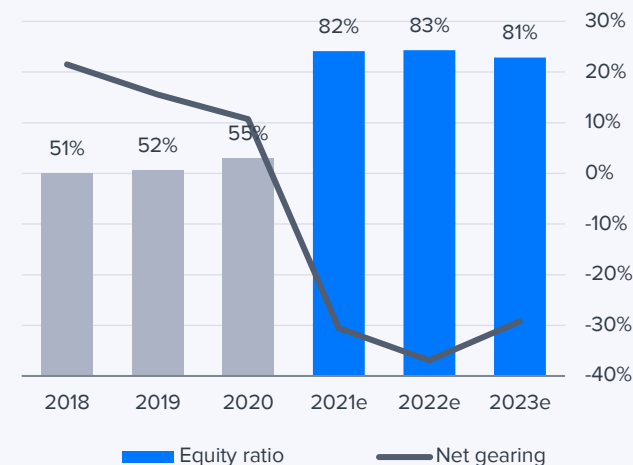
The company has approximately EUR 65 million in interest-free liabilities after the Aktia deal. Of the interest-free liabilities, EUR 35 million is related to insurance technical reserve and other non-interest-bearing liabilities (EUR 30 million) consist mainly of Garantia's deferred tax liabilities.

Naturally, the company has no net debt and the net debt ratio will be around -30%. The equity ratio is sky-high at over 80%, which underscores the drastic overcapitalization of the balance sheet.

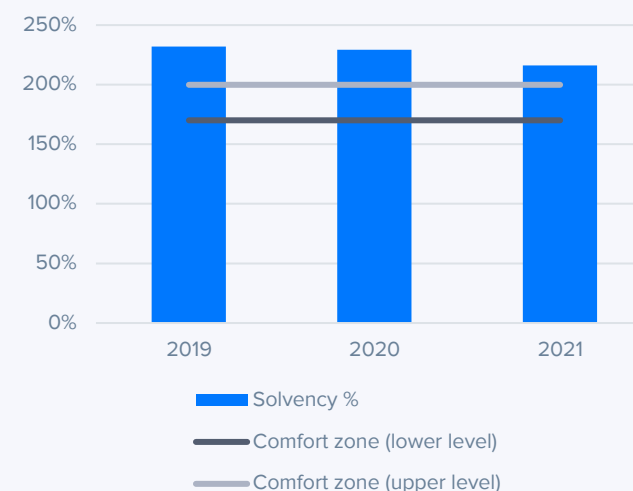
## Catastrophic RaVa group is dissolved

Unlike other listed finance service companies, Taaleri is still classified as a RaVa finance and insurance group. A RaVa group has different equity requirements from other finance service companies, which has been a major burden for Taaleri in the past few years. After the sale of Wealth management, Taaleri is no longer a RaVa group and the company has started the dialogue with FIN-FSA to dissolve the RaVa group. We expect there to be a decision in the next few months and there is no risk involved. After the dissolution of the RaVa group, Taaleri will have significantly lower solvency requirements and in the future, Garantia will guide the Group's solvency. We analyzed Garantia's solvency in detail on page 20. Garantia's balance sheet is also very overcapitalized and therefore, Taaleri has meaningful room for maneuver in the balance sheet for the first time in years.

Development of balance sheet key figures



Garantia's solvency (SCR)



# Financial position 2/3

## Balance sheet is heavily overcapitalized

Taaleri's balance sheet is heavily overcapitalized after the sale of Wealth management. This overcapitalization will only get worse over the next few years, as more capital is released from investments and Garantia improves its capital efficiency through a strong dividend stream.

According to our calculations, Taaleri's balance sheet has over EUR 100 million of capital to be reallocated during the current strategy period (2021-2023). This consists of ca. EUR 62 million in cash, Garantia's EUR 23 million of dividends and ca. EUR 20 million that is released from investments. We haven't considered the results of Private equity funds or Balance sheet investments in our calculations. This is because we don't expect Private equity funds to pay any dividends, as the first dividends from Energy will be a reality in the spring of 2024.

Of this cash flow, EUR 15 million is set aside to pay back the tier2 loan at the end of 2023 and approximately EUR 5 million is spent on new strategic investments (in practice, on own funds). Therefore, the company has to reallocate ca. EUR 80 million. It is obvious, that the capital must be put to use in order to improve the efficiency of the company's balance sheet. In our estimate, one half of this capital will be used for M&A transactions and the other will be paid as extra dividends. We expect an extra dividend of EUR 1 per share for the spring of 2022 (EUR +0.40 regular dividend). If the company doesn't find good investments for the capital, another sizable extra dividend is expected.

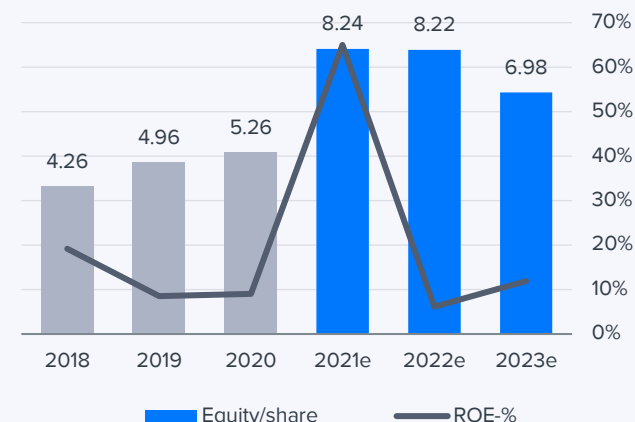
## The balance sheet must be put to use

Taaleri has been very vocal about wanting to accelerate the growth of Private equity funds with M&A transactions. The company is actively seeking new acquisition targets, but unlike before, Taaleri is being very selective and the targets have to fit into the company's strategy. In practice, Taaleri is in our view interested in 1) expanding its current product range with existing products/teams, and/or 2) accelerating growth in existing product segments (e.g. real estate) by expanding the customer base.

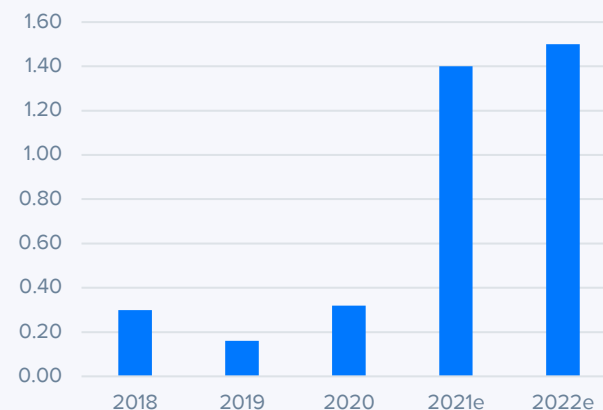
Taaleri could organize a bigger M&A transaction, because on top of the extra capital, the balance sheet has a good amount of debt capacity. Furthermore, the company should consider using its own shares to engage the counterparties.

Like other finance houses, Taaleri's biggest problem is the lack of suitable targets. The investment service field of Finland has very few quality companies that focus on alternative products and the few companies (e.g. Dasos and Trevian) are very expensive because of their position. In our view, there is a real risk of Taaleri not being able to allocate capital to sensible M&A and that most of the money is eventually returned to shareholders.

