United Bankers

Extensive report

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Inderes Corporate Customer

This report is a summary translation of the report "Yhtiö sen kuin parantaa juoksuaan" published on 04/08/2022 at 7:30 pm

Better and better performance

UB's operational development in recent years has been very strong and the company's performance has improved to a new level. In the short term, the challenging market situation weakens the outlook, but in the longer term, we feel that the company is well positioned to continue its healthy earnings growth. In our opinion, the valuation level of the stock is neutral and, in the short term, the considerable uncertainty in the market situation weighs more than the long-term growth potential. We reiterate our EUR 14.0 target price and Reduce recommendation.

Investment service house with a focus on real assets

The company's business operations are divided into two operating segments, Asset Management and Capital Markets Services. Asset Management is the core business of UB, and its share of the company's revenue and value is dominant. The importance of Capital Markets Services for UB is small and can be seen as essentially complementary to the overall offering of the full-service financial house.

The company has undergone a big transformation

In the past, UB has been a product-driven operator whose main focus has been on the sale of individual products. In recent years, the company has in line with its strategy focused on increasing the cash flow generating fund capital. In particular, the focus has been on real asset products. In recent years, the fund capital has grown rapidly with strong market developments, a clear level correction in new sales and the acquisition of SPL (2017). In addition, cost-efficiency showed a long-awaited level correction in 2021, which means that the company's profitability starts to finally be at a good level. The revenue mix continues to be relatively high on non-recurring revenues, and the proportion of recurring revenue is one of the key elements that the investor should follow in relation to the company.

The long-term growth outlook is favorable despite short-term uncertainty

The starting point for UB until 2022 is twofold. From the point of view of internal factors, the company starts the year from an excellent position. The product offering is very well suited to the current market situation, new sales have proven to work and cost-efficiency has reached a good level. However, as regards external factors, the situation is much worse as the market situation deteriorated significantly in the early part of the year, driven by war and stagflation fears. We expect the company's earnings to decline moderately in 2022, as the market situation weighs down performance fees in particular. In 2023, we expect the company to return to healthy performance growth, driven by the recovering market and determined implementation of the strategy. In general, we expect an annual average growth rate of 7% for EPS between 2022 and 2025. The dividend flow remains strong as is typical for the sector.

Valuation not high, but the market situation keeps us cautious

Our different valuation methods are all very well in line with our current target price, and we believe that the share is correctly priced with current earnings forecasts. The expected return for investors of about 10% p.a. over the next few years is expected to come from a moderate increase in earnings and a healthy dividend yield. The level is neutral in view of the company's risk profile, and in a more normal market environment it would already be sufficiently attractive to justify a positive recommendation. However, in the current uncertain environment, UB's result is currently going in a downward direction. Thus, return to earnings growth is a condition for the positive development of the stock. Therefore, we will remain in a monitoring position and wait for confirmation of the return to earnings growth.

Recommendation

Reduce

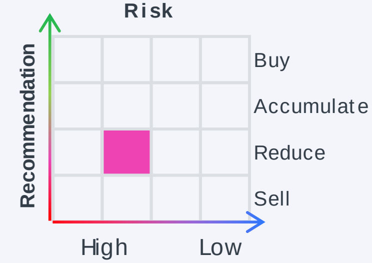
(previous Reduce)

EUR 14.00

(previous EUR 14.00)

Share price:

13.70



Key figures

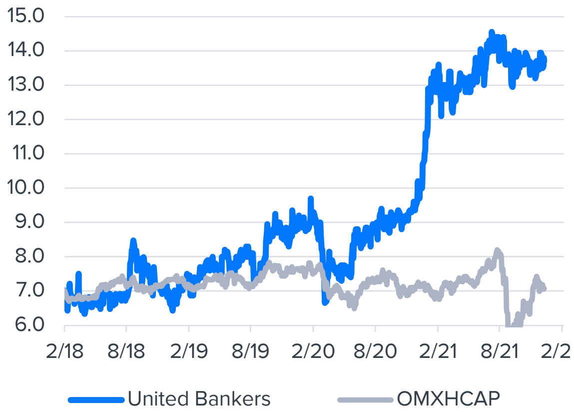
	2021	2022e	2023e	2024e
Revenue	43.8	43.1	49.1	52.6
growth-%	27%	-2%	14%	7%
EBIT adj.	14.4	12.6	15.5	17.1
EBIT-% adj.	33.0 %	29.3 %	31.5 %	32.5 %
Net Income	10.3	9.5	11.5	12.6
EPS (adj.)	1.01	0.89	1.07	1.17
P/E (adj.)	13.5	15.5	12.8	11.7
P/B	3.2	3.3	3.1	2.9
Dividend yield-%	5.9 %	5.8 %	6.2 %	6.6 %
EV/EBIT (adj.)	8.9	10.5	8.3	7.2
EV/EBITDA	8.1	9.1	7.3	6.5
EV/S	2.9	3.1	2.6	2.4

Source: Inderes

Guidance (Unchanged)

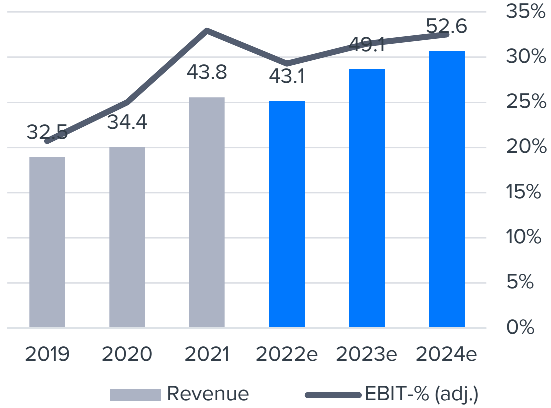
The company expects its operating profit to be close to the level of 2021 if the market situation does not deteriorate significantly.

Share price



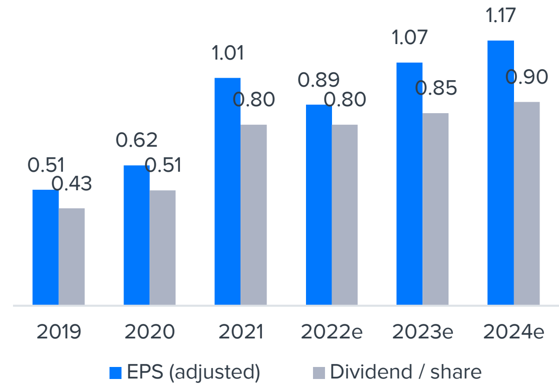
Source: Thomson Reuters

Revenue and EBIT %



Source: Inderes

EPS and dividend



Source: Inderes

Value drivers

- New product launches
- Increase in the size of existing products
- Further improvement potential in cost-efficiency
- M&A transactions and consolidation of the industry

Risk factors

- Deterioration of the market situation
- The share of non-recurring revenue is still significant
- Sustainability of profitability improvement

Valuation	2022e	2023e	2024e
Share price	13.7	13.7	13.7
Number of shares, millions	10.7	10.7	10.8
Market cap	146	146	146
EV	133	129	124
P/E (adj.)	15.5	12.8	11.7
P/E	15.5	12.8	11.7
P/FCF	15.8	11.3	10.5
P/B	3.3	3.1	2.9
P/S	3.4	3.0	2.8
EV/Sales	3.1	2.6	2.4
EV/EBITDA	9.1	7.3	6.5
EV/EBIT (adj.)	10.5	8.3	7.2
Payout ratio (%)	90.2 %	79.2 %	76.9 %
Dividend yield-%	5.8 %	6.2 %	6.6 %

Source: Inderes

Contents

United Bankers in brief

United Bankers Plc is a Finnish expert of asset management and investment markets founded in 1986.
United Bankers' business areas include Asset Management and Capital Markets Services.

2014/2020
To the First North marketplace / main list of Nasdaq Helsinki

43.8 MEUR (+28% vs. 2020)
Revenue in 2021

32.9 % (25.1 %)
Operating profit-% 2021 (2020)

4,800 MEUR
AUM at the end of 2021

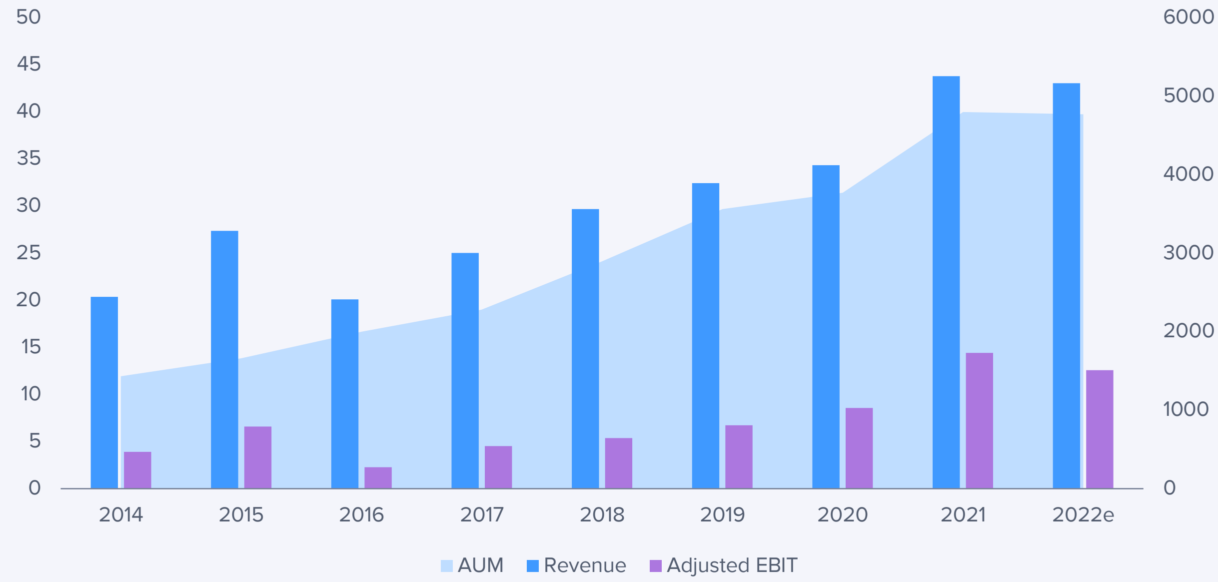
14,100
Number of customers at the end of 2021

137 (plus 31 agents)
Personnel at the end of 2021

2012–2015
- Expansion to real asset products
- Founding the investment bank
- The share of transaction-driven business remains significant
- Listed on the First North marketplace in 2014

2016–2019
- Becoming a nation-wide operator through the acquisition of SPL
- IT investments
- Determined growth of fund capital and recurring commission income
- SPL integration and a significant increase in sales power
- Divestment of the Swedish investment bank

2020–
- Transition to IFRS reporting and moving to the main list
- Sales of new products at a strong level
- Investments in the HNW and institute fields
- Increase in recurring commission income and profitability improvement based on recurring income
- Gradual internationalization of Asset Management
- Acquisitions



Source: Inderes, UB

Note: In 2014-2017, figures in accordance with FAS and IFRS as of 2018. 2014-2017 operating profit excluding goodwill depreciation

Company description and business model

United Bankers' business is divided into two operational segments: Asset Management and Capital Markets Services. The company also reports the Other segment, which includes group expenses. The vast majority of the assets under management come from private investors.

Services

Asset Management

- Funds
- Portfolio management
- Structured products

- Asset Management is the core business of UB and its share of revenue and the value of the company is dominant.
- Asset Management includes the management business of the company's funds, which is clearly the most important single source of commission income for the group.

Capital Markets Services

- Investment banking
- Other advisory services

- The segment includes, among others, Corporate Finance advisory services and equity and debt financing solutions for corporations.
- The company's strategy is built around Asset Management and the Capital Markets Services segment acts as a support function for it.

Fund products

LISTED	NON-LISTED
Equity and fixed income funds	Forest funds
Multi-strategy funds	Unlisted equity funds
Listed real estate funds	Non-listed real estate funds

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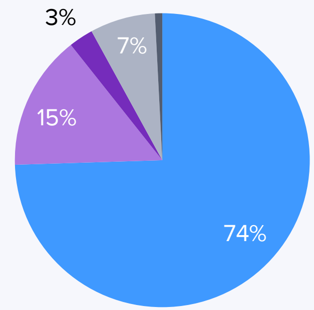
AUM EUR 4.8 billion (2021)

Approximately one third of the AUM invested in real asset products (listed and non-listed).

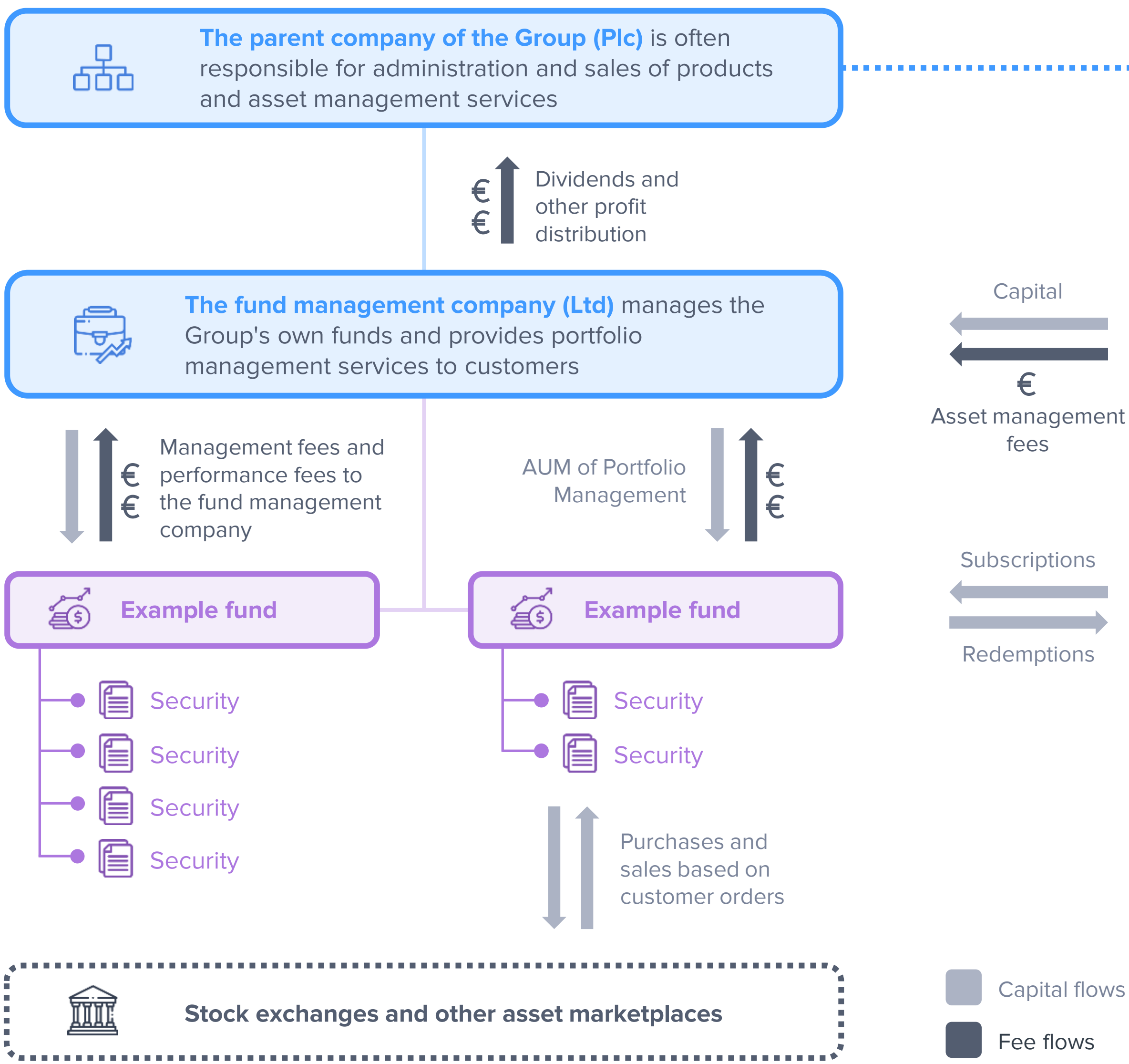
The vast majority of the AUM come from retail investors.

