

Investment Services

Key data

Price (EUR)	11.3
Country	Finland
Bloomberg	TAALA.FH
Reuters	TAALA.HE
Free float	45.0%
Market cap (EURm)	320
No. of shares (m)	28.4
Next event	Q1: 3-May

* Price as at close on 16 February 2023

CEO	Peter Ramsay
CFO	Minna Smedsten

Company description

Taaleri is a Finnish financial services company. Taaleri focuses on Private Equity funds, mainly on renewables and other alternative investments. The company also has a strategic guaranty insurance subsidiary Garantia. Taaleri group consists of two key divisions: Private Asset Management & Strategic Investment Garantia.

Ownership structure

Veikko Laine Oy	11.5%
Hermitage Oy	10.3%
Juhani Elomaa	6.3%

Source: Company data

Estimate changes

	23E	24E	25E
Tot inc	3.8%	1.2%	0.8%
Op prof	7.4%	5.2%	4.6%
EPS (adj.)	4.3%	7.5%	7.1%

Source: Danske Bank Equity Research estimates

Analyst(s)

Daniel Lepistö

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Taaleri plc

Steady progress – but a longer horizon required

Taaleri reported somewhat mixed Q4 22 figures, with total income and operating profit below FactSet consensus estimates, but development was positive on continuing earnings, which backs the ongoing ramp-up for the company. We believe that the prudent capital distribution suggests possibility for inorganic measures in 2023. We reiterate our 12M fair value range of EUR10.0-11.5.

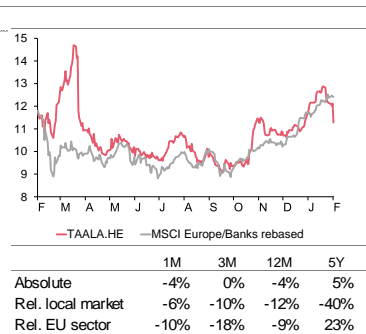
- Impact on the investment case.** Neutral. While Taaleri reported mixed headline numbers, the result, as usual, contained a lot of volatile components, such as a total of EUR12.4m worth of performance fees, as well as EUR-6.7m worth of negative fair value adjustments. Looking at the core business, continuing earnings showed modest 2% y/y growth, which was somewhat above our estimates and driven by the launched Bioindustry I fund higher management fees. AUM growth was 13% to EUR2.5bn, which we expect to accelerate in 2023 due to expected first close of new flagship fund SolarWind III. DPS of EUR0.70 was in-line with our estimates, but below FactSet consensus of EUR1.00 per share. We see this as a potential long-term positive, as it suggests that the company is looking to channel at least some of the profits from the sale of Wealth Management operations in 2021 towards accelerating growth. However, cautiousness in capital distribution could signal preparation for macro and fundraising environment to turn more difficult, we believe.
- Estimate changes.** We adjust our carried interest estimates for 2023 and make some various fee recognition related changes for the coming years.
- Valuation.** Our valuation methodology derives a 12M fair value range of EUR10.0-11.5 (unchanged). Based on our 2023 estimates, the mid-point of the range implies P/E of 14.6x (previously 15.0x). We argue that Taaleri should trade at a premium against its historical valuation, due to growing exposure on ESG driven products.

Key financials

Year-end Dec (EUR)	2021	2022	2023E	2024E	2025E
Total income (m)	72.6	63.2	68.4	65.3	66.7
Total income growth	4.4%	-13.0%	8.3%	-4.6%	2.1%
Total expenses (m)	-43.8	-35.8	-37.7	-39.7	-41.7
Operating profit (m)	28.8	27.3	30.7	25.7	25.0
Operating profit growth	63.5%	-5.1%	12.4%	-16.5%	-2.5%
Operating profit margin	39.7%	43.3%	44.9%	39.3%	37.5%
EPS (adj.)	0.75	0.75	0.73	0.66	0.65
DPS	1.20	0.70	0.50	0.30	0.30
Dividend yield	10.7%	6.3%	4.4%	2.7%	2.7%
ROE	74.0%	10.0%	9.6%	8.5%	8.2%
P/E (adj.) (x)	15.0	14.9	15.4	17.0	17.2
P/BV	1.38	1.46	1.47	1.44	1.37

Source: Company data, Danske Bank Equity Research estimates

Price performance



Source: FactSet

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Q4 22 – key conclusions

Taaleri reported mixed Q4 numbers with total income of EUR17.3m (9% below FactSet consensus), EUR7.1m operating profit (28% below consensus, 41% margin), and continuing earnings of EUR11.7m (+2% y/y, above our expectation). Performance fees of EUR12.4m boosted the income and earnings notably as expected, but negative EUR6.7m income from investment operations suppressed the profitability. The company issued no short-term guidance, as expected, and the board proposed dividend of EUR0.7 per share for the year. The dividend estimate was in-line with our expectations, but well below consensus. We see the lower dividend as a long-term positive, but naturally short-term negative factor, due to some investors likely expecting higher dividend yield for the year.