Equity per share and ROE %

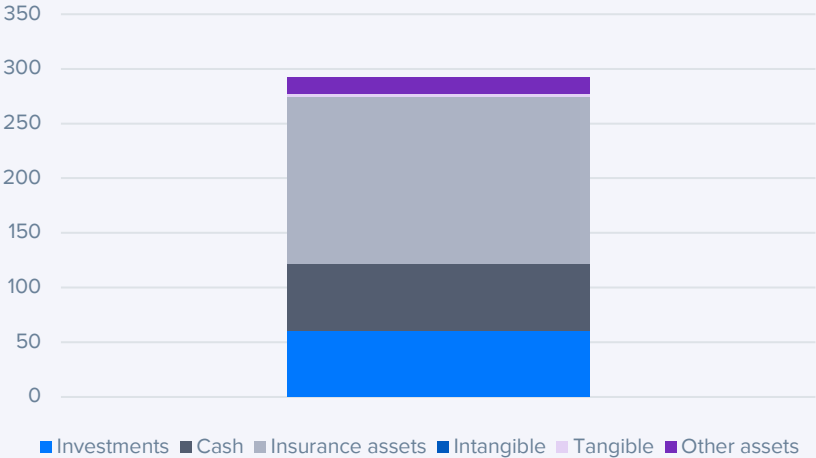


Dividend/share (EUR)

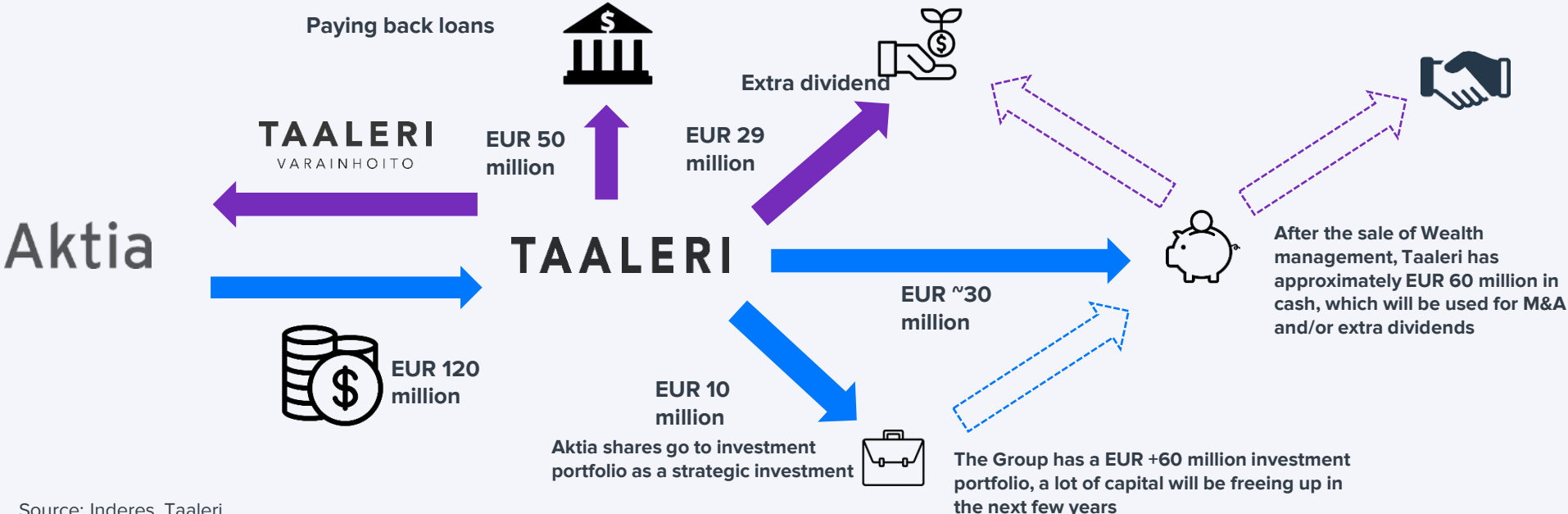
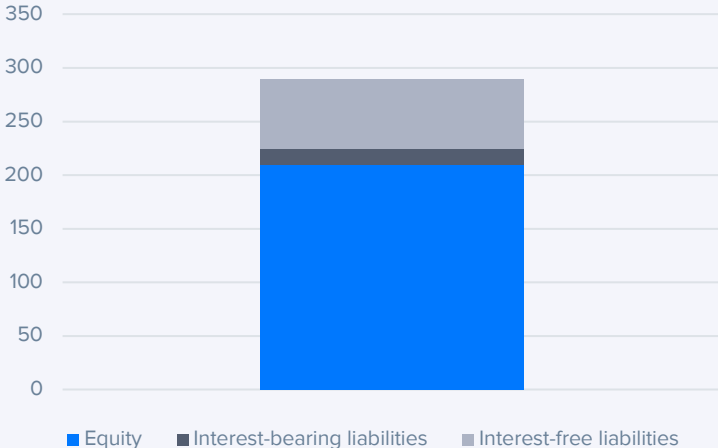


# Financial position 3/3

Assets in Taaleri's balance sheet after the Aktia transaction (MEUR)



Liabilities in Taaleri's balance sheet after the Aktia transaction (MEUR)



Source: Inderes, Taaleri

# Estimates 1/3

## Basis for our estimates

We estimate that the market situation remains positive for Taaleri for the next few years but will cool down significantly from the current overheated state. We expect the interest rate levels will remain very low and the demand for alternative asset classes will remain really strong.

We have gone over the segment estimates in their respective sections and in this section, we will focus on a group level summary of the estimates.

Because Taaleri reports investment income as a part of income, we recommend investors to focus solely on the group level result and that income should be evaluated on segment level.

Taaleri is going through a major transition and, therefore, the company's reported numbers don't paint the correct picture of the company's value development. Cleaning up the balance sheet will cause non-recurring earnings, which boost the results of the next few years, making them seem "too good". The impact of this income is very limited for the company's valuation and we recommend investors to focus on the following things during this strategy period:

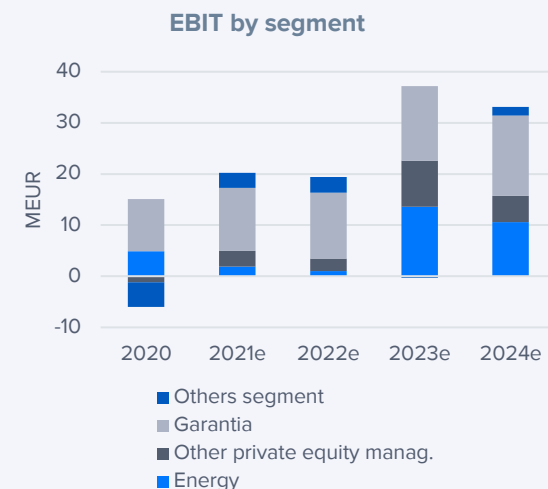
- 1) Growth of AUM and continuing earnings
- 2) Development of costs and cost restructuring
- 3) Profitability based on continuing earnings
- 4) Garantia's insurance technical performance
- 5) Performance of new funds

## 2021: Implementing the new strategy

For the beginning of 2021, Taaleri's focus has been on selling Wealth management and implementing the new strategy. In Q2, the company should in our view focus on cost restructuring and bringing the cost level of Other segment to match its size. Additionally, Taaleri should quickly launch the first funds in Bio and Infra, a new closed-end real estate fund, as well as crystallize the strategy of open-end real estate funds. Naturally, for the next few quarters, the focus will also be on launching the Aktia distribution partnership.

For 2021, Taaleri's reported earnings will be approximately EUR 130 million because of the EUR 110 tax-free sales gain from Wealth management. Adjusted from the sales gain, EBIT will be EUR 20 million. Garantia is practically responsible for the operative profit of the Group, whereas the results of Private equity funds and Other segment consist purely of investment income. In Private equity funds, we expect performance fees from old wind power funds, Munkkiniemi Group and Asunto6 fund. In Other segment, we expect additional earnout income and singular exits from non-strategic investments.

EPS adjusted from the sale of Wealth management is EUR 0.55. We expect the company to pay EUR 0.40 as a regular dividend and EUR 1.0 as an extra dividend. In our view, it's clear that the profit distribution ratio will increase significantly from the historically scant levels closer to the generous standards of the finance sector, now that solvency is not an issue anymore.



# Estimates 2/3

## 2022: Rebuilding continues

2022 will be spent on building new and the operating result remains Garantia's responsibility. For Private equity funds, Energy has a "gap year", as the focus is on investing the SolarWind2 fund and launching the SolarWind3 fund. For Other Private equity funds, the company should launch the next Bio and Infra funds, which should be significantly bigger than the first one (approx. EUR 100 million). For Real estate as well, 2022 will indicate how well the distribution partnership with Aktia has started out, because open-end funds should have grown to a reasonable size by this point. Even though this development isn't visible in the company's numbers, 2022 will be critical for Private equity funds.

In 2022, Aktia will record significant performance fees from e.g., Turku Toriparkki, Finsilva and old wind power funds. We estimate the Group's operating profit to be EUR ~19 million for 2021, of which most is non-recurring/investment income.