Asset Management accounts for more than 90% of the group's revenue. Within the Asset Management segment, the fund business clearly represents the majority of commission income.

Revenue distribution by service 2021



Asset Management business model in a nutshell



Portfolio management customers

- In power of attorney asset management, the asset management company is responsible for the allocation of client assets between different asset classes and products.
- The asset management house can utilize both its own funds and the investment products of other operators.

Fund investors

- Investors can also make subscriptions directly to funds managed by the company.
- In open-ended funds, subscriptions and redemptions can typically be made either daily or quarterly, depending on the type of fund.
- In the case of closed-ended equity funds, the management company sets up a limited partnership fund, in which investors will become silent partners. Due to the heavier regulation, the investor base of these funds is in practice made up of professional investors.

United Bankers' M&A transactions in 2016-2021

OPTIUM

Acquisition of investment service company Optium Ltd from POP banks in early **2016**

SUOMEN PANKKIIRILIIKE

The acquisition of Suomen Pankkiiriliike (SPL) in **2017**

KJK Capital

Acquisition of the asset management business of KJK Capital Ltd in the fall of **2018**

UB UNITED BANKERS

Increasing ownership in subsidiary UB Finnish Property Ltd (managing the Suomi Kiinteistöt fund).

2016 | 2017 | 2018 | 2019 | 2021–2022

UB CAPITAL

Acquisition of minority shareholdings in UB Capital in the summer of **2016**

UB UNITED BANKERS ·REAL ASSETS·

Redemption of minority owners of UB Real Asset Management in late **2017**

UB CAPITAL

The sale of UB Capital's operations in Sweden commenced in the summer of **2018**

UB RAHOITUS

Acquisition of additional shares of UB Finance from non-controlling owners in **2018-2019**

Inderes' comments on UB's M&A transactions

Acquisition of minority shareholdings in UB Capital improved transparency and clarified the group structure. Neutral valuation multiples in the sale.

Purchase of minority shares of UB Real Asset Management is strategically sensible, as the real asset funds managed by UBREAM are at the heart of the UB's real asset strategy.

The SPL acquisition was logical in a strategic sense and increased the sales power of UB clearly. The integration took a little longer than we expected, but the sales synergies in particular have exceeded our expectations and we consider the deal to be very successful for UB.

In the sale of UB Capital's operations in Sweden, the valuation multiples were cheap, and the transaction had a negative EPS effect. However, the transaction improved the predictability of the company's business.

The acquisition of the asset management business of KJK Capital Ltd was strategically justified as it increased the company's presence in the institutional field and the valuation was favorable.

We believe that UB Finance (prev. Joutsen Rahoitus) business (crowdfunding plaform) is outside the core expertise of UB and that its strategic role as part of UB is questionable.

In our opinion, the acquisition of minority shareholdings in the UB Finnish Property was logical and clarified the group structure. The value of the transaction was neutral.

Asset Management 1/5

UB is a medium-sized asset manager that focuses on real asset products. The Asset Management business of UB comprises funds, portfolio management and sales of structured investment products. In 2021, the commission income of Asset Management was EUR 40.3 million and operating profit EUR 16.2 million. At the end of 2021, the company had some 14,100 customers and its AUM was EUR 4,800 million.

Assets under management

In our AUM model, we have divided UB into 1) conventional funds, 2) private equity funds, 3) other fund capital, 4) managed assets under portfolio management and 5) other capital.

The conventional fund capital was at the end of 2021 about EUR 1,108 million and comprises UB Fund Management's fund capital (excl. UB Forest, UB Finnish Property and UB Nordic Property funds). According to our estimates, the average fee level of UB for conventional investment funds is healthy at around 0.8-1.0%.

The managed capital of private equity funds (NAV-based) at the end of 2021 were about EUR 990 million, consisting of (1) UB's Nordic Forest Fund II & III that invest in forest assets and the special investment fund UB Forest, (2) UB Corporate Loan Fund and (3) two real estate funds (UB Finnish Property and UB Nordic Property Fund). The private equity funds are the most valuable of the assets managed by UB due to their attractive fee structure. According to our estimates, the average fee level of the equity funds received by UB is well above 1.0%.

Other fund capital (2021: 682 MEUR) consists of the AUM that came with the KJK Capital acquisition and third-party funds (e.g eQ) offered by the UB Brokerage Company (formerly SPL). According to our estimates, the fee level of the AUM is the weakest, around 0.5% of the fund capital, since for most of them UB will only receive a distribution margin.

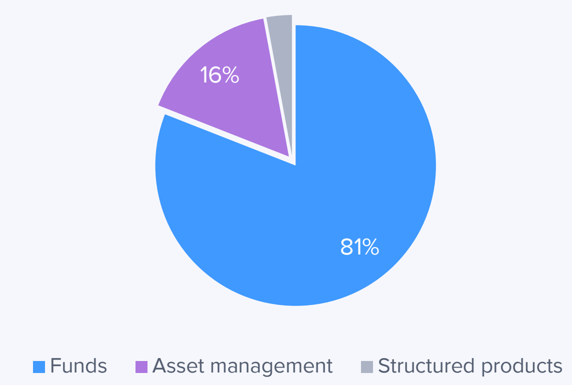
AUM of Portfolio Management (2021: ~ 530 MEUR) consists mainly of mandates and insurance funds. According to our calculations, the average level of recurring fees for portfolio management is between 0.5% and 0.6%.

To our understanding, the Other item consists mainly of shares and bonds in customer storage and positions in structured investment products. The commission income of these items is based on transactions, so the capital in the item virtually doesn't generate a recurring income stream and, in general, the fee level is low.

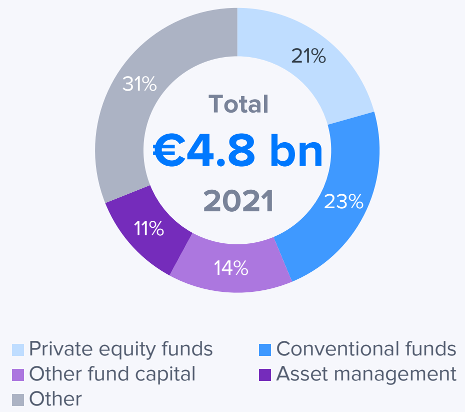
Funds

Funds account for the majority of the Asset Management business and the share of fees from funds was about 81% of Asset Management's commission income at the end of last year. Management fees from the funds stood at EUR 19.3 million and performance fees at EUR 11.5 million. Subscription and redemption fees were at EUR 1.9 million.

Distribution of asset management's commission income 2021



AUM at end of 2021 (Inderes' estimate)



Asset Management 2/5

In March 2022, UB's fund offering included a total of 22 (19 open- + 3 closed-ended) funds. The company's fund selection includes 1) conventional equity, fixed income and multi-strategy funds, 2) listed real estate and infrastructure funds, 3) non-listed real estate funds and 4) forest funds. In addition to the funds already in operation, the company began fundraising for a new private equity fund investing in shares of non-listed forest industry companies in the early part of the year.

UB's aim has been to increase the share of fund capital that generates recurring cash flow, and the company's focus has been especially on real asset products (e.g. real estate and forest funds). The growth of the fund capital has been rapid in recent years and this capital has grown at an average annual growth rate of more than 20% over the last four years.

The strong growth of fund capital has been driven by exceptionally strong capital market development, good product performance, a clear level correction in UB's new sales, and the acquisition of SPL. The company's sales power was strengthened significantly by the end of 2017 with the SPL acquisition, and last year the total fund sales exceeded EUR 600 million. This year, UB's new sales have suffered from a difficult market situation just like other operators in the sector. This is clearly visible, for example, in the development of rolling net subscriptions of the last 12 months (graph on the right).

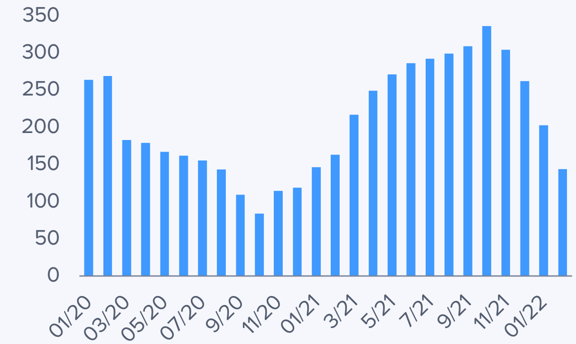
Portfolio Management

The commission income of Portfolio Management was EUR 6.5 million last year or about 16% of all commission income. The commission income of Portfolio Management includes the fees from management agreements of non-own products and various transaction fees. In our opinion, the majority of the Portfolio Management fees are recurring and about half are transaction-driven.

The core of UB's portfolio management service is its own products. In cases where managed assets have been invested in the UB's own products, only the fee from asset management is recorded in Portfolio Management income. The fees for the funds below are shown under the funds.

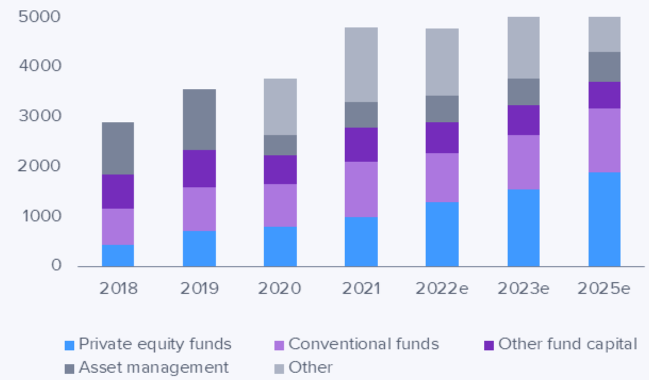
UB has sales offices in Finland in seven locations, and the company's distribution network is also supplemented by distribution agreements made with partners (e.g. POP banks). The POP banks operate in many smaller cities and thus complement UB's own sales network well. Portfolio Management also has a branch in Sweden (an institutional sales team of a few people in Stockholm) and Luxembourg. In recent years, UB has also invested in the development of a digital distribution channel, and its products have been significant in the Swedish PPM pension scheme and in the Nordnet and Avanza fund portals.

Net subscriptions in UB's funds* (MEUR, rolling 12 months)



*Does not include subscriptions in Nordic Forest Fund II & III and in the Corporate Loan Fund.

AUM (MEUR)



*The AUM under Portfolio Management has been divided from 2020 onwards into Portfolio Management and Other items.

Asset Management 3/5

Structured investment products

The offering of UB's structured products includes both equity-based and credit-related investment products. UB's commission income from structured investment products was EUR 1.2 million last year. In structured products, revenue has been falling clearly in recent years, due to, among other things, the decline in rates of return seen in the corporate lending market. In 2018, the euro-denominated volume of these products still exceeded EUR 100 million, but last year the level was already below EUR 30 million. As the company focuses on developing and selling its asset management solutions that generate recurring income stream, the decline in the sales of transaction-driven structured products aren't very relevant to the company's investment story.

Cost structure of Asset Management

The cost structure of Asset Management is quite fixed as is typical for the industry, and the most significant expense item is personnel costs. At the end of 2021, UB employed 137 employees and 31 tied agents. The company doesn't disclose the distribution of personnel by segment, but we estimate that a significant majority (about 90–100 + all agents) are employed in Asset Management.

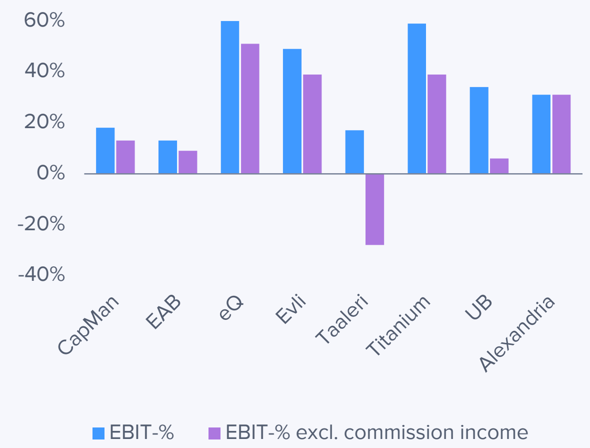
The total personnel costs for Asset Management were about EUR 13.9 million last year, and we estimate that the average personnel costs are about EUR 113 to 125 thousand per year. The level is slightly below the key peers, which is explained by the employee mix and high employee ownership (group level comparison on page 27).

Other costs of Asset Management consist mainly of fees paid to tied agents and other distribution partners (2021: 5.0 MEUR), administrative costs (2021: 4.8 MEUR) and depreciation. The company reported depreciation only on the group level and the amount was about EUR 1.9 million in 2021. If these were to allocated to the operating segments (Asset Management and Capital Markets Services) in relation to revenue, the depreciation level of Asset Management would be about EUR 1.8 million. The company's annual depreciation is relatively high due to the high volume of intangible assets. The high depreciation mass of intangible assets is due to the depreciation of customer relationships (PPA depreciation) and the depreciation of IT systems resulting from past M&A transactions.

Profitability of UB's Asset Management (2021: EBITDA-% 40%) has improved significantly over the last few years and, considering depreciation, it's beginning to be at a good level in relation to the key peers. The clear improvement in profitability has been driven by significant business scalability and increased cost-efficiency. Adjusted for group expenses and depreciation, the operating profit margin for 2021 is 34%.

The key challenge of profitability is still related to performance fees. Although UB has managed to increase the share of recurring revenue clearly in recent years, performance fees continue to play a very important role in the company's profitability. By removing performance fees from the result, the operating profit margin for Asset Management would be only 6%. Although the calculation isn't entirely fair in terms of the rigidity of bonuses, the profitability of continuous operations remains weak in absolute and relative terms. Profitability improvement through recurring income is therefore at the heart of the value of Asset Management.

Profitability of peers' asset management 2021



Inderes' comments:

- The profitability of UB's Asset Management burdened by group costs and depreciation
- Titanium and Alexandria have no goodwill depreciation at group level
- CapMan's Management Business burdened by group function costs
- EAB at group level
- Asset Management of eQ burdened by group costs

Asset Management 4/5

Customer segments

United Bankers has focused its business on serving private investors, although the focus of customer segments varies slightly from one service area to another.

The main target group for Portfolio Management are Private Banking customers, to whom UB mainly offers its own products. The company serves customers through sales offices and OmaUB digital platform.

For wealthy private individuals, UB mainly provides direct investments and power of attorney portfolio management. In power of attorney portfolio management, the company mainly utilizes its own products for real assets, and in conventional asset types the company utilizes both its own funds and ETF funds from external service providers.

Very wealthy individuals (UHNW) are clearly the smallest customer group of UB. The company's desire is to increase the number of UHNW customers, and it has invested in the service experience of wealthy individuals through, for example, the Private Investment Office service concept, which was established in 2018.

For institutional customers, UB mainly offers private equity funds and real asset products. As regards institutional customers, the company's medium-term objective is to expand its product offering and to increase customer base outside Finland and Sweden.