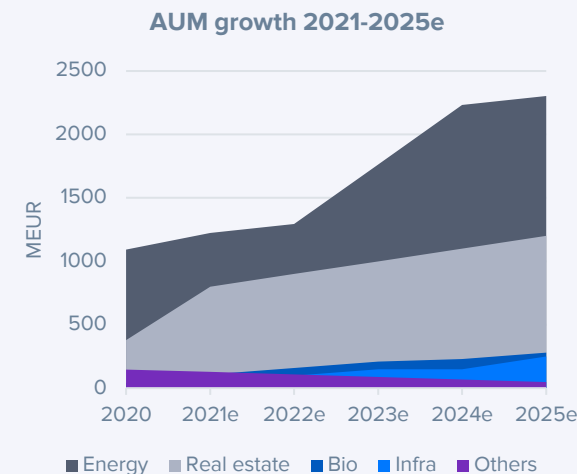
Our EPS estimate for 2022 is EUR 0.50 and we expect a significant raise to the regular dividend, for which our estimate is EUR 0.50. We want to point out, that even though the payout ratio is high (100%), the company's balance sheet position will be significantly strengthened in 2022 after the clean-up of the investment portfolio and due to Garantia's strong dividends. Thus, we see no reason for Taaleri not to raise the regular dividend.

## 2023: First results of the strategy will be seen

There will be a significant jump in Energy's operating profit in 2023, when fund raising for SolarWind3 begins and the business starts to scale for the first time. Additionally, we expect an exit from the Texas wind park, from which a profit of EUR 10 million will be recorded. For Other Private equity funds, the operating profit will remain modest as the business is still being ramped up. In 2023, however, we should have a quite good picture of how the strategy is working, because the second funds of Bio and Infra should be fully raised and Real estate should have an estimated 2-4 new closed-end funds and two open-end funds of good size. Even though the business is still partially being ramped up in 2023, Taaleri has to prove that its cost-efficiency has improved and that the business is scalable.

Other Private equity funds will generate a great result in 2023 (2023e: EBIT: EUR 22.6 million) because of the following non-recurring earnings: Fintoil (balance sheet investment + fund) and Forest3.

We don't expect any non-recurring earnings from the non-strategic investment portfolio of Other segment in 2023, and Garantia keeps up its excellent performance. We estimate the operating profit of 2023 to be EUR 37 million. Non-recurring earnings will make up the lion's share of this, but also the operating profitability of Private equity funds is on a reasonable level thanks to Energy. In our estimates, EPS grows to EUR 0.89. We want to point out that the company's normal operating profit is much lower than this, as continuing earnings amount to EUR 13 million.



# Estimates 3/3

## Balance sheet has been cleaned up

Cleaning up the balance sheet should be mostly over and, in our estimate, a majority of non-strategic investments will be sold in 2023. Furthermore, the portfolio should be in a better position regarding strategic investments and a significant portion of the capital will be invested in own funds, Aktia shares or early-stage joint ventures. The size of the company's investment portfolio will have decreased from the current EUR 63 million to EUR 50 million.

Because the company has set aside a significant portion of its extra capital for M&A transactions, in our model the company's net cash will be over EUR 60 million in 2023. We think it's clear that if the company doesn't find suitable M&A targets in this strategy period, most of this capital will be returned to shareholders. In our estimate, the company doesn't require a large net cash position for its operations and, for example, the closest peer CapMan operates with a small debt leverage.

## Long term estimates

Because Taaleri's business is mostly still being ramped up in 2023, investors should consider the long-term outlook.

We estimate that the company's business will start to actually scale in 2024-2025 with Energy in the forefront and that the profitability that is based on continuing earnings should improve rapidly. Furthermore, the company's performance fees and investment income will potentially become more easily predictable, when their focus shifts to core products. Therefore, we expect that the operating

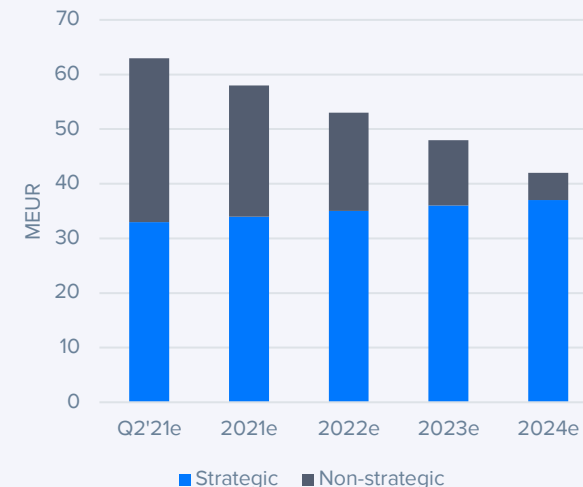
profit of Private equity funds grows significantly during this period and operating profit adjusted for non-recurring earnings that is critical for investors will grow to EUR 11 million in 2025.

The seeds of this profitability improvement are sown during the current strategy period and to reach this level, the company has to succeed in the following during the next two years:

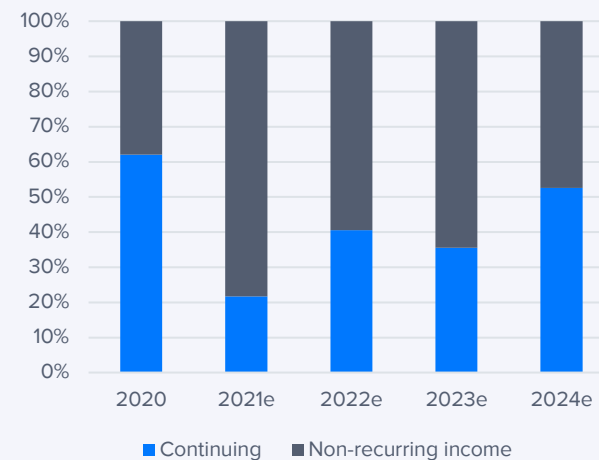
- 1) Launching new investment products
- 2) Generating strong investment returns
- 3) Improving cost-efficiency and building a culture of cost-efficiency

In our 2025 estimates, Taaleri's operating profit from continuing earnings of Private equity funds is slightly over EUR 10 million and the business should be growing profitably. Private equity funds should have the potential to reach EUR 5-15 million in carried interest income annually, if the below mentioned products succeed in their investment activities. In a normal investment environment, Garantia should generate EUR +15 million of operating profit and the losses of Other segment is in our view EUR 2-3 million, when a part of costs is appraised to the operative segments. Thus, Taaleri's normal operating profit should be around of EUR 30-40 million in 2025, given that the company succeeds in implementing its strategy.

Development of investment portfolio distribution



Earnings mix 2020-2024e



# Summary of estimates

Group level estimates	2020	2021e	2022e	2023e	2024e
<b>Income</b>	39.9	51.7	50.3	68.7	65.7
Private equity funds	21.9	25.7	25.5	45.1	38.9
<i>Energy</i>	17.4	15.7	15.2	27.7	24.8
<i>Other private asset management</i>	4.5	10.0	10.3	17.4	14.1
Garantia	17.1	19.0	19.8	21.8	23.3
<i>Guaranty insurance operations' net income</i>	14.6	14.1	15.1	17.0	18.6
<i>Investment income</i>	2.5	5.0	4.7	4.7	4.7
Others segment	0.9	7	5	1.8	3.5
<b>Operating profit (reported)</b>	<b>9.1</b>	<b>130.2</b>	<b>19.4</b>	<b>36.9</b>	<b>33.1</b>
Private equity funds	3.7	4.9	3.4	22.6	15.7
<i>Energy</i>	4.9	1.9	1.0	13.6	10.6
<i>Other private asset management</i>	-1.2	3.1	2.4	9.0	5.1
Garantia	10.2	12.3	12.9	14.6	15.7
Others segment	-4.8	2.9	3.0	-0.3	1.7
Non-recurring items	0.0	110.0	0.0	0.0	0.0
<b>EBIT excl. non-recurring items</b>	<b>9.1</b>	<b>20.2</b>	<b>19.4</b>	<b>36.9</b>	<b>33.1</b>
EBIT % excl. non-recurring items	23 %	39 %	39 %	54 %	50 %
<b>Profit before taxes</b>	<b>9.3</b>	<b>130.2</b>	<b>19.4</b>	<b>36.9</b>	<b>33.1</b>
Taxes		-3.9	-3.9	-7.4	-6.6
Minority interests		-0.5	-0.8	-2.8	-1.6
<b>Net profit</b>		<b>125.8</b>	<b>14.7</b>	<b>26.7</b>	<b>25.0</b>
EPS (reported)		4.36	0.50	0.89	0.82
EPS (adj.)		0.55	0.50	0.89	0.82
Dividend		1.40	1.50	0.60	0.49