Cyclicality affects the fund capital

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

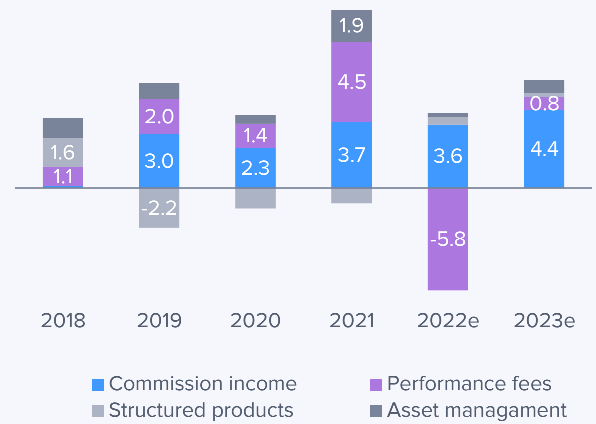
In the case of open-ended alternative funds, the management company may exercise its own discretion in valuing the assets in the portfolio. As the assets aren't subject to continuous public trading, the estimates are partly subjective and the volatility of changes in value is also typically more moderate than on the general market.

Closed-ended alternative funds are operational only for a certain period (typically 10 years), during which capital cannot be redeemed from them. While many companies also calculate fair values for their closed-ended alternative funds throughout the funds' life cycle, management fees are still linked to the amount of original capital paid into the fund. Therefore, general market developments aren't relevant to the recurring income from these funds.

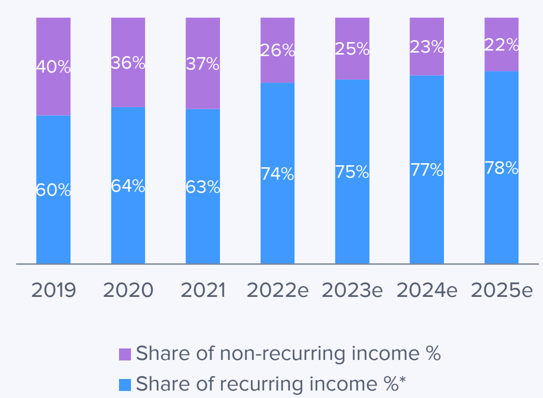
The impact of general market developments on the company's fund capital (and thus on management fees) through changes in value can therefore be roughly estimated from the share of conventional fund capital of the whole AUM.

Almost one third of UB's AUM that generates income flow are in private equity funds, which are essentially open-ended alternative funds. Therefore, we estimate that general market developments have a smaller impact on the company's AUM through changes in value than on key peers.

Distribution of revenue growth in asset management (MEUR)



Development of income distribution



**Recurring revenue = fund management fees, portfolio management and about half of capital market services*

Asset Management 5/5

2022: Gap year in earnings growth

The completed financial year 2021 was extremely strong for UB, and revenue of the Asset Management segment grew by nearly 30% year-on-year. In particular, with strong capital market developments, commission income was well above the estimates we made early in the year. Additionally, the company's AUM increased by over EUR 1 billion, which naturally also supported the strong development of the company's recurring management fees.

In its financial statement release, the company expects 2022 operating profit to be close to 2021 levels if the market situation doesn't deteriorate significantly The guidance is surprisingly bold and won't certainly be easy to achieve, as the record-high commission income last year in particular is under a clear downward pressure. Therefore, the company must be successful in its new sales and the market situation must not deteriorate substantially for UB to meet its guidance.

In our new sales forecasts, our starting point was that the capital market will remain at least at a moderate level, and net subscriptions to the company's alternative funds will be around EUR 300 million. The growth of the fund capital is mainly attributable to real estate funds and to the new UB Forest Industry Green Growth 1 fund, which is currently in the fund-raising phase, and which invests in shares of unlisted forest industry companies. In addition, UB Forest is again open to subscriptions and we believe that investment demand for the fund is strong in the current market environment. In our forecasts, the capital of conventional funds will fall slightly year-on-year, because with the increase in uncertainty (war in Ukraine, inflation, interest rate hikes) the valuation levels of late 2021 appear as a challenging benchmark. At the same time, new sales have been subdued this year, and redemptions from the UB conventional funds amounted to approximately EUR 68 million in the first three months. In general, we expect the recurring management fees for 2022 to rise to EUR 22.7 million (2021: 19.3) through the increase in AUM.

As in previous years, it's extremely challenging to assess the commission income level of the funds as performance is the most significant component affecting it. However, without particularly strong market developments or the sale of the NFF2 Fund, it's difficult to see commission income staying close to 2021 level, so we have decreased commission income to about EUR 6 million in our estimates. As a result, despite strong developments in management fees, we expect Asset Management's revenue to fall to EUR 39.1 million (2021: 40.4 MEUR).

The cost level is expected to remain at almost 2021 level, so revenue decreasing year-on-year through commission income will bring the segment's EBITDA down to EUR 14.6 million (2021: 16.2 MEUR).

2023–2024: Back to earnings growth

In 2023, we expect UB to return to earnings growth and forecast that Asset Management's revenue grows to EUR 48.7 million by the end of 2024.

Furthermore, the majority of the growth comes from recurring management fees, which significantly improves the quality of UB's result and profitability that's based on recurring income. The share of recurring income of the group's commission income in our 2024 revenue forecast is already nearly 80%.

In turn, we estimate that the EBITDA-% of Asset Management that is based on recurring income will increase to over 25% in 2023-2024. The improvement is significant when it materializes, as due to the significant share of performance fees, the level in 2021 was only around 12% (reported EBITDA-% 40.2).

Long term estimates

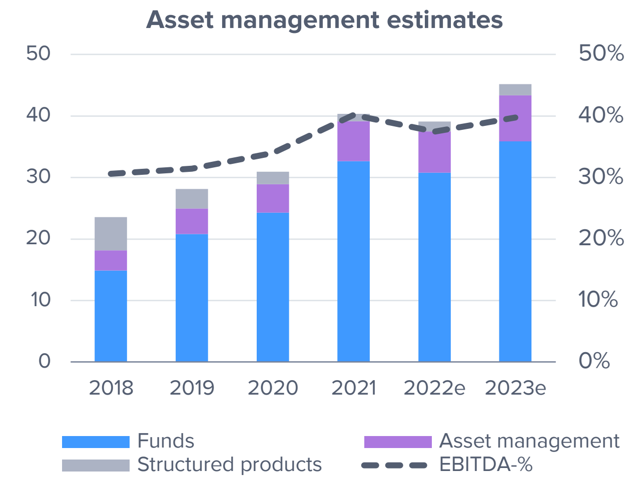
In our view, UB's Asset Management is well positioned to continue strong organic growth even in the long term. The company's product offering is excellently in line with market trends (especially real asset products) and the sales engine is in a good shape. Key elements for good operational development in the future will be: 1) improving product quality, especially in conventional asset management, 2) expanding product offering and 3) continuously improving cost-efficiency.

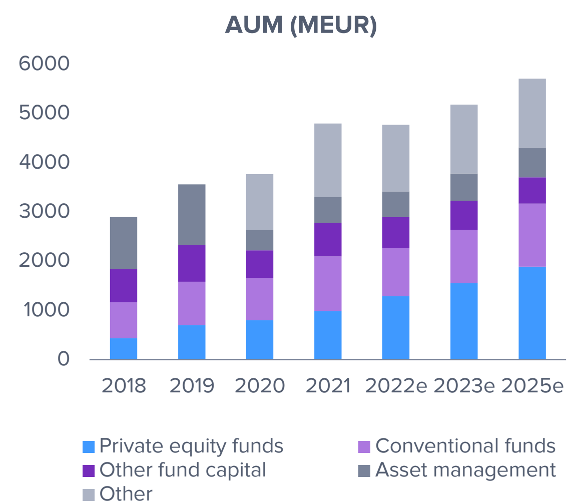
We also consider it quite likely that, in the medium term, the company will grow the Asset Management segment by acquisitions.

Summary of Asset Management

Asset management (MEUR)	2019	2020	2021	2022e	2023e	2024e	2025e
Funds	20.8	24.3	32.7	30.8	35.9	39.2	42.3
Management fees	*13.3*	*15.5*	*19.3*	*22.8*	*27.2*	*30.5*	*33.6*
Performance fees	*5.7*	*7.0*	*11.5*	*5.8*	*6.5*	*6.5*	*6.5*
Subscription & redemption	*1.9*	*1.7*	*1.9*	*2.2*	*2.2*	*2.2*	*2.2*
Asset management	4.1	4.6	6.5	6.7	7.5	7.8	7.8
Structured products	3.2	2.0	1.2	1.6	1.8	1.8	1.6
Revenue total	**28.1**	**31.1**	**40.4**	**39.1**	**45.2**	**48.7**	**51.7**
Revenue growth %	**20 %**	**11 %**	**30 %**	**-3 %**	**16 %**	**8 %**	**6 %**
Commission expenses	-3.8	-4.3	-5.0	-5.2	-5.9	-6.3	-6.8
Other expenses total	-15.4	-16.3	-19.1	-19.2	-21.3	-22.6	-24.1
EBITDA	**8.8**	**10.6**	**16.2**	**14.6**	**17.9**	**19.8**	**20.8**
EBITDA-%	31.5 %	34.0 %	40.2 %	37.4 %	39.7 %	40.7 %	40.3 %
EBITDA recurring income	**3.2**	**3.6**	**4.7**	**8.9**	**11.4**	**13.3**	**14.3**
EBITDA-% recurring income	11.3 %	11.4 %	11.7 %	22.7 %	25.3 %	27.4 %	27.7 %
AUM	**3565**	**3772**	**4800**	**4774**	**5184**	**5460**	**5710**
Private equity funds	708	806	990	1291	1556	1737	1892
Conventional funds	875	859	1108	983	1083	1183	1283
Other fund capital	752	560	682	625	595	565	535
Asset management	1230	415	530	525	550	575	600
Other	0	1132	1490	1350	1400	1400	1400
AUM growth y-o-y	**23 %**	**6 %**	**27 %**	**-1 %**	**9 %**	**5 %**	**5 %**
Funds' commission income/fund-AUM (%)	0.89 %	1.09 %	1.17 %	1.06 %	1.11 %	1.12 %	1.14 %
Management fees/fund-AUM (%)	0.57 %	0.70 %	0.69 %	0.79 %	0.84 %	0.87 %	0.91 %

Conventional funds = UB Fund Management Company's AUM excl. UB Forest, UB Finnish Property and UB Nordic Property funds
Private equity funds = NFF funds, Loan Fund and UB Forest, UB Finnish Property and UB Nordic Property Fund





Capital Markets Services

The Capital Markets Services business includes investment banking and advisory services and under UB Finance, the crowdfunding channel that will be discontinued in the future. The importance of Capital Markets Services for UB is small and can be seen as essentially complementary to the overall offering of the full-service financial house.

Last year, Capital Markets Services' revenue was EUR 3.1 million (2020: EUR 3.4 million) and EBITDA EUR 1.2 million (EBITDA-%: 39.6%). The segment's operating cost level has decreased clearly in recent years, which has supported both relative and absolute profitability.

The investment bank

UB's investment bank focuses on equity and debt financing and IPO services, among other things. In addition to these, the company acts as an approved advisor for companies listed on First North. In practice, the investment bank accounts for the majority of the segment's revenue. The segment's cost structure is very fixed as is typical for this business and therefore the scalability of profitability is high as the business grows.

UB Finance

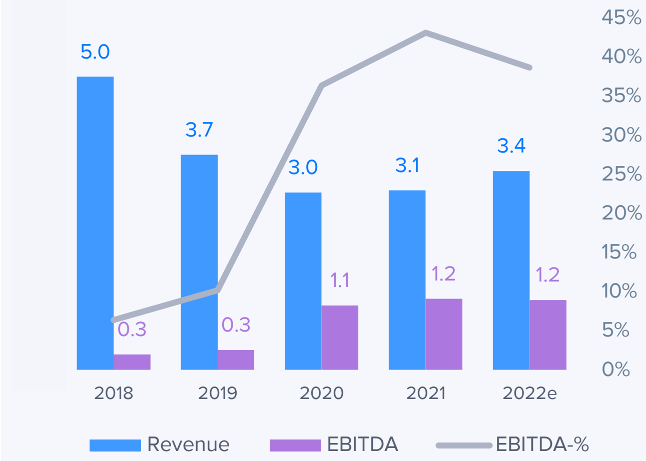
The current UB Finance became part of United Bankers through the SPL transaction, when the majority holding of the then Joutsen Rahoitus was transferred to UB. UB Finance is a digital crowdfunding platform focused on SME financing.

To our understanding, UB Finance's revenue is well below EUR 1 million and we estimate the operations to be loss-making with current lending volumes. At the beginning of April, the company announced that it would ramp down the business area once the latest loan capital and interest have been paid to investors.

Earnings estimates

In our view, the normal revenue level of the segment moves around the EUR 3 to 4 million range, and our own forecasts are in line with this. According to our estimates, UB doesn't have a significant desire to increase the segment's size because of the volatility of the result and the group's strategic focus on asset management. We note that although the segment is very profitable at EUR 3–4 million, its importance to the group's figures is small.

Capital Markets Services' revenue and EBITDA (MEUR)



Estimates	2021	2022e	2023e	2024e
Commission income	3.0	3.4	3.4	3.4
Other income	0.1	0.1	0.2	0.2
Revenue	**3.1**	**3.5**	**3.6**	**3.6**
Commission exp.	-0.3	-0.3	-0.3	-0.4
Operational costs	-1.6	-1.9	-2.0	-2.0
EBITDA	**1.2**	**1.2**	**1.2**	**1.1**
EBITDA-%	*39.6 %*	*34.0 %*	*32.4 %*	*29.6 %*

Strategy and financial objectives

Focus of the current strategy is on asset management

While UB started its business as a securities brokerage house, after the financial crisis, the company made a significant strategic decision to increasingly focus on asset management. The choice of strategy has proved to be correct, as the brokerage activity has ended up in structural problems in Finland and the prerequisites of the old business model have disappeared.

Profit distribution policy and objectives

United Bankers hasn't publicly set any long-term financial objectives for its business, other than the profit distribution objective, which is to pay a regular annual dividend. Every financial year, the aim is to distribute a dividend of at least 50% of the EPS or cash flow per share while considering the development needs of the company's business.