Segment estimates	2020	2021e	2022e	2023e	2024e
<b>EBIT excl. non-recurring items</b>	<b>9.1</b>	<b>20.2</b>	<b>19.4</b>	<b>36.9</b>	<b>33.1</b>
Continuing	5.7	4.4	7.9	13.1	17.4
Non-recurring income	3.5	15.8	11.5	23.7	15.7
<b>Earnings mix by segment</b>					
<b>Venture capital funds</b>	<b>3.7</b>	<b>4.9</b>	<b>3.4</b>	<b>22.6</b>	<b>15.7</b>
<i>EBIT excl. non-recurring income</i>	0.3	-1.5	-0.4	3.6	6.7
<i>Non-recurring income</i>	3.4	6.5	3.8	19.0	9.0
<b>Garantia</b>	<b>10.2</b>	<b>13.9</b>	<b>14.5</b>	<b>16.2</b>	<b>17.3</b>
<i>Insurance technical profit</i>	8.3	9.0	9.8	11.4	12.6
<i>Investment income</i>	1.9	5.0	4.7	4.7	4.7
<b>Others segment</b>	<b>-4.8</b>	<b>2.9</b>	<b>3.0</b>	<b>-0.3</b>	<b>1.7</b>
<i>EBIT excl. non-recurring income</i>	-3.0	-1.5	0.0	-0.3	-0.3
<i>Non-recurring income</i>	-1.8	4.4	3	0	2

# Valuation 1/4

## Valuation summary

We have estimated Taaleri's fair value through the value of its parts, relative and absolute valuation, and DCF calculations. In our analysis, we focus on the sum of the parts, because it best shows the scattered value of Taaleri and the different profiles of the segments. In our view, the parts of Taaleri don't have hidden value that couldn't be materialized within the next few years, now that Garantia has been turned to a dividend company and the capital requirements have been lowered.

Taaleri also has an excellent peer group on the Helsinki stock exchange. These Finnish investment service companies compete in the same market, with similar products, for the same customers and the same employees. Even though Taaleri is somewhat different from this group, the peer company group offers a good starting point for an acceptable valuation. For the next few years, the balance sheet restructuring and the non-recurring earnings from it makes comparing Taaleri to its peer more difficult, as the reported earnings won't paint a truthful picture of the company's earnings level.

Through the sum of the parts, we value the company at EUR 12.7, which is in line with our target price. We don't think that it's justified to value Taaleri lower than the value of its parts, given that the next steps to materialize the value are clear and the company is committed to it. The peer company analysis, absolute multiples and our DCF model support the current price target, even though we don't give them much weight.

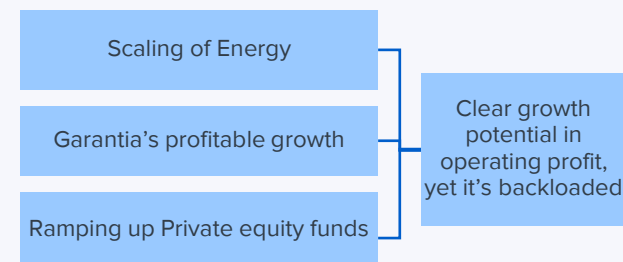
## Risk/return ratio is still sufficient

We still see the risk/return ratio as favorable, even though most of the undervaluation has been lost quickly. In the short term, the stock's expected return relies on slight growth potential in relation to the sum of the parts and a strong dividend stream. As the strategy progresses, the stock will be supported by growing operating profit and when compared to our long-term estimates and the company's potential, the share price is still favorable.

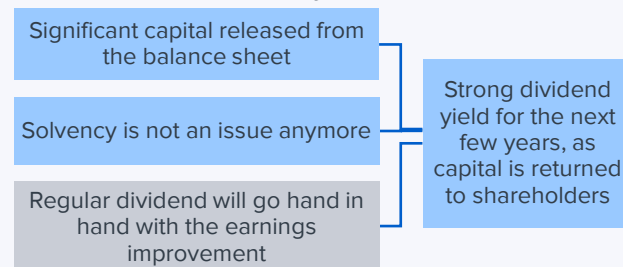
## TSR drivers 2021-2024

■ Positive ■ Neutral ■ Negative

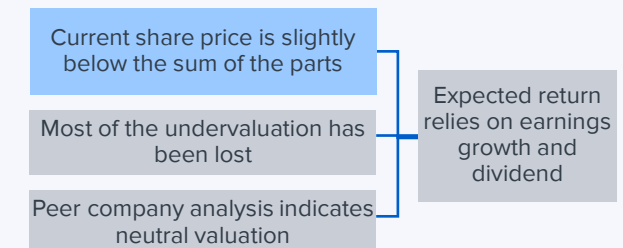
### Earnings return drivers



### Dividend yield drivers



### Valuation multiple drivers



Short term risk/return ratio sufficient, long term expected return still good



# Valuation 2/4

## Sum of the parts

In our view, the sum of the parts provides a good basis for Taaleri's valuation, as it's realistic to expect that the value of the parts materializes during the next few years, when the company releases the value in its balance sheet, Garantia starts to return significant amount of capital to Taaleri, and the ramping up of the Private equity funds business starts to be visible in the numbers as well. Given the current strategy, we don't see hidden value in Taaleri's parts that couldn't materialize within the next few years

We have discussed the valuation of the parts of Taaleri's segments above. In our estimates, Garantia's value is EUR 155 million (p. 23), Energy's EUR 90 million considering minorities (p. 17), Other Private equity funds EUR 26 million (p. 17), the Group's investments ca. EUR 60 million (p. 34), and the net value of Group costs EUR -45 million. Additionally, we estimate that the company has ca. EUR 45 million in net cash.

We have considered the extra dividend that is paid on June 8 in the sum of the parts, and we point out that paying the extra dividend has a direct negative impact on our calculations of the sum of the parts.

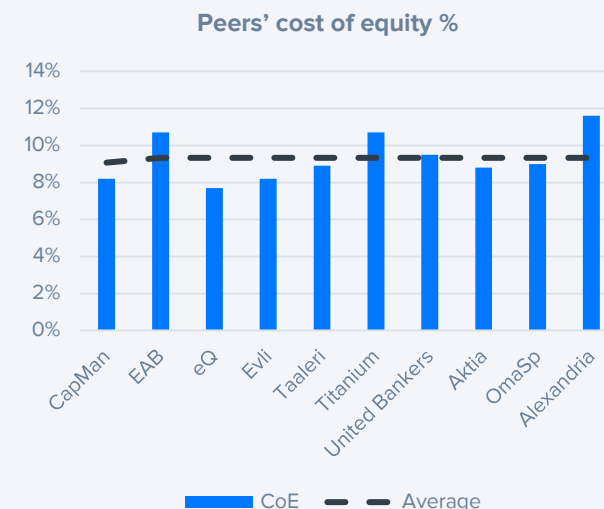
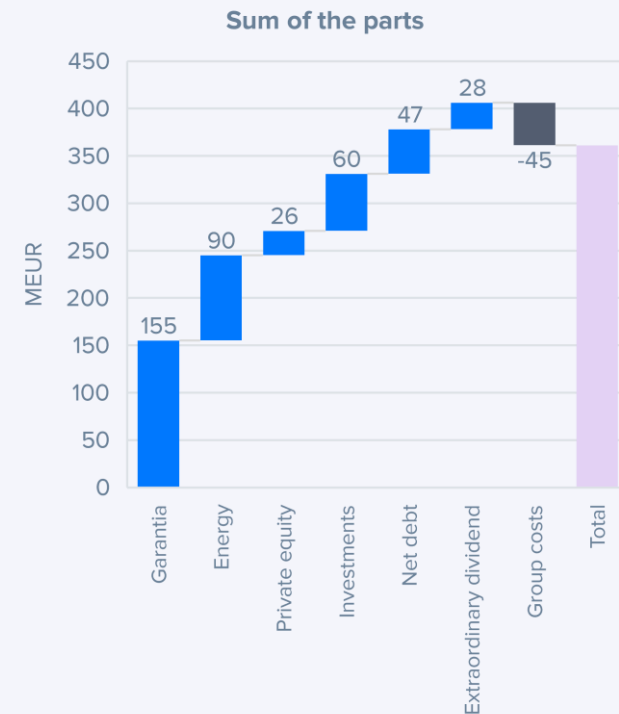
Taaleri's value based on our sum of the part calculation is EUR 360 million or EUR 12.7 per share. The sum of the parts is in line with our target price, because we don't think that it's justified to value Taaleri lower than the value of its parts, given that the next steps to materialize the value are clear and the company is committed to it.

## DCF valuation

At this moment, the DCF model is very unsuitable for Taaleri, as the company is going through a major change and the company's balance sheet is in transition. Furthermore, non-recurring earnings and changes in the balance sheet affect the cash flow significantly and DCF doesn't take the company's large investment portfolio into account well. Thus, we don't put much weight on our DCF model in our analysis. The result of the DCF model should mainly be considered as a supporting factor.

In our DCF model, we assume that Taaleri's profitability improves significantly during 2021-2025, but starts to decrease in 2026. We have used a level of 35% as terminal profitability, which is relatively prudent, given the current structure of the company (Garantia's EBIT-% +60%). However, we think this level is reasonable because of Private equity funds still being ramped up and the uncertainty that it brings. Taaleri's value from our DCF model is EUR 13.5 per share.

We have revised the cost of equity that we apply for Taaleri to 8.9% (previous 10.2%), because of the company's decreased risk profile and the change in debt structure. 8.9% is in line with the peer group, but we feel that it is still relatively high and see potential for it to decrease during the next two years closer to the level of Evli, eQ and CapMan (ca. 8%), given that the company succeeds in implementing its strategy in a way that we expect.



# Valuation 3/4

## Valuation multiples

The usability of earnings-based multiples is weak in the next few years because the Private equity funds business is still in the ramp-up stage. In addition, the company's income will include considerable amounts of non-recurring earnings from performance fees of old funds and due to investment exits. The company's balance sheet is also highly overcapitalized and in earnings multiples one should look at EV-based multiples. With the 2022 results, EV/EBIT ~13x is at best neutral, whereas 2023e 8x multiple seems very favorable. However, much weight cannot be put on the multiples, given the weak result.

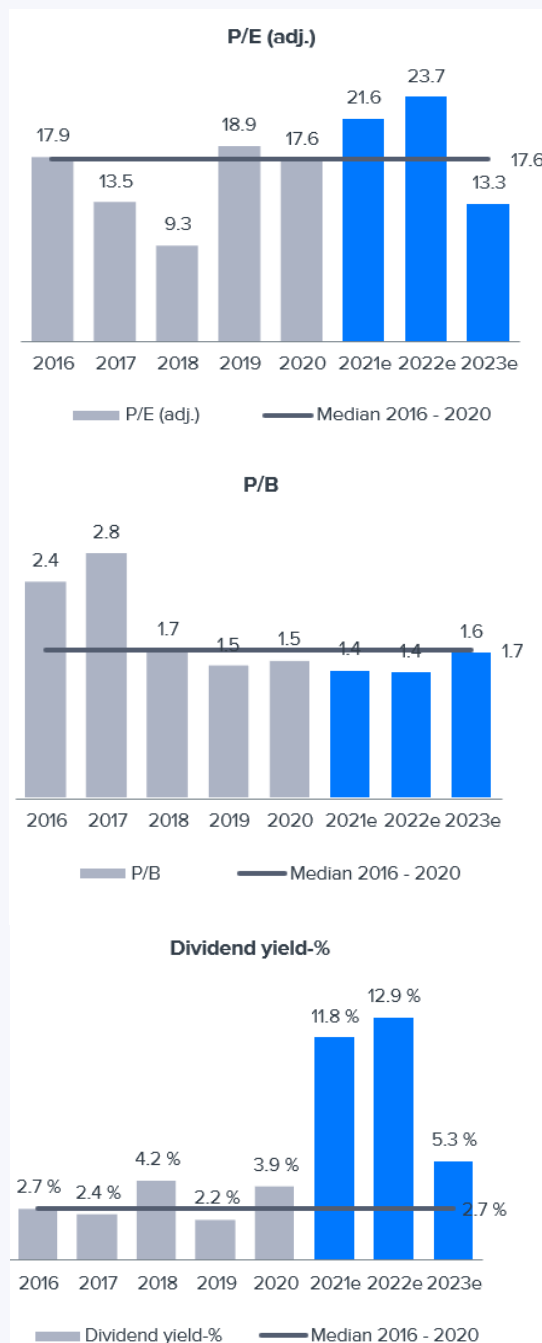
Taaleri's dividend yield is exceptionally high for the next few years because of big extra dividends. The underlying regular dividend is at a healthy level of ~4% and its growth outlook is significantly better than that of old Taaleri, because the solvency restrictions have been lifted.

The P/B ratio is very relevant to Taaleri because of the company's overcapitalization and Garantia's sizable capital requirements. The company's objective is to reach 15% ROE and relative to this, the current P/B 1.4x would mean ca. 10x P/E ratio. We find the level of 15% unrealistic for the next few years because of overcapitalization. In the long term, however, the level is realistic when the balance sheet is put to use and the ramp-up of Private equity funds progresses.

## Long term potential

In the long term, we have estimated that the operating profit potential of Taaleri's current business activities is EUR 30-40 million. Of the current market value of EUR 340 million, Taaleri has net cash and investments worth ca. EUR 100 million and, thus, the value of business operations is EUR 240 million. In relation to the operating profit potential, the company's P/E ratio is ~8x-10x which is very favorable both absolutely and relatively. For example, we have accepted ratios of ca. 15x-16x for CapMan and we believe that it's realistic that Taaleri could be valued at similar ratios, as long as the strategy progresses in line with our estimates. If this scenario becomes reality, the share price would still have significant upside and the share's return expectation for the next few years would be 10-20%/y, which is really good.

This depicts the value creation potential of Taaleri's businesses if the strategy is successful and, thus, the current sum of parts value is not to be viewed as the absolute culmination. Naturally, the value of the businesses is very sensitive to 1) growth in continuing earnings (in practice AUM growth), 2) improved cost efficiency, and 3) successful investment activity. We want to point out, however, that even in the best scenario, this potential will take a long time to realize and it takes patience from investors.



# Valuation 4/4

## Peer group

Taaleri has an exceptionally good peer group on the Helsinki stock exchange. We have used all the listed wealth managers as peers: Evli, eQ, Alexandria, CapMan, United Bankers, EAB Group, Titanium and Aktia. In addition, we have included Oma Säästöpankki to the peer group, even though it's not a wealth manager.

When considering the relative valuation, we put the most weight on P/E and EV/EBIT ratios and dividend yield. Because of different accounting practices of the companies (some have FAS accounting), we don't use the EV/EBITBA multiple. For FAS companies, we have adjusted GWA to improve the comparability of the companies.

In relation to the peer group, Taaleri's P/E ratio is

valued at a premium (+60%). In our view, P/E ratios don't paint a truthful picture of Taaleri's valuation for the next few years, as the company's balance sheet is heavily overcapitalized. EV-based multiples are a better way to understand Taaleri's earnings-based valuation, as they take the overcapitalized balance sheet into account. With EV/EBIT multiples, Taaleri is valued at a reasonable premium in comparison to the peers, which we find justified because 1) EV doesn't take the company's investment portfolio into account and 2) a major part of the company's business is being ramped up. When adjusted with the investment portfolio, EV/EBIT multiples are quite close to the peers.

When the dividend yield is adjusted for extra dividends, Taaleri is valued at a moderate premium in comparison to the peer group. Unlike before, the

dividend's growth outlook isn't significantly weaker than the peers', but rather better than peer average.

As a whole, Taaleri's peer group valuation supports the neutral short-term valuation of the stock and it's hard to see meaningful upside in the current multiples. Therefore, the expected return relies even more heavily on earnings growth and, above all, a sustainable improvement in continuing earnings.