2011–2014

Becoming a full-service financial house

- Expansion to real assets
- Founding the investment bank
- IT systems modernization
- Expansion of product offering
- Company remains dependent on transaction fees
- Listing on First North in 2014

2015–2018

Moving to the next size class and focus on recurring income

- Significant distribution power through M&A (SPL and Optium)
- Redemption of minorities
- Organic growth supported by favorable market developments
- Launching private equity business
- IT investments and regulation increase costs
- Strong growth in the share of recurring income
- Focus on asset management (exit from the investment bank in Sweden)

2019–2020

Materializing earnings potential

- Successful integration of SPL and full use of sales power
- Accelerating organic growth
- Focus on real asset management becoming increasingly clear
- Growing private equity fund business and new product launches (e.g. Nordic Property and Finnish Property).
- Integration of ESG into the company's activities

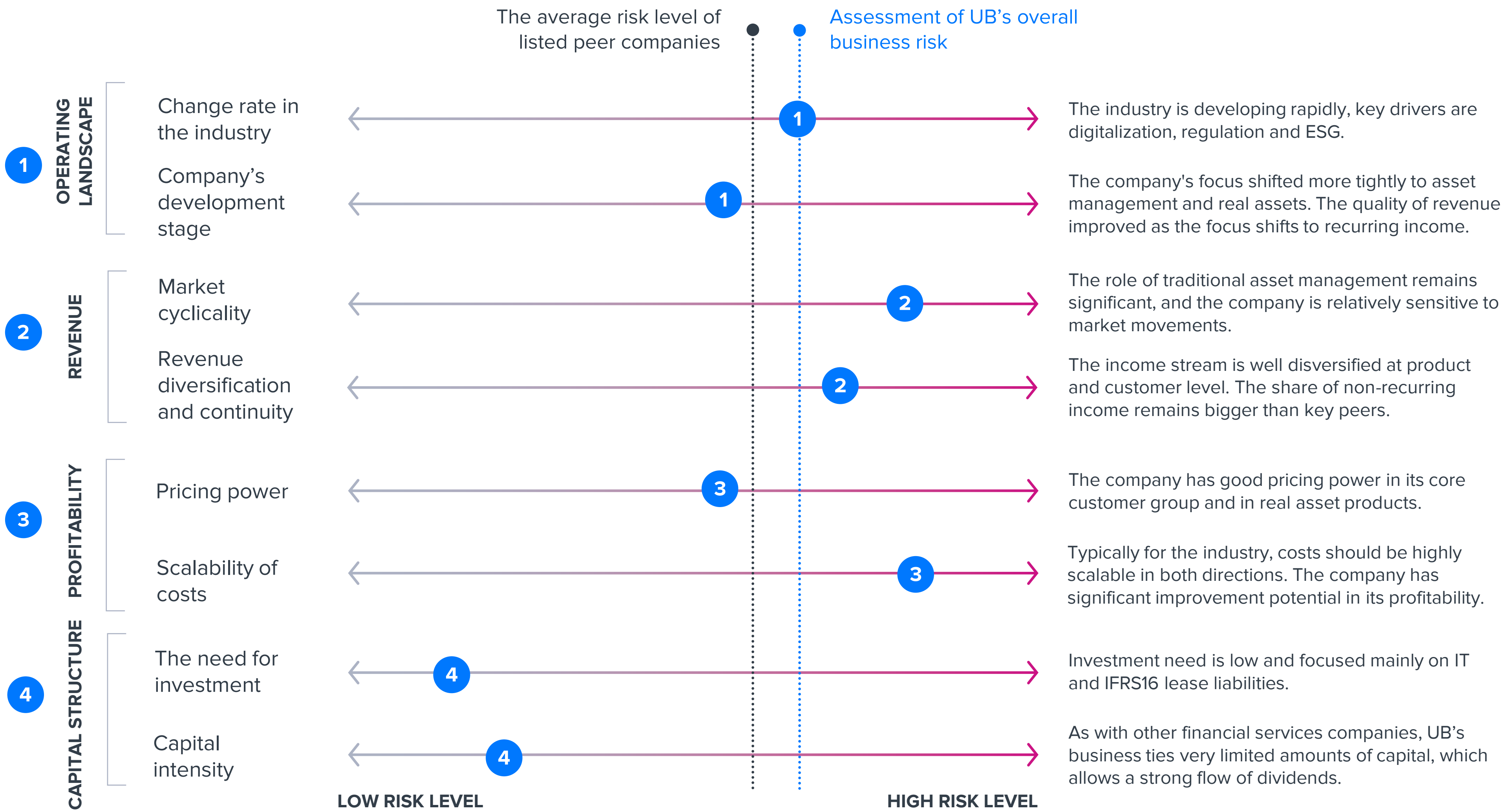
2021–

Continuing profitable growth

- A bigger play in the Swedish asset management market (likely M&A transaction)
- Growing into a significantly larger player
- Expansion of product offering, especially in private equity funds
- Clear shift of focus from a product house to an asset manager
- A clear increase in the size classes of individual products

Source: Inderes

The risk profile of United Bankers' business model



Source: Inderes

Investment profile

1. **Growth company**
2. **Potential for improvement in cost efficiency**
3. **Low capital requirements allow for strong dividends**
4. **M&A transactions**
5. **Key personnel have significant ownership of the company**

Potential

- New product launches
- Increase in the size of existing products
- Further improvement potential in cost efficiency
- M&A transactions and consolidation of the industry

Risks

- Sustainability of profitability improvement
- The share of non-recurring revenue is still significant
- Deterioration of the market situation

Source: Inderes

Asset management market

Asset management market is growing despite weak economic development

The asset management market in Finland is relatively young and, for example, the first mutual funds were only established at the end of the 1980s. Over the last three decades, the asset management business has grown rapidly with the growth of the national economy and the prosperity of citizens. Historically, the majority of the wealth of Finnish households has been tied to housing and it remains by far the largest form of wealth in households, although other forms of investment have become more common. The young age of capital markets in Finland is also visible in the fact that a significant proportion of the non-housing investment assets of households are still on banks' current accounts.

At the end of 2020, the size of the Finnish asset management market was ca. EUR 240 billion. Since 2005, the market has grown by about 5% per year. This growth has been partly explained by the increase in asset values and partly by the flow of new capital into asset management. Of this 240 billion, about half are invested in domestic investment funds and the rest are in the area of consultative or power of attorney portfolio management. Of course, a significant proportion of the fund capital is also subject to various asset management agreements.

Long-term growth outlook is good

In the long term, the Finnish asset management market will receive significant support from structural changes, as the wealth collected by the baby boom generation begins to pass to the next generation through inheritance. According to our estimates, this sudden increase in wealth will inevitably lead to an increase in the asset management market, as more and more people are interested in investing and also become attractive clients for investment service companies. Concerns about the sustainability of the pension system will also generate structural interest in long-term investing and asset-building. However, this structural change will only take place over the coming decades and won't therefore affect the short-term prospects of the sector. In the long term, we believe that the asset management market in Finland is well positioned to continue the annual growth of about 5% and therefore it still clearly remains a clear growth sector.

Strong years behind for the industry

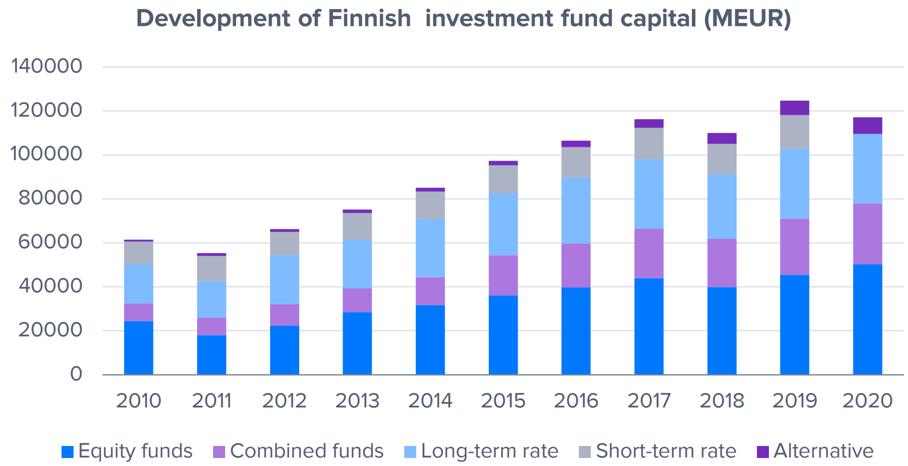
Although the Finnish economy has developed subduedly, investment service companies have been able to enjoy very good returns over the past few years. The recovery of central banks and the resulting historically low interest rates have strongly driven capital into higher-cost products (e.g. equity funds) and have opened doors for the development of alternative asset classes. In addition, the historical strong development of the stock market has increased the volume of assets under management and increased performance fees. The number of corporate and real estate arrangements has also increased significantly due to the high availability of liquidity and low interest rates. On average, operators in the sector are very profitable at the moment.

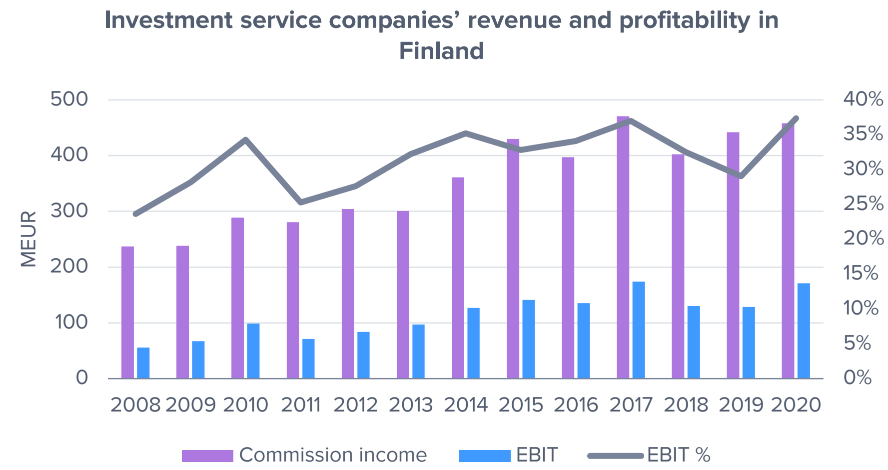
Non-listed market

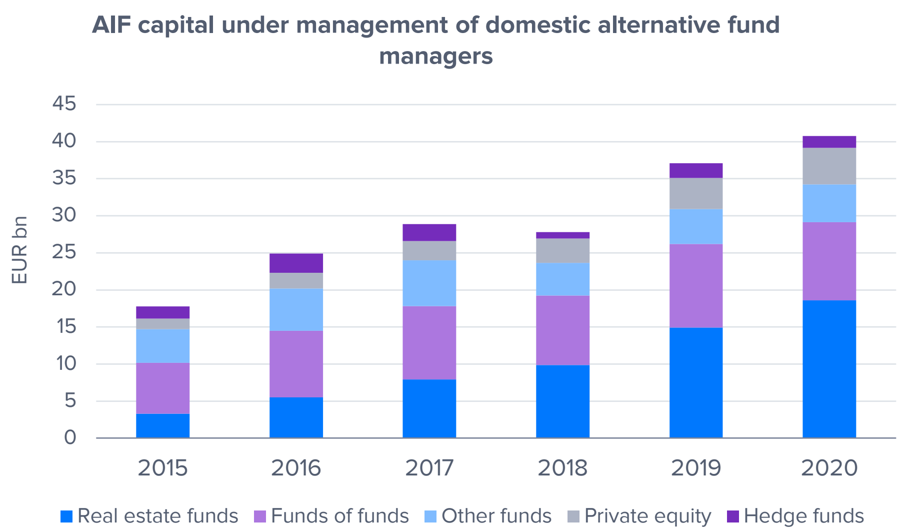
In the last 20 years, the global non-listed asset market has grown exponentially, with market cap becoming over tenfold since 1999. Hamilton Lane estimated the global market cap of non-listed asset classes to be around $5,700 billion in June 2019. Although the growth of non-listed asset classes has been explosive for the last two decades, the market cap of non-listed assets only corresponds to about 12% of the global stock market.

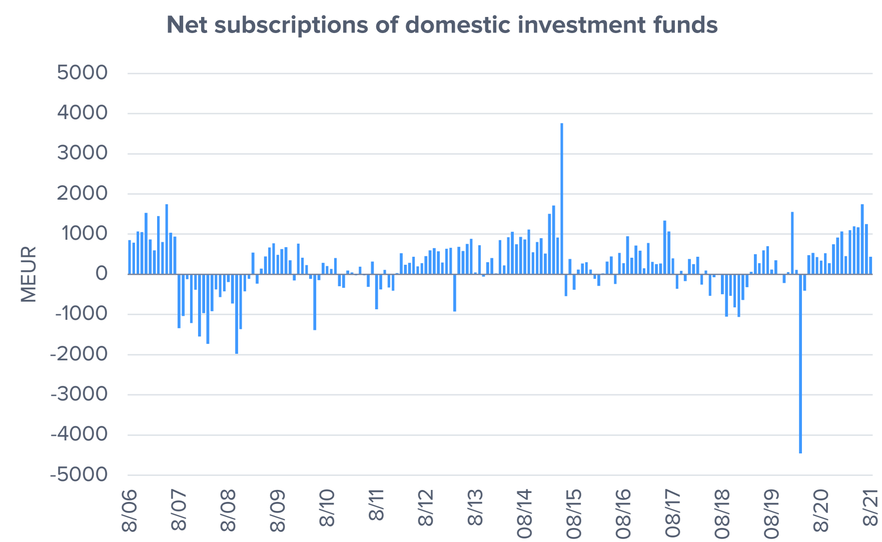
In recent years, capital has been channeled into non-listed asset classes, in particular because of the long-standing zero interest rate environment and the willingness of investors to seek income sources that don't correlate with the stock market. The COVID pandemic hasn't stopped the victory march of non-listed asset classes and based on a market research investor survey conducted by Preqin in June 2020, the majority of investors intended either to maintain or increase their allocation in all key non-listed asset classes (Private Equity, Private Debt, real estate, and infrastructure).

Asset management market









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

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 lowered interest rates

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 the companies of the finance sector to address ESG questions more actively and bear the responsibility that the capital brings.

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 must be more transparent than before (ESG)
Investors are looking for more and more individual wealth management	Risk is being 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

Victory march of alternative assets

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

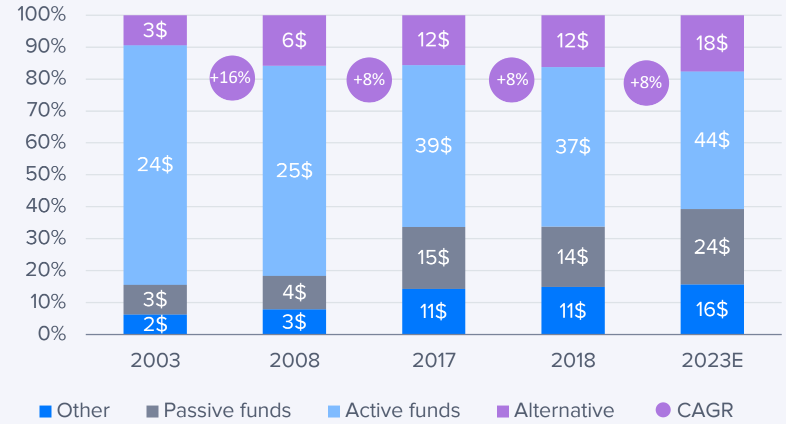
Passive products don’t represent a significant source of income for investment service companies due to low fee levels, although they account for a significant share of total assets

The average fee levels for active investment funds have fallen clearly

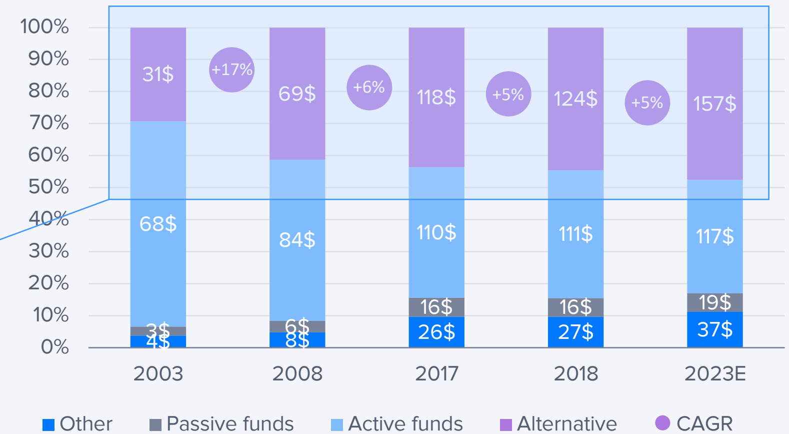
The fee levels of alternative assets significantly better than conventional funds

The share of alternative assets of global commission income has risen to almost half

Global AUM distribution (USD bn)



Global revenue distribution (USD bn)



Source: BCG Global asset Management 2019

Industry drivers and trends

Investment income in a critical role

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

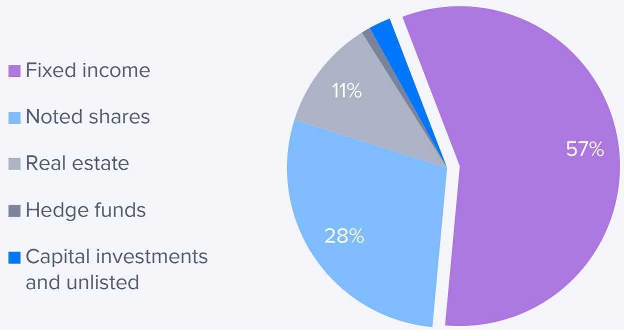
Increasing risk-taking

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

Sustainability gap is threatening

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

Employee pension institutions' allocation 2004



Employee pension institutions' allocation 2019

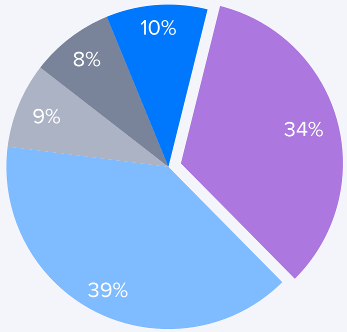
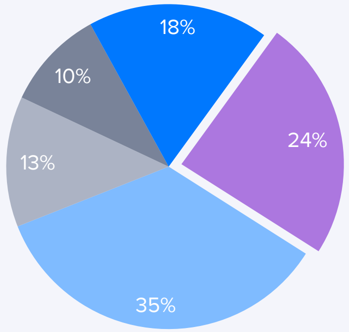


Illustration of employee pension institutions' possible allocation 2029*



Source: Tela, Inderes

Consolidation in the cards for the industry

Wealth management competition

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

Medium-sized investment service companies: Evli, CapMan, Elite Alfred Berg, LähiTapiola, UB United Bankers, Taaleri, Titanium, eQ, Alexandria

Small investment service companies: Icecapital, Finlandia, Fourton, Fondita, PYN Elite, Dasos Capital

Consolidation drivers

Trends

Digitalization

Regulation

Low interest rate level

Alternative asset classes

Responsibility (ESG)

Sale synergies

Growing the product and service range

Increasing distribution capacity

Increasing the AUM

Cost synergies

IT costs

Administrative expenses

Personnel costs

Drivers for consolidation are clear and the rate of consolidation will accelerate

Finalized M&A transactions

Source: Inderes

UB's positioning in regard to industry trends

Scale: ✓ — ✓ ✓ ✓

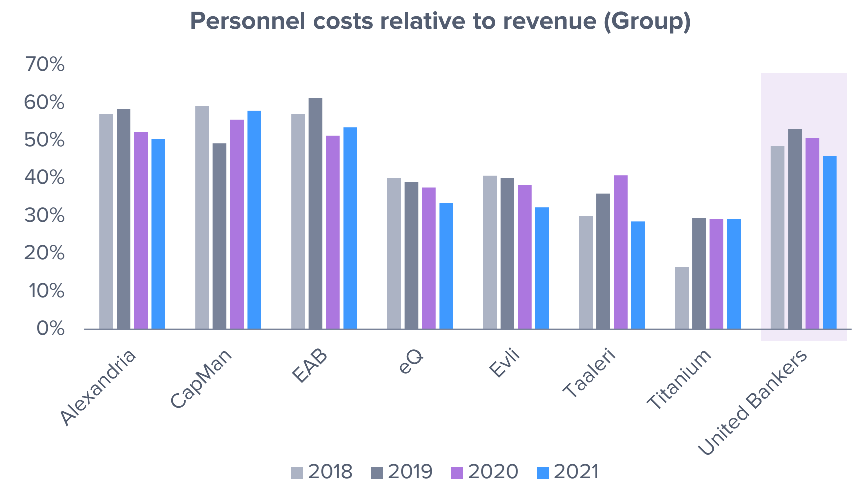
Trend	Company's position	Comment
Regulation	✓✓	Regulatory changes have significantly increased the company's costs in recent years. In our view, the company's current systems and processes are sufficiently responsive to stricter regulation and the worst is behind regarding regulation.
Growing requirements	✓✓	The company's product offering is mainly focused on real asset solutions, where the company has a reasonably good track-record and a clear competitive edge. In our view, the company will thus have a reasonably good pricing power in real asset products, but we don't see a significant competitive advantage in traditional asset management.
Low interest rate level	✓✓✓	The company has benefited significantly from low interest rates, as investors have sought returns from alternative asset classes (e.g. forest and real estate).
Digitalization	✓✓	The company has invested heavily in its IT systems in recent years to bring its previously inadequate systems to the level of current business requirements. Although the company's systems are now at an adequate level, the company still has cost-efficiency potential in IT systems.
Alternative asset classes	✓✓✓	The company's fund business is focused on alternative asset classes (real assets), whose demand has been exceptionally strong in recent years. The company has built a significant offering of real estate and forest funds at a relatively rapid pace.
Constant pressure on pricing	✓✓	The company is able to defend its price level in real asset products. Additionally, the company's core customer base (wealthy individuals) also offers some pricing power. In traditional asset management, the company is subject to constant price pressure like any other company in the sector.
Responsibility	✓✓	UB was relatively slow to implement ESG principles into its operational business. To our understanding, the company has now tightened up its ESG strategy and integrated it into portfolio management processes.

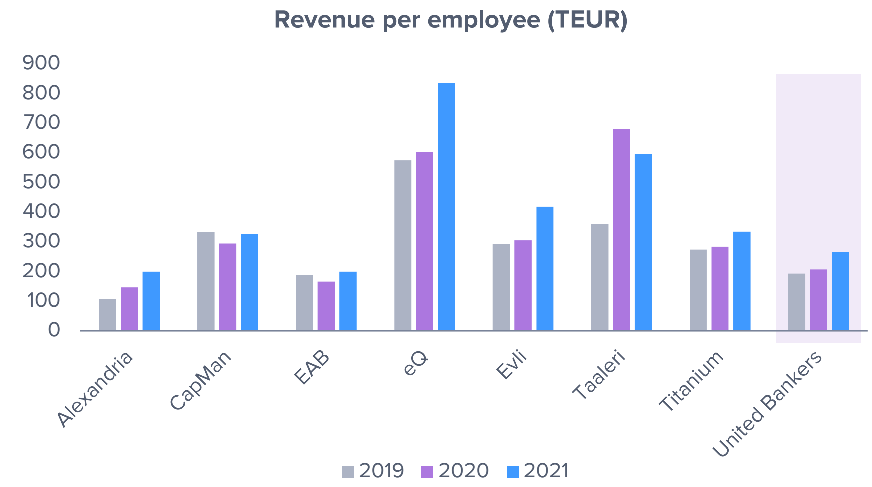
Summary of listed peer companies

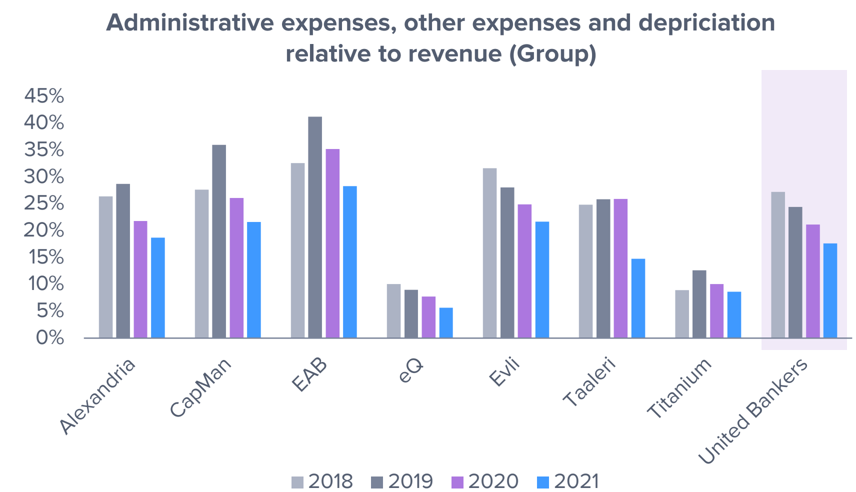
	eQ	TAALERI	TITANIUM	EVLI	ELITE ALFRED BERG	CapMan	UB UNITED BANKERS	Aktia	ALEXANDRIA
MCAP (EUR million)	**1,020**	**410**	**150**	**480**	**40**	**390**	**140**	**790**	**100**
Actual profitability	EBIT in recent years +50%. Profitability at excellent level already without performance fees.	Garantia's profitability has been very good but in Asset management (incl. Private equity funds) profitability has been weak especially in terms of continuing earnings.	EBIT % (adjusted) +50%. Exellent profitability, performance and transaction fees play an important role	EBIT +40%. Very good profitability and practically based solely on continuing earnings.	In 2021 profitability made a clear level adjustment. However, EBIT-% is still well below the peer group.	Profitability based on continuing earnings from management business has improved clearly in recent years. Still much improvement potential in cost efficiency,	EBIT (adj.) +30%. Similar to peers, profitability rose heavily in 2021 and the result mix (share of continuing earnings) improved clearly in recent years.	ROE has been satisfactory in recent years.	Profitability improved clearly with the increase in revenue, and 2021 was a record year by far. The share of transaction-driven structured products of revenue remains dominant (> 50%).
Track-record	The company's track-record of organic earnings growth is exceptionally strong in recent years. Shareholder value has grown rapidly.	The company has created considerable shareholder value with M&A transactions. Operational earnings development has been more subdued due to cost challenges.	Very strong track-record due to the exceptionally attractive fee structure of Hoivarahasto.	Result has grown clearly thanks to improved cost efficiency and excellent new sales.	The company has grown but profitability has historically been weak. In recent years, the company hasn't been able to create shareholder value.	Track-record very strong under new CEO, considerable earnings improvement however still unproven.	New sales have developed strongly and profitability has clearly improved. The implementation of the strategy has become significantly more efficient.	The track-record of asset management is good. Growth has been weak and profitability challenging in conventional banking. More challenges with the Taaleri integration than was expected.	The company's historically weak development has taken a clear level adjustment upwards in the last two years.
Strengths / weaknesses	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. Significant dependence on a single fund is a weakness.	Excellent institutional sales. International sales and low price level clear strengths. Dependence on traditional asset management is a key weakness.	Strong sales to retail customers but weaker position in institutions. Cost efficiency has clearly fallen behind peers in recent years.	Position in alternative investments is a strength. Subdued profitability of management business and dependency on own balance sheet income as weaknesses.	Real asset strategy and extensive sales power are strengths. Varying product quality and cost level after the SPL merger have been challenging.	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.	Extensive distribution network in the less competed private investor segment is a strength. Weaker business scalability than that of peers and risk of price erosion are weaknesses.
Strategic direction	Continues growing strongly in real estate and PE funds and maintains exceptional cost efficiency. M&A transactions possible.	Continue strong organic and inorganic growth of the business. M&A transactions part of the company's 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. M&A transactions unlikely.	Strong growth in Asset Management. In the short-term focus on sustainable result turnaround and ramp-up of alternative funds.	Continued profitable growth of the management business. Acquisitions possible.	Focus in growth and continuing earnings. Growth in real asset 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 new asset management service are in focus.

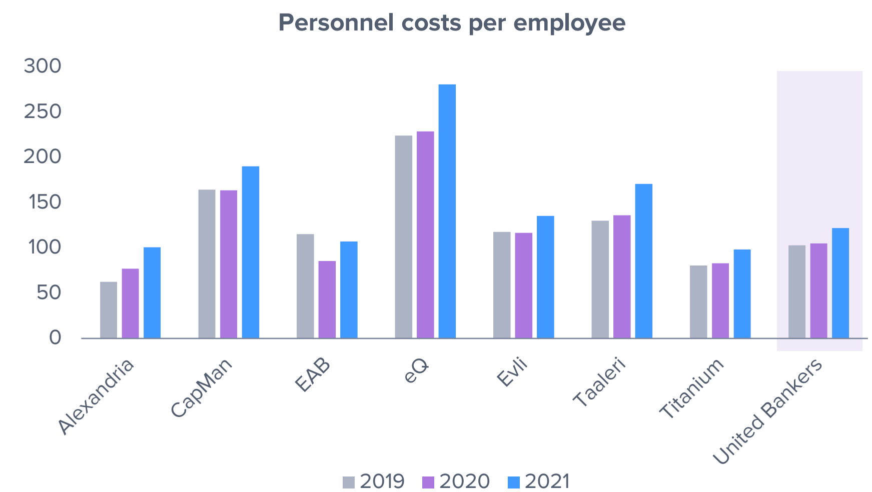
Source: Inderes Data gathered 3/31/2022

UB compared to domestic peers









Inderes' comments:

- Revenue per employee calculated with average number of employees.
- Agents were included in personnel and personnel costs
- Taaleri's 2020–2021 figures adjusted for divested Wealth Management business.

Financial position

Light and net debt-free balance sheet

UB's balance sheet is very simple from the investor's point of view and doesn't tie significant amounts of capital, as is typical for the asset management sector. The company's balance sheet total at the end of 2021 was EUR 78.2 million, of which approximately EUR 19.6 million consisted of goodwill and intangible assets mainly related to acquisitions (UB transferred to IFRS accounting in 2019 and no longer removes goodwill). Typically for the sector, tangible assets in the company's balance sheet are very low, i.e., only EUR 3.1 million. The majority of this is the lease liabilities capitalized in the balance sheet as a result of the IFRS16 standard adopted in 2019.

At the end of 2021, UB had cash assets of about EUR 14.3 million and other investments, mainly in its own products, of about EUR 8.7 million. Cash assets are quite large in relation to the size of the company's core business, behind which are the liquidity needs of subsidiary UB Securities. Therefore, we consider dismantling the excessive cash position to be relatively unlikely.

Other assets totaled EUR 30.6 million at the end of 2021. According to our estimates, about half of this is securities brokerage receivables from the company's customers. The item is purely related to accounting and UB doesn't bear the related balance sheet risk. The rest of Other assets are fee receivables that are typical for this business.

At the end of 2021, the company's equity amounted to EUR 44.3 million and interest-bearing debt to EUR 2.0 million. Therefore, the balance sheet is net debt-free. Other liabilities (ca. EUR 22.2 million) include the brokerage liabilities of customers' securities and other non-interest-bearing liabilities related to the business.

There is a very large buffer in the balance sheet

At the end of 2021, UB's equity ratio was 56.7% and the CET1 solvency ratio was 24.9% (regulatory requirement 8%). We believe that maintaining a fair solvency buffer is justified given the high market sensitivity of business. However, we don't see any sense in increasing the buffer from its current level, so that the company can use the capital generated by the entire business either for dividends or acquisitions.