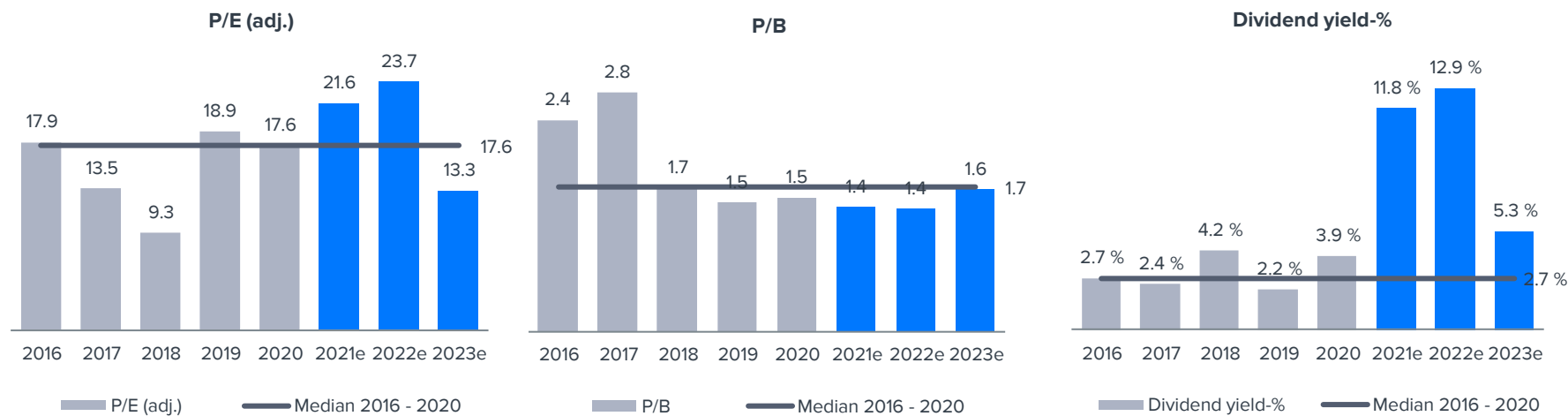
Peer group valuation Company	Share price	Market cap MEUR	EV MEUR	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%		P/B
				2021e	2022e	2021e	2022e	2021e	2022e	2021e	2022e	2021e	2022e	
eQ	19.88	789	787	17.8	17.9	17.3	17.5	10.6	10.6	21.9	22.4	4.7	4.6	10.4
Titanium	13.20	136	119	10.8	9.1	8.5	7.9	5.2	4.6	12.5	11.7	6.8	7.1	5.8
CapMan	2.62	406	440	12.0	10.2	13.2	10.4	7.6	6.5	13.5	12.2	5.8	6.2	3.4
Evli	17.85	430	430	9.9	9.6	8.7	8.3	4.3	4.2	14.0	13.4	6.8	7.2	5.6
United Bankers	13.15	134	136	13.6	11.3	12.4	10.5	3.8	3.5	18.6	15.2	4.3	4.9	3.3
EAB Group	3.44	48	56	22.2	13.9	10.1	8.5	2.6	2.4	23.7	16.4	2.6	3.2	2.3
Aktia	11.04	782								13.0	10.6	5.2	6.3	1.1
Oma Säästöpankki	12.20	364								9.5	9.1	2.9	3.3	1.0
Alexandria	7.96	87	74	11.0	10.2	7.0	6.7	1.8	1.7	14.0	15.0	5.1	5.7	3.6
<b>Taaleri (Inderes)</b>	<b>11.60</b>	<b>335</b>	<b>261</b>	<b>12.9</b>	<b>12.7</b>	<b>2.0</b>	<b>12.3</b>	<b>5.1</b>	<b>4.9</b>	<b>21.1</b>	<b>23.2</b>	<b>12.1</b>	<b>13.2</b>	<b>1.4</b>
<b>Average</b>				<b>13.9</b>	<b>11.7</b>	<b>11.0</b>	<b>10.0</b>	<b>5.1</b>	<b>4.8</b>	<b>15.6</b>	<b>14.0</b>	<b>4.9</b>	<b>5.4</b>	<b>4.1</b>
<b>Median</b>				<b>12.0</b>	<b>10.2</b>	<b>10.1</b>	<b>8.5</b>	<b>4.3</b>	<b>4.2</b>	<b>14.0</b>	<b>13.4</b>	<b>5.1</b>	<b>5.7</b>	<b>3.4</b>
<b>Diff-% to median</b>				<b>7%</b>	<b>24%</b>	<b>-80%</b>	<b>44%</b>	<b>17%</b>	<b>16%</b>	<b>51%</b>	<b>73%</b>	<b>137%</b>	<b>131%</b>	<b>-59%</b>

Source: Thomson Reuters / Inderes. NB: The market cap Inderes uses does not consider own shares held by the company

# Valuation table

Valuation	2016	2017	2018	2019	2020	2021e	2022e	2023e	2024e
Share price	8.07	10.4	7.10	7.40	8.12	11.9	11.9	11.9	11.9
Number of shares, millions	28.4	28.3	28.4	28.4	28.4	28.9	29.4	30.0	30.6
Market cap	229	293	201	210	230	342	342	342	342
EV	235	303	230	231	244	268	253	285	278
P/E (adj.)	17.9	13.5	9.3	18.9	17.6	21.6	23.7	13.3	14.5
P/E	17.9	13.5	9.3	18.9	17.6	2.7	23.7	13.3	14.5
P/FCF	9.5	14.1	neg.	neg.	9.2	2.7	11.9	10.8	12.7
P/B	2.4	2.8	1.7	1.5	1.5	1.4	1.4	1.6	1.6
P/S	3.8	3.6	2.8	3.1	3.3	6.6	6.8	5.0	5.2
EV/Sales	3.9	3.7	3.2	3.4	3.5	5.2	5.0	4.1	4.2
EV/EBITDA	13.2	10.7	9.2	12.1	12.1	2.1	12.6	7.6	8.2
EV/EBIT (adj.)	14.4	11.2	9.6	14.0	13.9	13.3	13.0	7.7	8.4
Payout ratio (%)	48.8 %	32.5 %	39.3 %	40.9 %	69.4 %	32.1 %	299.4 %	67.4 %	60.0 %
Dividend yield-%	2.7 %	2.4 %	4.2 %	2.2 %	3.9 %	11.8 %	12.9 %	5.3 %	4.4 %

Source: Inderes



# Peer group valuation

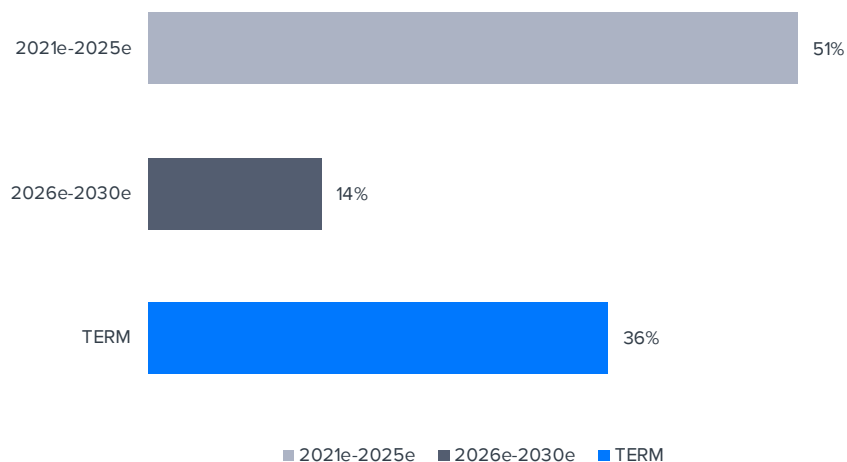
Peer group valuation Company	Share price	Market cap MEUR	EV MEUR	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%		P/B 2021e
				2021e	2022e	2021e	2022e	2021e	2022e	2021e	2022e	2021e	2022e	
eQ	19.88	789	787	17.8	17.9	17.3	17.5	10.6	10.6	21.9	22.4	4.7	4.6	10.4
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<b>Average</b>				<b>13.9</b>	<b>11.7</b>	<b>11.0</b>	<b>10.0</b>	<b>5.1</b>	<b>4.8</b>	<b>15.6</b>	<b>14.0</b>	<b>4.9</b>	<b>5.4</b>	<b>4.1</b>
<b>Median</b>				<b>12.0</b>	<b>10.2</b>	<b>10.1</b>	<b>8.5</b>	<b>4.3</b>	<b>4.2</b>	<b>14.0</b>	<b>13.4</b>	<b>5.1</b>	<b>5.7</b>	<b>3.4</b>
<b>Diff-% to median</b>				<b>7%</b>	<b>24%</b>	<b>-80%</b>	<b>44%</b>	<b>17%</b>	<b>16%</b>	<b>51%</b>	<b>73%</b>	<b>137%</b>	<b>131%</b>	<b>-59%</b>