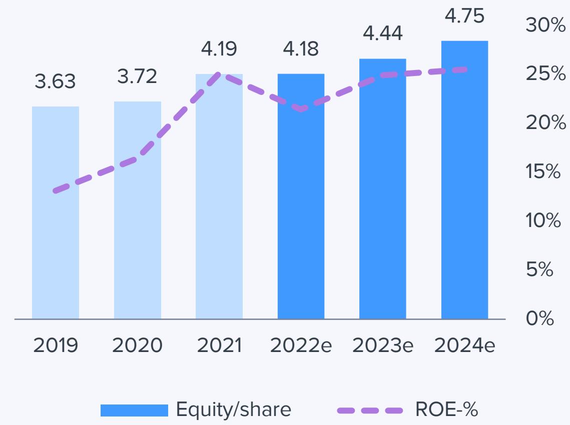
Strong balance sheet allows for M&A transactions

The current balance sheet still provides significant room for maneuver for the company and, according to our calculations, UB would be able to carry out an acquisition of EUR 10-20 million with its current balance sheet without jeopardizing its financial position or having to use its own shares as a means of payment.

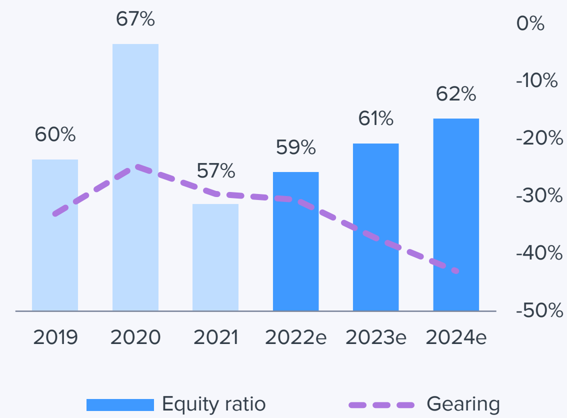
We believe that in the medium term, UB will remain an active player in the M&A field, as the company continues to aim for increasing its size class. In our estimate, small Finnish financial houses that complement the company's product offering and medium-sized asset managers from Sweden, which would enable it to become more prominent in the Swedish asset management market, are interesting M&A targets for UB.

In our view, UB's track record of M&A transactions is quite good and we regard the M&A card as a positive option for investors. In particular, smaller domestic product houses would be an interesting addition to UB, as the company would be able to use its own efficient distribution network with them.

Equity/share and ROE-%



Development of key balance sheet figures



Group level estimates 1/3

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

The company's earnings development has improved significantly over the past few years. After the integration of SPL, the company's new sales have made an adjustment to the next level and the focus of sales has increasingly shifted to real asset products that form the core of the strategy. During last year, the company's cost-efficiency took a long-expected level correction and in 2021, UB achieved the best result in its history with almost all possible indicators.

2022: Market situation weighs down

The starting point for UB until 2022 is contradictory. From the point of view of internal factors, the company starts the year from an excellent position. The product offering is very well suited to the current market situation, new sales have proven to work and cost-efficiency has reached a good level.

However, as regards external factors, the situation is much worse as the market situation deteriorated significantly in the early part of the year. Capital markets have declined on a broad front, as slowing economic growth and rising inflation have raised fears of stagflation. The Russian attack on Ukraine has also led to a widespread increase in the risk premium on the market.

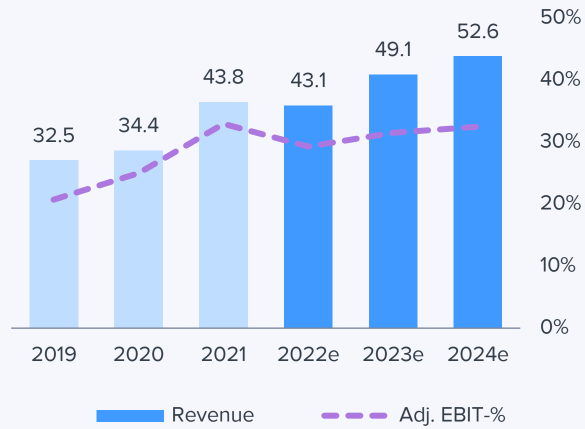
In United Bankers guidance, operating profit is expected to be close to 2021 levels if the market situation doesn't deteriorate significantly.

The weakened market situation has already been reflected in UB's AUM which has in our estimate decreased by about 5% compared to the year-end level. With regard to new sales, we note that UB's spearhead products (Forest, Finnish Property, Nordic Property Fund) are all alternative funds and we expect their new sales to continue to improve strongly despite the weakened market situation. In the next few months, the company will also launch a new alternative fund that invests in the forest sector.

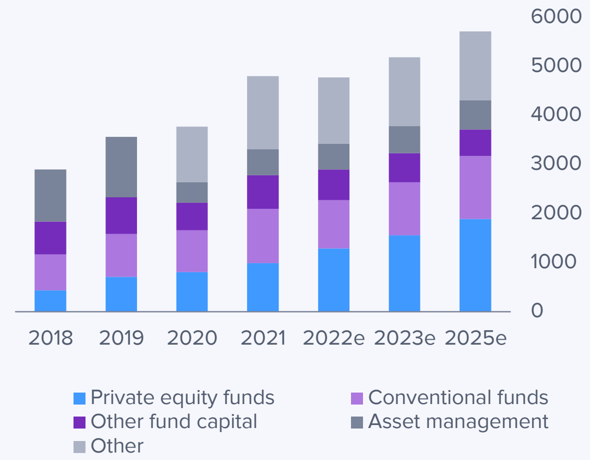
In general, we expect UB's new sales to continue to do relatively well despite the weak market situation. The greatest uncertainty relates to performance fees that have been significant in recent years. We expect performance fees to fall substantially from 2021, due to the weakened return development in the capital market.

Generally, we expect that UB's revenue remains at approximately the same level as in the comparison period at EUR 43 million. Operating profit will decrease by about 10% to EUR 12.7 million due to growth investments and general cost inflation. If the market situation deteriorates further from the current situation, the company may need to lower its guidance. However, this would only happen in the context of the H1 report. It's good for investors to note that EUR 12.7 million would still be the second-best in UB's history, and we believe that in a difficult market environment such as the one we are currently experiencing, that would be outstanding. The company will continue to increase its base dividend and we forecast that the base dividend will rise to EUR 0.80 from EUR 0.70 of 2021 (The EUR 0.80 dividend of 2021 included a EUR 0.10 celebration dividend).

Development of revenue and profitability



AUM (MEUR)



Group level estimates 2/3

2023: Return to earnings growth if the market allows it

Currently, the key question in UB's investor story is when does the company get back to growth? This, in turn, is largely dependent on market developments, as earnings growth is hard to find in the current market situation.

We anticipate a gradual improvement in the market situation in 2022, and in 2023 we expect a so-called "normal market environment". Between 2023 and 2025, we expect an average 13% increase in earnings from the company. Strong new sales, especially in alternative investment products, drive the earnings growth. In terms of performance fees, we are quite conservative in our forecasts due to their lack of predictability. Our forecasts don't include possible sales of funds (e.g. sale of NFF1 in 2020).

Regarding cost-efficiency, we don't expect a substantial improvement from the levels seen in 2021. We believe that UB would be able to achieve even significantly higher profitability levels in the long term, but this would require a clear increase in the size of the business. If the company's revenue was in the range of EUR 60-70 million, we estimate that the company would be in a position to achieve an operating profit margin of more than 40% at the group level. In addition to the increase in revenue, this would naturally require good product-specific profitability and a constant improvement in cost-efficiency, especially in the background functions.

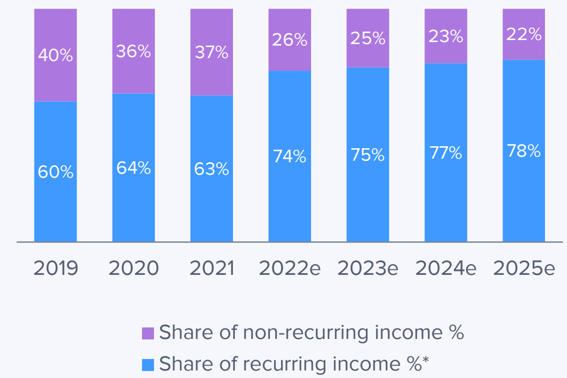
Quality of results improves clearly in the next few years

The group's recurring commission income continues to grow steadily in our forecasts, and we expect them to rise to almost 80% by 2025. The level is starting to be very good, and we believe that it's relatively close to the optimal level for the company. Recurring commission income is significantly more predictable and more valuable than non-recurring performance and transaction-driven fees for an investor, as their growth reduces volatility and supports acceptable valuation. In our forecasts, the growth in the recurring commission income is driven by the continued strong growth of the strategically important fund capital. Investors should note that Inderes' forecasts for the distribution of recurring and non-recurring income differ slightly from UB's own reporting. In its own reporting, UB considers performance fees as recurring income, whereas Inderes considers them non-recurring income.

Dividend flow continues to be strong, but is dependent on earnings development

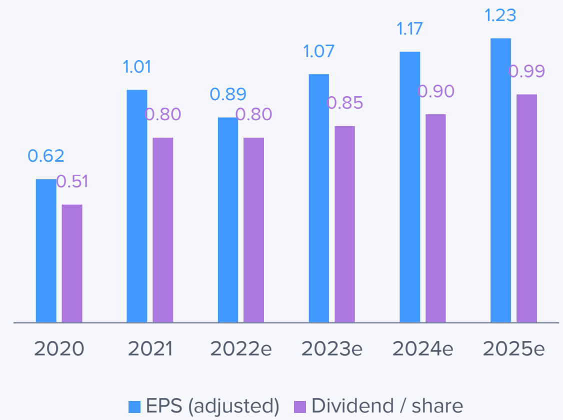
The official dividend policy of UB is to distribute to shareholders at least 50 % of earnings for the financial year, which we believe is a very conservative objective. We expect that the company continues its very generous profit distribution policy over the next few years, and we anticipate a payout ratio of 75-90% between 2022 and 2025. Although UB's balance sheet is very strong, we believe that the dividend will depend on earnings development in the coming years. Therefore, we don't expect the company to distribute a dividend significantly above earnings per share, even in a weaker market situation.

Development of income distribution



**Recurring income = fund management fees, asset management and about half of capital market services*
*** Inderes' estimate*

EPS and dividend per share



Group level estimates 3/3

Income statement	2020	H1'21	H2'21	2021	H1'22e	H2'22e	2022e	2023e	2024e	2025e
Revenue	**34.4**	**21.0**	**22.8**	**43.8**	**20.2**	**22.9**	**43.1**	**49.1**	**52.6**	**55.6**
EBITDA	**10.1**	**7.1**	**8.8**	**15.9**	**6.2**	**8.4**	**14.6**	**17.5**	**19.2**	**20.1**
Depreciation	-1.7	-0.8	-0.8	-1.6	-1.0	-1.0	-2.0	-2.0	-2.1	-2.1
EBIT (excl. NRI)	**8.6**	**6.4**	**8.0**	**14.4**	**5.2**	**7.4**	**12.6**	**15.5**	**17.1**	**18.0**
EBIT	**8.4**	**6.3**	**8.0**	**14.3**	**5.2**	**7.4**	**12.6**	**15.5**	**17.1**	**18.0**
Net financial items	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
PTP	**8.4**	**6.3**	**8.0**	**14.3**	**5.2**	**7.4**	**12.6**	**15.5**	**17.1**	**18.0**
Taxes	-1.8	-1.4	-1.7	-3.1	-1.1	-1.5	-2.6	-3.2	-3.6	-3.8
Minority interest	-0.3	-0.4	-0.5	-0.9	-0.3	-0.2	-0.5	-0.7	-0.9	-0.9
Net earnings	**6.2**	**4.5**	**5.9**	**10.3**	**3.8**	**5.6**	**9.5**	**11.5**	**12.6**	**13.3**
EPS (adj.)	**0.62**	**0.44**	**0.56**	**1.01**	**0.36**	**0.53**	**0.89**	**1.07**	**1.17**	**1.23**
EPS (rep.)	**0.60**	**0.43**	**0.56**	**1.00**	**0.36**	**0.53**	**0.89**	**1.07**	**1.17**	**1.23**

Key figures	2020	H1'21	H2'21	2021	H1'22e	H2'22e	2022e	2023e	2024e	2025e
Revenue growth-%	5.7 %	17.8 %	38.0 %	27.5 %	-4.2 %	0.6 %	-1.7 %	14.0 %	7.2 %	5.6 %
Adjusted EBIT growth-%	27.7 %	16.4 %	159.9 %	68.0 %	-18.3 %	-8.1 %	-12.6 %	22.6 %	10.6 %	5.1 %
EBITDA-%	29.3 %	33.7 %	38.8 %	36.3 %	30.9 %	36.6 %	33.9 %	35.7 %	36.5 %	36.2 %
Adjusted EBIT-%	25.0 %	30.4 %	35.3 %	33.0 %	25.9 %	32.2 %	29.3 %	31.5 %	32.5 %	32.3 %
Net earnings-%	18.1 %	21.4 %	25.7 %	23.6 %	19.0 %	24.6 %	22.0 %	23.5 %	24.0 %	23.9 %

Source: Inderes

Estimate revisions	2022e	2022e	Muutos	2023e	2023e	Muutos	2024e	2024e	Muutos
MEUR / EUR	**Inderes**	**Actualized**	**%**	**Old**	**New**	**%**	**Old**	**New**	**%**
Revenue	43.8	43.1	-2 %	47.6	49.1	3 %	51.2	52.6	3 %
EBIT (exc. NRIs)	13.7	12.6	-8 %	14.8	15.5	5 %	16.6	17.1	3 %
EBIT	13.7	12.6	-8 %	14.8	15.5	5 %	16.6	17.1	3 %
EPS (exc. NRIs)	0.96	0.89	-8 %	1.03	1.07	5 %	1.16	1.17	1 %
DPS	0.80	0.80	0 %	0.85	0.85	0 %	0.90	0.90	0 %

Source: Inderes

Valuation 1/4

Summary of the valuation

UB has an excellent peer company group on Nasdaq Helsinki. These Finnish investment service companies compete in the same market, with similar products, for the same customers and the same employees. Therefore, we believe that this peer group provides a very good basis for gauging the fair value of UB. In addition to the valuation based on the peer group, we have examined UB's valuation through acceptable valuation multiples, DCF model and the value of the AUM.

Our valuation has again increased significantly from our previous extensive report (9/20), and behind this are our clearly increased profit forecast (20-40%) in particular. In addition, we believe that UB's acceptable valuation level has continued to rise as a result of the company's strong operational performance.

Our different valuation methods are all very well in line with our current target price, and we believe that the share is correctly priced with current earnings forecasts. We discuss the different valuation methods in more detail on the next page.

The expected return for investors in the next few years is expected to come from a moderate increase in earnings and a healthy dividend yield. Investors should note that due to the drop in earnings in 2022, the earnings growth we forecast seems rather modest (2022-2025 CAGR 7%). The company will be distributing most of its profits in dividends over the next few years, but we stress that the dividend depends very much on the realized result.

In general, the expected return for the next few years is estimated to be around 10%. The level is neutral in view of the company's risk profile, and in a more normal market environment it would already be sufficiently attractive to justify a positive recommendation. However, in the current uncertain environment, UB's result is currently going in a downward direction and without the market situation picking up, the result won't be in a position to grow. Therefore, we will remain in a monitoring position and wait for confirmation of the return to earnings growth.

Factors supporting UB's valuation:

- Long-term earnings improvement potential
- Competitive core product offering
- Earnings level correction seen in recent years
- Reduced risk profile (increase in recurring income)

Factors negatively affecting UB's valuation:

- Major role of traditional asset management (market sensitivity)
- Low predictability and major role of performance fees

TSR drivers 2022-2025

Positive Neutral Negative

Profit drivers

- Strong new sales
- Cost-efficiency remaining at a good level
- In the short term, the market situation causes headwind

Earnings growth CAGR 2022-2025 ~ 7% p.a.

Dividend yield drivers

- Good cash-flow generation and low investment needs
- Strong and net debt-free balance sheet
- Brokerage activity ties some capital

Dividend yield % +5% p.a.

Valuation multiple drivers

- With 2021 results the valuation is neutral (P/E 14x)
- Valuation in line with the peer group
- DCF and AUM-based valuation in line with current share price

Current valuation level neutral

Overall expected return from the share for the next few years around 10% p.a.

Valuation 2/4

Earnings-based valuation in relation to the peers

United Bankers has an excellent peer company group on Nasdaq Helsinki. These Finnish investment service companies compete in the same market, with similar products, for the same customers and the same employees. We have used all the listed asset managers as peers: Evli, eQ, Taaleri, CapMan, EAB, Alexandria, Titanium and Aktia. In addition, we have included Oma Säästöpankki in the peer group, even though it isn't an asset manager, because we see a clear role for the company in the potential consolidation of the industry.

In our valuation, we focus on P/E and EV/EBIT multiples and dividend yield, which we believe are the key valuation multiples for the sector and at the same time offer a high level of comparability.

With our 2022 and 2023 forecasts, UB's earnings-based valuation is roughly in line with the peer group. Additionally, UB's dividend yield (~6%) is well aligned with that of the peer group. We consider this to be justified, because at this stage, we don't believe that the company should be priced at a discount or a premium in relation to its key peers.

In absolute terms, we believe that the multiples of the peer group are relatively neutral and close to the normal levels of the companies. Therefore, the peer group gives a relatively correct picture of UB's current fair value.

Absolute valuation multiples

Through its stock exchange history, UB has been valued at an average forward-looking 10x EV/EBIT, 6% dividend yield and 13x P/E (historical 12-month forward-looking multiples taken from Reuters). In our opinion, the historical levels are in absolute terms reasonable and very close to neutral multiples of the industry. Therefore, they offer a relevant support point for gauging UB's valuation.

In 2022-2023, UB's P/E multiples are 16x and 13x and the corresponding EV/EBIT ratios 11x and 9x. In 2022, we believe that the multiples are neutral, but when looking forward there gradually starts to be an upside, especially if the sights are set further (2025e P/E 11x).

In general, we believe that the multiple-based valuation is relatively neutral and supports our assessment of the share being correctly priced.

Peer group valuation	Share price	Market cap	EV	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%		P/B
Company		MEUR	MEUR	2022e	2023e	2022e	2023e	2022e	2023e	2022e	2023e	2022e	2023e	2022e
eQ	24.75	993	936	19.1	16.4	18.7	16.1	11.3	9.8	25.5	22.0	4.1	4.7	12.5
Taaleri	11.48	331	275	17.1	7.4	16.3	7.2	5.4	3.8	28.5	12.5	8.0	8.2	1.6
Titanium	14.00	144	124	7.3	6.5	7.0	6.3	4.4	3.9	10.5	9.5	8.1	8.8	5.4
CapMan	2.51	394	422	11.8	9.9	11.8	9.6	5.6	5.5	16.4	12.8	6.4	6.8	3.2
Evli	18.10	438	398	10.6	10.1	9.4	9.1	4.1	4.2	16.0	14.7	13.0	9.2	5.2
EAB Group	2.92	40	40	9.8	6.7	6.3	5.0	1.7	1.4	13.2	8.9	5.1	5.5	1.8
Aktia	10.20	735								10.1	9.2	5.9	6.9	1.0
Oma Säästöpankki	18.26	547								11.7	10.6	2.2	2.7	1.3
Alexandria	8.88	89	72	7.9	6.8	6.3	5.6	1.6	1.5	13.3	12.1	7.2	7.9	3.0
United Bankers (Inderes)	**13.70**	**146**	**133**	**10.5**	**8.3**	**9.1**	**7.3**	**3.1**	**2.6**	**15.5**	**12.8**	**5.8**	**6.2**	**3.3**
Average				**12.0**	**9.1**	**10.8**	**8.4**	**4.9**	**4.3**	**16.1**	**12.5**	**6.7**	**6.7**	**3.9**
Median				**10.6**	**7.4**	**9.4**	**7.2**	**4.4**	**3.9**	**13.3**	**12.1**	**6.4**	**6.9**	**3.0**
Difference (%) to median				***-1 %***	***13 %***	***-3 %***	***2 %***	***-30 %***	***-33 %***	***16 %***	***6 %***	***-9 %***	***-9 %***	***9 %***

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

Valuation 3/4

DCF model

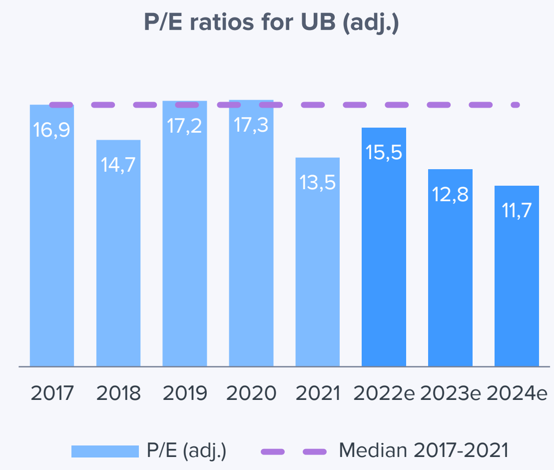
Our DCF model (p. 40) indicates that the fair value of UB's share is ca. EUR 15.5. The level is slightly above the current share price, and we believe that it provides a conservative indication of the company's longer-term potential if good development continues.

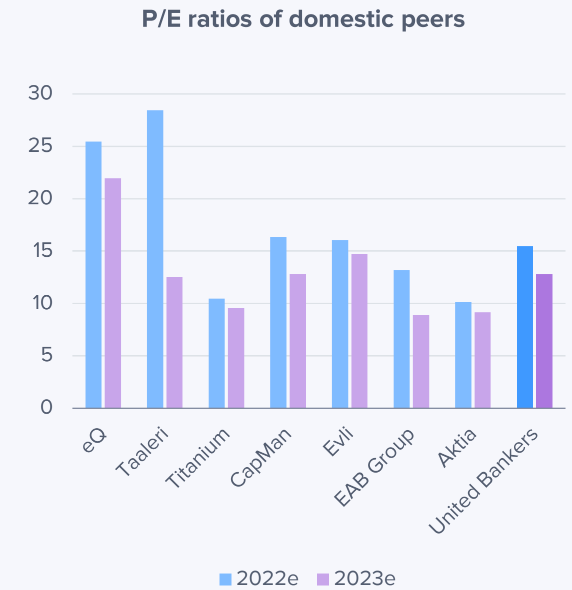
After the drop in 2022, UB's result will return to clear growth in 2023-2024. From 2025 onwards, the result will turn into a moderate decline in our forecast model under the prudence principle. However, we note that between 2023 and 2030, the company's performance is still significantly higher than its historical realized levels, and in our forecast the company will have a higher result than the record year of 2021 throughout the review period. For the profitability of the terminal period, we have applied a 25% operating profit margin that is higher than the company's historical level (20%). However, we believe that this is justified as the company's performance has taken a clear leap forward in recent years.

We also note that in our forecasts, the result is no more than ~25% above the 2021 record level. However, we believe that the company has the potential to more than double its size over the next decade, which would mean even stronger revenue growth thanks to cost scalability. In turn, this would require a successful implementation of the strategy and a favorable market situation, the latter of which is particularly subject to considerable uncertainty.

The 9.5% average cost of capital (WACC) we apply is relatively well in line with the company's peer group. In our view, a lower level would also be justified if UB were able to prove that the current earnings level is sustainable, and the earnings mix has shifted even more toward recurring income.

In general, the DCF model sums up UB's investment story quite well. In the short term, the share is correctly priced, but if the company's earnings continue to grow over the next few years and the income mix improves, there would be a significant upside in the our DCF valuation through higher forecasts and declining required return.





Valuation 4/4

Value of AUM is in line with our view of fair value

We have used the AUM of UB as our final valuation method. Most of UB's revenue derives from products and services related to its AUM, so in the valuation we have also been gauging the value for the various assets managed by the company.

The value of the AUM varies significantly depending on the commission income level it produces, and the risk related to being able to hold on to capital. A private equity fund that generates high commission income can be priced at a higher rate, while the ratio for the transaction-driven money in the consultative asset management is low. As a crude generalization, the vast majority of the AUM are priced between 1% and 5% and, for example, a level of 10% would require a product with an exceptionally attractive fee structure. We have used the level we predicted for the end of H1'22 as the company's AUM level, as given the drop in share price, this will give a better picture of the situation than the end of 2021.

Capital in conventional investment funds (H1'22e: EUR 933 million) we have valued at a ratio of 3%, which is in line with the corresponding ratios of other financial corporations. In our opinion, the performance of the funds has been reasonable in the recent years, and the commission income has remained healthy. However, the funds are open-ended and, thus, there is uncertainty about being able to hold on to capital, especially in a weaker market.

Private equity funds (H1'22e: 1,146 MEUR) we have priced at a 6% ratio (prev. 5%). The majority of the company's capital funds are in open-ended funds (Nordic Property Fund, Finnish Property and Forest) and the rest in closed-ended funds (mainly NFF II & III). In general, capital retention is quite good and the commission income levels are very healthy. We have valued the capital in UB's private equity funds in line with the corresponding capital of the peers.

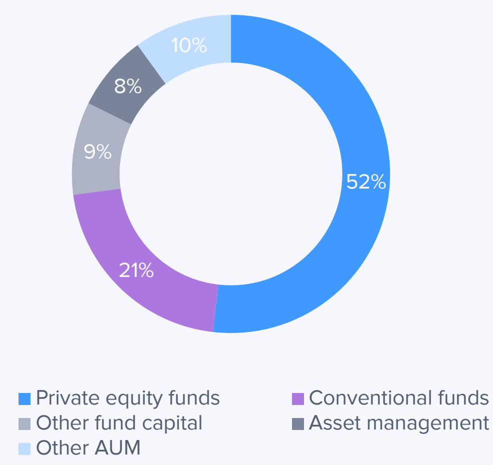
Other fund capital (H1'22e: 625 MEUR) we have valued at 2%. This includes both higher-income capital funds (KJK Capital) and third-party funds distributed by UB. Visibility to the rest of the fund capital fund is relatively weak, but according to our estimates, the funds are roughly split in half between private equity funds and partner funds. In our view, the commission income of third-party funds is healthy, but typically about half of the fees are paid to the fund manager, which decrease the value of this fund capital for UB.

Asset Management's assets (H1'22e: 510 MEUR) we have priced at a 1.5% ratio reflecting the relatively low return on the AUM and the ratio we typically utilize for this type of capital.

Other managed capital (H1'22e: 1,325 MEUR) we have priced at 1%, like with other financial companies. This level reflects the low return on Other managed capital and the low predictability of the income flow.

In general, according to our calculations, the value of UB's AUM is EUR 133 million, or 12.7e per share. The estimate is well in line with our other valuation methods, as this estimate doesn't take into account the company's other segment or net cash.

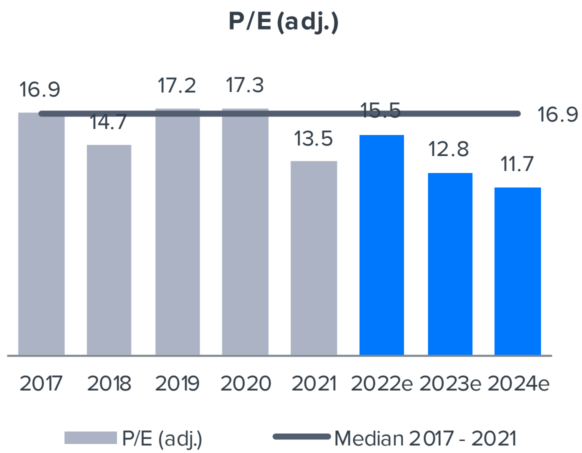
Distribution of AUM-based value

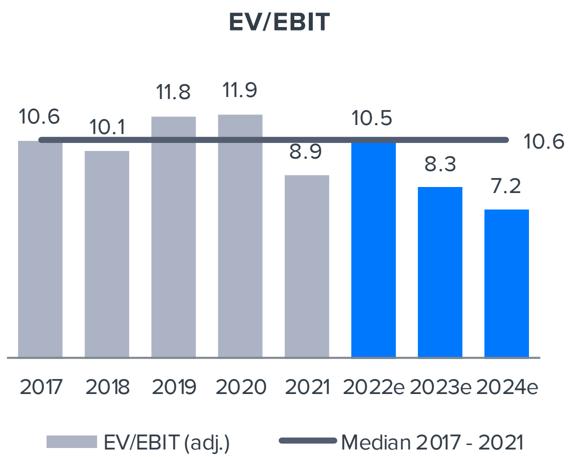


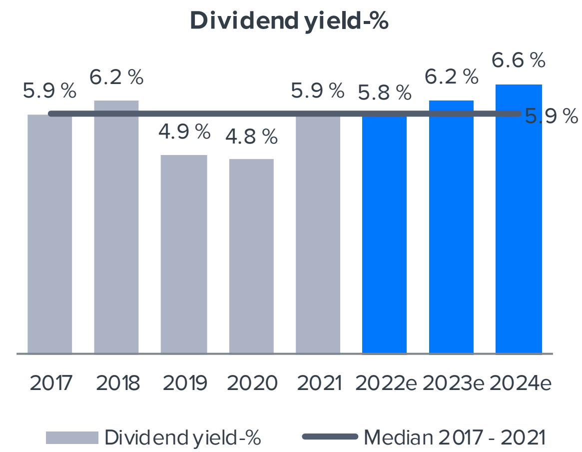
Valuation table

Valuation	2017	2018	2019	2020	2021	2022e	2023e	2024e	2025e
Share price	6.80	6.60	8.80	10.7	13.6	**13.7**	**13.7**	**13.7**	**13.7**
Number of shares, millions	8.24	9.59	10.2	10.4	10.4	**10.7**	**10.7**	**10.8**	**10.8**
Market cap	56	63	92	112	141	**146**	**146**	**146**	**146**
EV	49	55	79	102	129	**133**	**129**	**124**	**119**
P/E (adj.)	16.9	14.7	17.2	17.3	13.5	**15.5**	**12.8**	**11.7**	**11.2**
P/E	24.0	14.7	20.3	17.9	13.7	**15.5**	**12.8**	**11.7**	**11.2**
P/FCF	13.4	33.5	79.1	57.8	15.0	**15.8**	**11.3**	**10.5**	**10.1**
P/B	2.9	2.1	2.5	2.9	3.2	**3.3**	**3.1**	**2.9**	**2.7**
P/S	2.2	2.1	2.8	3.3	3.2	**3.4**	**3.0**	**2.8**	**2.6**
EV/Sales	1.9	1.8	2.4	3.0	2.9	**3.1**	**2.6**	**2.4**	**2.1**
EV/EBITDA	9.7	7.7	10.4	10.2	8.1	**9.1**	**7.3**	**6.5**	**5.9**
EV/EBIT (adj.)	10.6	10.1	11.8	11.9	8.9	**10.5**	**8.3**	**7.2**	**6.6**
Payout ratio (%)	141.2 %	91.0 %	101.2 %	85.4 %	80.3 %	**90.2 %**	**79.2 %**	**76.9 %**	**80.3 %**
Dividend yield-%	5.9 %	6.2 %	4.9 %	4.8 %	5.9 %	**5.8 %**	**6.2 %**	**6.6 %**	**7.3 %**