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# DCF calculation

DCF model	2020	2021e	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	TERM
<b>EBIT (operating profit)</b>	<b>17.6</b>	<b>130</b>	<b>19.4</b>	<b>36.9</b>	<b>33.1</b>	<b>27.3</b>	<b>28.2</b>	<b>25.3</b>	<b>25.9</b>	<b>26.5</b>	<b>27.2</b>	
+ Depreciation	2.5	0.4	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	
- Paid taxes	-4.1	-3.9	-3.9	-7.4	-6.6	-5.5	-5.6	-5.1	-5.2	-5.3	-5.4	
- Tax, financial expenses	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
+ 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	17.6	-9.2	6.7	-2.8	0.4	-0.4	-0.3	-0.3	-0.3	-0.3	-0.3	
<b>Operating cash flow</b>	<b>33.7</b>	<b>117</b>	<b>22.8</b>	<b>27.3</b>	<b>27.6</b>	<b>22.1</b>	<b>22.8</b>	<b>20.5</b>	<b>21.0</b>	<b>21.5</b>	<b>22.1</b>	
+ Change in other long-term liabilities	-0.4	-5.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-8.3	8.1	0.2	-0.6	-0.6	-0.6	-0.6	-0.6	-0.6	-0.6	-1.3	
<b>Free operating cash flow</b>	<b>24.9</b>	<b>121</b>	<b>23.0</b>	<b>26.7</b>	<b>27.0</b>	<b>21.5</b>	<b>22.2</b>	<b>19.9</b>	<b>20.4</b>	<b>20.9</b>	<b>20.8</b>	
+/- Other	0.0	6.5	5.8	5.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	24.9	127	28.8	31.7	27.0	21.5	22.2	19.9	20.4	20.9	20.8	331
<b>Discounted FCFF</b>		<b>123</b>	<b>25.6</b>	<b>25.8</b>	<b>20.2</b>	<b>14.7</b>	<b>14.0</b>	<b>11.5</b>	<b>10.9</b>	<b>10.2</b>	<b>9.3</b>	<b>148</b>
Sum of FCFF present value		413	290	265	239	219	204	190	178	168	157	148
<b>Enterprise value DCF</b>		<b>413</b>										
- Interesting bearing debt		-49.9										
+ Cash and cash equivalents		34.0										
-Minorities		0.9										
-Dividend/capital return		-9.1										
<b>Equity value DCF</b>		<b>389</b>										
<b>Equity value DCF per share</b>		<b>13.5</b>										

## Cash flow distribution



## Wacc

Tax-% (WACC)	20.0 %
Target debt ratio (D/(D+E))	0.0 %
Cost of debt	4.5 %
Equity Beta	1.25
Market risk premium	4.75%
Liquidity premium	1.00%
Risk free interest rate	2.0 %
<b>Cost of equity</b>	<b>8.9 %</b>
<b>Weighted average cost of capital (WACC)</b>	<b>8.9 %</b>

Source: Inderes

# Income statement

Income statement	2019	H1'20	H2'20	2020	Q1'21	Q2'21e	Q3'21e	Q4'21e	2021e	2022e	2023e	2024e
<b>Revenue</b>	<b>67.2</b>	<b>26.2</b>	<b>43.3</b>	<b>69.5</b>	<b>13.7</b>	<b>15.3</b>	<b>9.4</b>	<b>13.3</b>	<b>51.7</b>	<b>50.3</b>	<b>68.7</b>	<b>65.7</b>
Wealth management (sold 2020)	44.5	21.9	24.7	46.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Garantia	21.3	3.6	13.6	17.2	7.0	3.4	4.3	4.4	19.1	19.8	21.8	23.3
Balance sheet investments	-1.6	-1.8	1.9	0.1	1.5	2.0	0.5	3.0	7.0	5.0	1.8	3.5
Private equity funds (prev. Energy)	4.6	4.2	5.1	9.2	5.2	9.9	4.7	6.0	25.7	25.5	45.1	38.9
<b>EBITDA</b>	<b>19.2</b>	<b>4.0</b>	<b>16.1</b>	<b>20.1</b>	<b>5.2</b>	<b>117</b>	<b>2.0</b>	<b>6.0</b>	<b>131</b>	<b>20.0</b>	<b>37.5</b>	<b>33.7</b>
Depreciation	-2.7	-1.2	-1.3	-2.5	-0.1	-0.1	-0.1	-0.1	-0.4	-0.6	-0.6	-0.6
<b>EBIT (excl. NRI)</b>	<b>16.5</b>	<b>2.8</b>	<b>14.8</b>	<b>17.6</b>	<b>5.1</b>	<b>7.3</b>	<b>1.9</b>	<b>5.9</b>	<b>20.2</b>	<b>19.4</b>	<b>36.9</b>	<b>33.1</b>
<b>EBIT</b>	<b>16.5</b>	<b>2.8</b>	<b>14.8</b>	<b>17.6</b>	<b>5.1</b>	<b>117</b>	<b>1.9</b>	<b>5.9</b>	<b>130</b>	<b>19.4</b>	<b>36.9</b>	<b>33.1</b>
Wealth management (sold 2020)	11.8	6.3	5.9	12.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Garantia	12.7	0.8	9.2	9.9	5.4	1.7	2.6	2.7	12.3	12.9	14.6	15.7
Balance sheet investments	-5.3	-4.4	-0.3	-4.7	-0.2	0.8	-0.2	2.5	3.0	3.0	-0.3	1.7
Private equity funds (prev. Energy)	-2.6	0.1	0.1	0.2	-0.1	4.8	-0.5	0.8	4.9	3.4	22.6	15.7
Net financial items	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>PTP</b>	<b>16.5</b>	<b>2.8</b>	<b>14.8</b>	<b>17.6</b>	<b>5.1</b>	<b>117</b>	<b>1.9</b>	<b>5.9</b>	<b>130</b>	<b>19.4</b>	<b>36.9</b>	<b>33.1</b>
Taxes	-5.0	-1.4	-3.1	-4.5	-1.0	-1.2	-0.4	-1.2	-3.9	-3.9	-7.4	-6.6
Minority interest	-0.4	-0.2	0.1	-0.1	-0.1	-0.1	-0.1	-0.2	-0.5	-0.8	-2.8	-1.6
<b>Net earnings</b>	<b>11.1</b>	<b>1.3</b>	<b>11.8</b>	<b>13.1</b>	<b>4.0</b>	<b>116</b>	<b>1.4</b>	<b>4.5</b>	<b>126</b>	<b>14.7</b>	<b>26.7</b>	<b>25.0</b>
<b>EPS (adj.)</b>	<b>0.39</b>	<b>0.04</b>	<b>0.42</b>	<b>0.46</b>	<b>0.14</b>	<b>0.21</b>	<b>0.05</b>	<b>0.15</b>	<b>0.55</b>	<b>0.50</b>	<b>0.89</b>	<b>0.82</b>
<b>EPS (rep.)</b>	<b>0.39</b>	<b>0.04</b>	<b>0.42</b>	<b>0.46</b>	<b>0.14</b>	<b>4.02</b>	<b>0.05</b>	<b>0.15</b>	<b>4.36</b>	<b>0.50</b>	<b>0.89</b>	<b>0.82</b>

Key figures	2019	H1'20	H2'20	2020	Q1'21	Q2'21e	Q3'21e	Q4'21e	2021e	2022e	2023e	2024e
<b>Revenue growth-%</b>	-7.1 %	-15.2 %	19.2 %	3.4 %	0.0 %	-41.7 %	442.3 %	-67.9 %	-25.6 %	-2.7 %	36.5 %	-4.4 %
<b>Adjusted EBIT growth-%</b>	-30.9 %	-56.1 %	46.7 %	6.8 %		160.4 %		-60.1 %	14.8 %	-4.1 %	89.9 %	-10.1 %
<b>EBITDA-%</b>	28.5 %	15.4 %	37.1 %	29.0 %	37.9 %	769.0 %	21.2 %	45.1 %	252.5 %	39.8 %	54.5 %	51.4 %
<b>Adjusted EBIT-%</b>	24.6 %	10.7 %	34.2 %	25.4 %	37.5 %	48.0 %	20.0 %	44.2 %	39.1 %	38.6 %	53.7 %	50.5 %
<b>Net earnings-%</b>	16.5 %	4.8 %	27.3 %	18.8 %	29.0 %	759.7 %	14.7 %	33.4 %	243.3 %	29.2 %	38.8 %	38.0 %