Source: Inderes







Peer group valuation

Peer group valuation	Share price	Market cap	EV	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%		P/B
Company		**MEUR**	**MEUR**	**2022e**	**2023e**	**2022e**	**2023e**	**2022e**	**2023e**	**2022e**	**2023e**	**2022e**	**2023e**	**2022e**
eQ	24.75	993	936	19.1	16.4	18.7	16.1	11.3	9.8	25.5	22.0	4.1	4.7	12.5
Taaleri	11.48	331	275	17.1	7.4	16.3	7.2	5.4	3.8	28.5	12.5	8.0	8.2	1.6
Titanium	14.00	144	124	7.3	6.5	7.0	6.3	4.4	3.9	10.5	9.5	8.1	8.8	5.4
CapMan	2.51	394	422	11.8	9.9	11.8	9.6	5.6	5.5	16.4	12.8	6.4	6.8	3.2
Evli	18.10	438	398	10.6	10.1	9.4	9.1	4.1	4.2	16.0	14.7	13.0	9.2	5.2
EAB Group	2.92	40	40	9.8	6.7	6.3	5.0	1.7	1.4	13.2	8.9	5.1	5.5	1.8
Aktia	10.20	735								10.1	9.2	5.9	6.9	1.0
Oma Säästöpankki	18.26	547								11.7	10.6	2.2	2.7	1.3
Alexandria	8.88	89	72	7.9	6.8	6.3	5.6	1.6	1.5	13.3	12.1	7.2	7.9	3.0
United Bankers (Inderes)	**13.70**	**146**	**133**	**10.5**	**8.3**	**9.1**	**7.3**	**3.1**	**2.6**	**15.5**	**12.8**	**5.8**	**6.2**	**3.3**
Average				**12.0**	**9.1**	**10.8**	**8.4**	**4.9**	**4.3**	**16.1**	**12.5**	**6.7**	**6.7**	**3.9**
Median				**10.6**	**7.4**	**9.4**	**7.2**	**4.4**	**3.9**	**13.3**	**12.1**	**6.4**	**6.9**	**3.0**
Difference (%) to median				***-1%***	***13%***	***-3%***	***2%***	***-30%***	***-33%***	***16%***	***6%***	***-9%***	***-9%***	***9%***

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

Income statement

Income statement	2020	H1'21	H2'21	2021	H1'22e	H2'22e	2022e	2023e	2024e	2025e
Revenue	**34.4**	**21.0**	**22.8**	**43.8**	**20.2**	**22.9**	**43.1**	**49.1**	**52.6**	**55.6**
EBITDA	**10.1**	**7.1**	**8.8**	**15.9**	**6.2**	**8.4**	**14.6**	**17.5**	**19.2**	**20.1**
Depreciation	-1.7	-0.8	-0.8	-1.6	-1.0	-1.0	-2.0	-2.0	-2.1	-2.1
EBIT (excl. NRI)	**8.6**	**6.4**	**8.0**	**14.4**	**5.2**	**7.4**	**12.6**	**15.5**	**17.1**	**18.0**
EBIT	**8.4**	**6.3**	**8.0**	**14.3**	**5.2**	**7.4**	**12.6**	**15.5**	**17.1**	**18.0**
Net financial items	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
PTP	**8.4**	**6.3**	**8.0**	**14.3**	**5.2**	**7.4**	**12.6**	**15.5**	**17.1**	**18.0**
Taxes	-1.8	-1.4	-1.7	-3.1	-1.1	-1.5	-2.6	-3.2	-3.6	-3.8
Minority interest	-0.3	-0.4	-0.5	-0.9	-0.3	-0.2	-0.5	-0.7	-0.9	-0.9
Net earnings	**6.2**	**4.5**	**5.9**	**10.3**	**3.8**	**5.6**	**9.5**	**11.5**	**12.6**	**13.3**
EPS (adj.)	**0.62**	**0.44**	**0.56**	**1.01**	**0.36**	**0.53**	**0.89**	**1.07**	**1.17**	**1.23**
EPS (rep.)	**0.60**	**0.43**	**0.56**	**1.00**	**0.36**	**0.53**	**0.89**	**1.07**	**1.17**	**1.23**

Key figures	2020	H1'21	H2'21	2021	H1'22e	H2'22e	2022e	2023e	2024e	2025e
Revenue growth-%	5.7 %	17.8 %	38.0 %	27.5 %	-4.2 %	0.6 %	-1.7 %	14.0 %	7.2 %	5.6 %
Adjusted EBIT growth-%	27.7 %	16.4 %	159.9 %	68.0 %	-18.3 %	-8.1 %	-12.6 %	22.6 %	10.6 %	5.1 %
EBITDA-%	29.3 %	33.7 %	38.8 %	36.3 %	30.9 %	36.6 %	33.9 %	35.7 %	36.5 %	36.2 %
Adjusted EBIT-%	25.0 %	30.4 %	35.3 %	33.0 %	25.9 %	32.2 %	29.3 %	31.5 %	32.5 %	32.3 %
Net earnings-%	18.1 %	21.4 %	25.7 %	23.6 %	19.0 %	24.6 %	22.0 %	23.5 %	24.0 %	23.9 %

Source: Inderes

Balance sheet

Assets	2020	2021	2022e	2023e	2024e
Non-current assets	**28.5**	**31.7**	**31.9**	**32.1**	**32.3**
Goodwill	15.7	15.6	15.6	15.6	15.6
Intangible assets	4.0	4.3	4.6	4.9	5.1
Tangible assets	1.6	3.1	2.9	2.9	2.9
Associated companies	0.0	0.0	0.0	0.0	0.0
Other investments	7.2	8.7	8.7	8.7	8.7
Other non-current assets	0.0	0.0	0.0	0.0	0.0
Deferred tax assets	0.0	0.0	0.0	0.0	0.0
Current assets	**30.1**	**46.5**	**46.4**	**50.0**	**54.8**
Inventories	0.0	0.0	0.0	0.0	0.0
Other current assets	17.8	30.6	30.6	30.6	30.6
Receivables	0.6	0.8	0.7	0.8	0.9
Cash and equivalents	11.7	15.1	15.1	18.5	23.3
Balance sheet total	**58.5**	**78.2**	**78.3**	**82.0**	**87.1**

Source: Inderes

Liabilities & equity	2020	2021	2022e	2023e	2024e
Equity	**39.1**	**44.3**	**46.0**	**49.7**	**54.1**
Share capital	5.4	5.5	5.5	5.5	5.5
Retained earnings	12.0	16.7	17.8	20.8	24.3
Hybrid bonds	0.0	0.0	0.0	0.0	0.0
Revaluation reserve	21.4	21.4	21.4	21.4	21.4
Other equity	0.0	0.0	0.0	0.0	0.0
Minorities	0.3	0.8	1.3	2.0	2.9
Non-current liabilities	**3.3**	**3.4**	**2.4**	**1.4**	**1.4**
Deferred tax liabilities	1.3	1.4	1.4	1.4	1.4
Provisions	0.0	0.0	0.0	0.0	0.0
Long term debt	2.0	2.0	1.0	0.0	0.0
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	0.0	0.0	0.0	0.0	0.0
Current liabilities	**16.1**	**30.5**	**30.0**	**31.0**	**31.7**
Short term debt	0.0	0.0	0.0	0.0	0.0
Payables	6.0	8.3	7.8	8.8	9.5
Other current liabilities	10.1	22.2	22.2	22.2	22.2
Balance sheet total	**58.5**	**78.2**	**78.3**	**82.0**	**87.1**

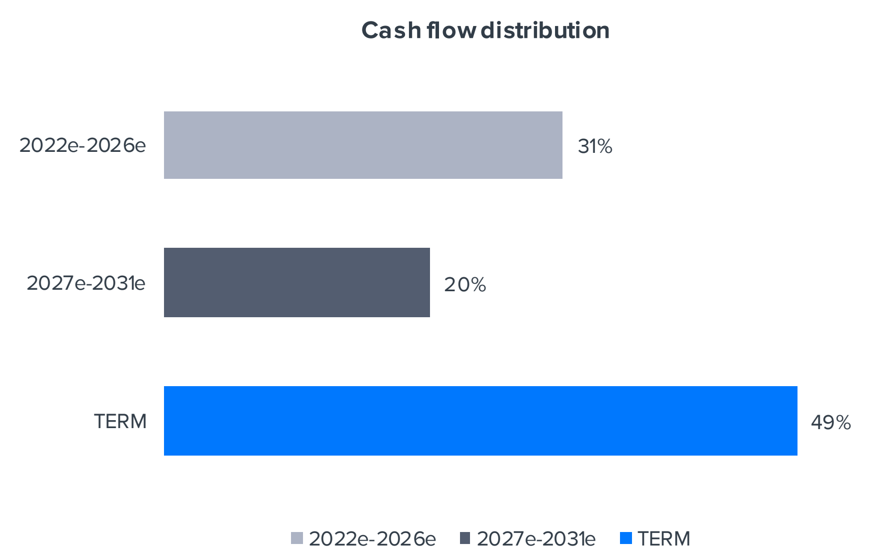
DCF calculation

DCF model	2021	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	TERM
EBIT (operating profit)	**14.3**	**12.6**	**15.5**	**17.1**	**18.0**	**17.2**	**17.1**	**17.0**	**16.9**	**16.1**	**16.5**	
+ Depreciation	1.6	2.0	2.0	2.1	2.1	2.2	2.3	2.4	2.4	2.5	2.6	
- Paid taxes	-3.0	-2.6	-3.2	-3.6	-3.8	-3.6	-3.6	-3.6	-3.5	-3.4	-3.5	
- 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	1.4	-0.5	1.0	0.6	0.5	0.3	0.3	0.3	0.3	0.3	0.3	
Operating cash flow	**14.2**	**11.5**	**15.2**	**16.2**	**16.8**	**16.1**	**16.1**	**16.1**	**16.1**	**15.5**	**15.9**	
+ Change in other long-term liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-4.8	-2.2	-2.3	-2.3	-2.4	-2.5	-2.6	-2.7	-2.7	-2.8	-2.8	
Free operating cash flow	**9.4**	**9.3**	**13.0**	**13.9**	**14.4**	**13.6**	**13.5**	**13.4**	**13.4**	**12.8**	**13.0**	
+/- Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	9.4	9.3	13.0	13.9	14.4	13.6	13.5	13.4	13.4	12.8	13.0	191
Discounted FCFF		**8.7**	**11.1**	**10.8**	**10.3**	**8.9**	**8.0**	**7.3**	**6.6**	**5.8**	**5.4**	**79.0**
Sum of FCFF present value		162	153	142	131	121	112	104	96.8	90.2	84.4	79.0

Enterprise value DCF	**162**
- Interesting bearing debt	-2.0
+ Cash and cash equivalents	15.1
-Minorities	-0.8
-Dividend/capital return	-8.3
Equity value DCF	**166**
Equity value DCF per share	**15.5**

Wacc	
Tax-% (WACC)	20.0 %
Target debt ratio (D/(D+E)	0.0 %
Cost of debt	5.0 %
Equity Beta	1.20
Market risk premium	4.75%
Liquidity premium	1.80%
Risk free interest rate	2.0 %
Cost of equity	**9.5 %**
Weighted average cost of capital (WACC)	**9.5 %**

Source: Inderes



Summary

Income statement	2019	2020	2021	2022e	2023e
Revenue	32.5	34.4	43.8	**43.1**	**49.1**
EBITDA	7.7	10.1	15.9	**14.6**	**17.5**
EBIT	5.9	8.4	14.3	**12.6**	**15.5**
PTP	5.9	8.4	14.3	**12.6**	**15.5**
Net Income	4.4	6.2	10.3	**9.5**	**11.5**
Extraordinary items	-0.8	-0.2	-0.1	**0.0**	**0.0**

Balance sheet	2019	2020	2021	2022e	2023e
Balance sheet total	62.3	58.5	78.2	**78.3**	**82.0**
Equity capital	37.1	39.1	44.3	**46.0**	**49.7**
Goodwill	15.7	15.7	15.6	**15.6**	**15.6**
Net debt	-12.2	-9.7	-13.1	**-14.1**	**-18.5**

Cash flow	2019	2020	2021	2022e	2023e
EBITDA	7.7	10.1	15.9	**14.6**	**17.5**
Change in working capital	-4.1	-0.8	1.4	**-0.5**	**1.0**
Operating cash flow	2.4	7.4	14.2	**11.5**	**15.2**
CAPEX	-1.2	-5.5	-4.8	**-2.2**	**-2.3**
Free cash flow	1.2	1.9	9.4	**9.3**	**13.0**

Valuation multiples	2019	2020	2021	2022e	2023e
EV/S	2.4	3.0	2.9	**3.1**	**2.6**
EV/EBITDA (adj.)	10.4	10.2	8.1	**9.1**	**7.3**
EV/EBIT (adj.)	11.8	11.9	8.9	**10.5**	**8.3**
P/E (adj.)	17.2	17.3	13.5	**15.5**	**12.8**
P/E	2.5	2.9	3.2	**3.3**	**3.1**
Dividend-%	4.9 %	4.8 %	5.9 %	**5.8 %**	**6.2 %**

Source: Inderes

Per share data	2019	2020	2021	2022e	2023e
EPS (reported)	0.43	0.60	1.00	**0.89**	**1.07**
EPS (adj.)	0.51	0.62	1.01	**0.89**	**1.07**
OCF / share	0.23	0.71	1.37	**1.07**	**1.42**
FCF / share	0.11	0.19	0.90	**0.87**	**1.21**
Book value / share	3.63	3.72	4.19	**4.18**	**4.44**
Dividend / share	0.43	0.51	0.80	**0.80**	**0.85**

Growth and profitability	2019	2020	2021	2022e	2023e
Revenue growth-%	9%	6%	27%	**-2%**	**14%**
EBITDA growth-%	8%	31%	58%	**-8%**	**20%**
EBIT (adj.) growth-%	25%	28%	68%	**-13%**	**23%**
EPS (adj.) growth-%	14%	21%	62%	**-12%**	**21%**
EBITDA-%	23.6 %	29.3 %	36.3 %	**33.9 %**	**35.7 %**
EBIT (adj.)-%	20.7 %	25.0 %	33.0 %	**29.3 %**	**31.5 %**
EBIT-%	18.2 %	24.3 %	32.7 %	**29.3 %**	**31.5 %**
ROE-%	13.1 %	16.4 %	25.1 %	**21.5 %**	**24.9 %**
ROI-%	15.8 %	20.6 %	32.8 %	**27.0 %**	**32.0 %**
Equity ratio	59.5 %	66.8 %	56.7 %	**58.7 %**	**60.5 %**
Gearing	-33.0 %	-24.7 %	-29.5 %	**-30.6 %**	**-37.2 %**

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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
16-12-19	Sell	8.20 €	9.35 €
20-12-19	Sell	8.20 €	8.95 €
07-02-20	Reduce	9.00 €	9.45 €
03-03-20	Reduce	9.00 €	8.90 €
23-03-20	Reduce	6.40 €	6.90 €
14-05-20	Reduce	7.50 €	7.75 €
08-06-20	Reduce	8.00 €	7.95 €
27-08-20	Reduce	8.80 €	9.00 €
26-10-20	Reduce	9.00 €	9.30 €
22-02-21	Reduce	11.00 €	12.80 €
26-05-21	Reduce	13.00 €	13.15 €
27-08-21	Reduce	12.50 €	14.30 €
24-09-21	Reduce	14.00 €	13.60 €
21-02-22	Reduce	14.00 €	13.95 €
11-04-22	Reduce	14.00 €	13.70 €

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