Source: Inderes

# Balance sheet

Assets	2019	2020	2021e	2022e	2023e
<b>Non-current assets</b>	<b>190</b>	<b>208</b>	<b>195</b>	<b>189</b>	<b>184</b>
Goodwill	5.1	5.1	0.4	0.4	0.4
Intangible assets	1.4	1.7	0.7	0.8	0.8
Tangible assets	4.4	2.9	1.6	1.6	1.6
Associated companies	23.3	36.6	31.6	26.6	21.6
Other investments	153	160	159	158	158
Other non-current assets	0.0	0.0	0.0	0.0	0.0
Deferred tax assets	2.2	1.6	1.6	1.6	1.6
<b>Current assets</b>	<b>79.9</b>	<b>59.7</b>	<b>92.8</b>	<b>103</b>	<b>78.3</b>
Inventories	0.0	0.0	0.0	0.0	0.0
Other current assets	18.1	14.5	12.5	6.0	6.0
Receivables	22.9	11.2	7.8	7.5	10.3
Cash and equivalents	38.9	34.0	72.5	89.2	62.0
<b>Balance sheet total</b>	<b>270</b>	<b>268</b>	<b>288</b>	<b>292</b>	<b>262</b>

Source: Inderes

Liabilities & equity	2019	2020	2021e	2022e	2023e
<b>Equity</b>	<b>141</b>	<b>148</b>	<b>237</b>	<b>241</b>	<b>212</b>
Share capital	0.1	0.1	0.1	0.1	0.1
Retained earnings	90.7	99.4	187	190	173
Hybrid bonds	14.8	14.8	14.8	14.8	0.0
Revaluation reserve	35.8	35.8	35.8	35.8	35.8
Other equity	-0.7	-1.0	0.0	0.0	0.0
Minorities	-0.2	-1.1	-0.6	0.2	3.0
<b>Non-current liabilities</b>	<b>96.8</b>	<b>85.3</b>	<b>30.4</b>	<b>30.4</b>	<b>30.4</b>
Deferred tax liabilities	15.6	15.4	15.4	15.4	15.4
Provisions	0.0	0.0	0.0	0.0	0.0
Long term debt	60.8	49.9	0.0	0.0	0.0
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	20.4	20.0	15.0	15.0	15.0
<b>Current liabilities</b>	<b>32.3</b>	<b>34.7</b>	<b>20.0</b>	<b>20.0</b>	<b>20.0</b>
Short term debt	0.0	0.0	0.0	0.0	0.0
Payables	0.0	0.0	0.0	0.0	0.0
Other current liabilities	32.3	34.7	20.0	20.0	20.0
<b>Balance sheet total</b>	<b>270</b>	<b>268</b>	<b>288</b>	<b>292</b>	<b>262</b>



# Summary

Income statement	2018	2019	2020	2021e	2022e	Per share data	2018	2019	2020	2021e	2022e
Revenue	72.3	67.2	69.5	51.7	50.3	EPS (reported)	0.76	0.39	0.46	4.36	0.50
EBITDA	25.1	19.2	20.1	130.6	20.0	EPS (adj.)	0.76	0.39	0.46	0.55	0.50
EBIT	23.9	16.5	17.6	130.2	19.4	OCF / share	0.35	0.42	1.19	4.07	0.78
PTP	23.9	16.5	17.6	130.2	19.4	FCF / share	-0.08	-0.34	0.88	4.40	0.98
Net Income	21.6	11.1	13.1	125.8	14.7	Book value / share	4.26	4.96	5.26	8.24	8.22
Extraordinary items	0.0	0.0	0.0	110.0	0.0	Dividend / share	0.30	0.16	0.32	1.40	1.50
Balance sheet	2018	2019	2020	2021e	2022e	Growth and profitability	2018	2019	2020	2021e	2022e
Balance sheet total	238.0	269.7	268.0	287.6	291.8	Revenue growth-%	-11%	-7%	3%	-26%	-3%
Equity capital	122.4	140.6	148.1	237.2	241.4	EBITDA growth-%	-11%	-24%	5%	549%	-85%
Goodwill	5.1	5.1	5.1	0.4	0.4	EBIT (adj.) growth-%	-12%	-31%	7%	15%	-4%
Net debt	26.3	21.9	15.9	-72.5	-89.1	EPS (adj.) growth-%	-1%	-49%	18%	19%	-9%
Cash flow	2018	2019	2020	2021e	2022e	EBITDA-%	34.7 %	28.5 %	29.0 %	252.5 %	39.8 %
EBITDA	25.1	19.2	20.1	130.6	20.0	EBIT (adj.)-%	33.0 %	24.6 %	25.4 %	39.1 %	38.6 %
Change in working capital	-10.3	-3.3	17.6	-9.2	6.7	EBIT-%	33.0 %	24.6 %	25.4 %	251.8 %	38.6 %
Operating cash flow	10.1	11.9	33.7	117.5	22.8	ROE-%	19.1 %	8.5 %	9.0 %	65.0 %	6.1 %
CAPEX	-3.9	-26.1	-8.3	8.1	0.2	ROI-%	13.5 %	8.5 %	8.8 %	59.9 %	8.1 %
Free cash flow	-2.3	-9.5	24.9	127.0	28.8	Equity ratio	51.4 %	52.1 %	55.2 %	82.5 %	82.7 %
						Gearing	21.5 %	15.6 %	10.7 %	-30.6 %	-36.9 %
Largest shareholders	% of shares					Valuation multiples	2018	2019	2020	2021e	2022e
Veikko Laine Oy	10.3 %					EV/S	3.2	3.4	3.5	5.1	4.9
Oy Hermitage Ab	10.0 %					EV/EBITDA (adj.)	9.2	12.1	12.1	2.0	12.3
Fennia Life Insurance Company Ltd.	6.1 %					EV/EBIT (adj.)	9.6	14.0	13.9	12.9	12.7
Juhani Elomaa	6.1 %					P/E (adj.)	9.3	18.9	17.6	21.1	23.2
Swiss Life Luxembourg S.A.	5.3 %					P/E	1.7	1.5	1.5	1.4	1.4
Karri Haaparinne	5.1 %					Dividend-%	4.2 %	2.2 %	3.9 %	12.1 %	13.2 %

Source: Inderes

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Reduce	The 12-month risk-adjusted expected shareholder return of the share is weak
Sell	The 12-month risk-adjusted expected shareholder return of the share is very weak

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## Recommendation history (>12 mo)

Date	Recommendation	Target price	Share price
8/22/2017	Accumulate	11.80 €	10.70 €
10/12/2017	Accumulate	11.80 €	10.40 €
2/16/2018	Accumulate	11.80 €	10.72 €
6/29/2018	Buy	11.50 €	9.72 €
8/16/2018	Buy	11.80 €	10.25 €
10/11/2018	Buy	11.50 €	9.80 €
10/24/2018	Reduce	9.50 €	9.10 €
12/20/2018	Reduce	8.00 €	7.54 €
2/15/2019	Accumulate	8.50 €	7.68 €
6/20/2019	Accumulate	7.70 €	6.90 €
8/16/2019	Accumulate	7.70 €	6.70 €
11/29/2019	Accumulate	8.20 €	7.28 €
12/5/2019	Accumulate	8.00 €	7.32 €
2/13/2020	Buy	10.00 €	8.48 €
3/24/2020	Reduce	6.50 €	6.42 €
4/20/2020	Reduce	6.50 €	6.30 €
6/22/2020	Accumulate	7.50 €	6.72 €
8/14/2020	Accumulate	8.00 €	7.34 €
12/22/2020	Accumulate	8.50 €	7.40 €
2/19/2021	Accumulate	9.50 €	8.54 €
3/11/2021	Accumulate	10.00 €	9.42 €
3/24/2021	Accumulate	11.00 €	9.60 €
5/10/2021	Accumulate	11.50 €	10.65 €
5/24/2021	Accumulate	12.50 €	11.65 €



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