Table 1 : Estimate deviation

EURm	Actual	Cons. Q4 22E	Diff	DBER Q4 22E	Diff.
Total income	17.3	19.0	-9%	19.0	-9%
Operating profit	7.1	9.9	-28%	9.9	-29%
Operating profit-%	41.0%	52.1%		52.3%	
adj. EPS	0.25	0.23	9%	0.23	7%
AuM	2,500	n.a.	n.a.	2,500	0%

Source: Company data, Danske Bank Equity Research (DBER) estimates

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Table 2 : Quarterly estimates

EURm	Q1 21	Q2 21	Q3 21	Q4 21	Q1 22	Q2 22	Q3 22	Q4 22
Total income	7.1	11.9	26.9	17.3	10.7	12.4	22.7	22.7
Growth y/y	-41.9%	-30.4%	103.5%	-42.8%	51.1%	4.3%	-15.6%	31.3%
Total expenses	-7.7	-9.4	-8.4	-10.2	-8.9	-9.2	-9.3	-9.8
Operating profit	-0.7	2.4	18.5	7.1	1.7	3.1	13.4	12.9
Operating margin	-9.3%	20.5%	68.8%	41.0%	16.1%	25.4%	58.9%	56.7%
Segment income								
Other Private Equity	1.5	1.5	8.1	5.8	3.0	2.9	2.9	3.0
Insurance	0.1	-1.1	6.0	2.9	3.3	3.7	4.5	5.6
Renewables	3.8	4.3	4.5	13.1	4.0	5.4	14.9	13.8
Other	1.7	7.1	8.3	-4.5	0.3	0.3	0.3	0.3
Total	7.1	11.9	26.9	17.3	10.7	12.4	22.7	22.7
Income growth (y/y)								
Other Private Equity	27.9%	41.4%	998.4%	-4.7%	99.9%	102.4%	-63.5%	-47.6%
Insurance	-98.9%	-114.9%	-8.5%	-69.0%	4026.8%	-445.6%	-25.3%	92.5%
Renewables	-4.5%	0.9%	26.2%	28.9%	6.1%	24.4%	231.2%	5.3%
Other	13.3%	312.6%	477.9%	-218.8%	-81.9%	-95.7%	-96.3%	-107.1%
Total	-48.4%	-17.0%	118.4%	-41.1%	51.1%	4.3%	-15.6%	31.3%
Segment operating profit								
Other Private Equity	-0.6	-1.1	5.5	3.3	0.0	-0.1	-0.1	-0.1
Insurance	-1.0	-2.3	4.9	1.6	1.9	2.3	3.0	4.2
Renewables	0.6	0.4	1.5	9.0	0.5	1.9	11.4	10.3
Other	0.3	5.5	6.6	-6.8	-0.7	-1.0	-0.9	-1.5
Total	-0.7	2.4	18.5	7.1	1.7	3.1	13.4	12.9
Operating profit margin								
Other Private Equity	-42.6%	-74.3%	68.2%	57.9%	0.6%	-3.6%	-3.6%	-3.8%
Insurance	-1195.0%	215.8%	80.8%	54.8%	56.9%	61.8%	66.4%	74.5%
Renewables	17.0%	8.7%	33.4%	68.7%	13.4%	35.2%	76.6%	74.6%
Other	18.0%	76.5%	79.8%	152.9%	-239.5%	-312.9%	-304.9%	-461.3%
Total	-9.3%	20.5%	68.8%	41.0%	16.1%	25.4%	58.9%	56.7%
Reported EPS (EUR)	-0.04	0.00	0.54	0.25	0.05	0.08	0.31	0.31
Adj. EPS (EUR)	-0.04	0.00	0.54	0.25	0.05	0.08	0.31	0.31
ROE	-2.2%	0.1%	27.9%	13.1%	2.4%	4.1%	16.3%	16.0%
ROE (adj.)	-2.2%	0.1%	27.9%	13.1%	2.4%	4.1%	16.3%	16.0%
AuM								
Mutual funds	0	0	0	0	0	0	0	0
Private equity funds	1,144	1,096	1,114	1,114	1,134	1,134	1,134	1,234
Wealth management	0	0	0	0	0	0	0	0
Energia / Renewables	1,357	1,357	1,357	1,357	1,357	1,657	1,657	1,907
Total AuM	2,500	2,500	2,500	2,500	2,500	2,800	2,800	3,100

Source: Company data, Danske Bank Equity Research estimates

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Executive summary

Renewable funds are creating new, sustainable business opportunities. Taaleri's Energy division has one of the largest dedicated wind and solar investment teams in Europe and is one of the largest private equity owner-operators in the Finnish wind market, with 116 turbines producing almost 1% of all the country's electricity. These infrastructure investments in wind and solar power are the main drivers of Taaleri's asset and revenue growth. We see strong growth in the renewables business for Taaleri as the company is now able to attract institutional money, but remains small enough not to compete with the larger global payers, and is able to invest in smaller assets.

Earnings boost from carried interest from existing alternative investments in 2022-24E. In total, Taaleri has over 20 alternative investment funds, consisting of real estate, energy infrastructure, and private equity funds. As the funds mature, Taaleri could earn significant performance fees, or carried interest, in fund exits. In successful funds, carry could be larger than the total fund management fees.

ESG focus and impact investing should expand valuation multiples. We believe the increasing focus on ESG among all investors will benefit companies such as Taaleri, which promotes sustainability in its strategy and operations.

Key risks with the case

Disposal of Wealth Management significantly decreases Taaleri's AUM and size. Even though, in our view, Taaleri gains significant focus benefits from the transaction, the absolute size of the company's AUM and continuing earnings will decrease. The smaller size and excess cash in hand might turn risky in the long-term, if the company fails to capitalise on attracting new talent and growing its AUM organically and through M&A. In the worst-case scenario, investors are paid most of the excess capital, but are left with a smaller scale business with low growth.

High earnings volatility. Although Taaleri's operations are not cyclical by nature, the group's reported earnings have historically been volatile. This has partly been due to performance fees in the Wealth Management division and the group's own investments, as well as the insurance company profit volatility in IFRS reporting. Some of these issues, mainly in terms of visibility, will be resolved over time after the transaction, as Taaleri has communicated that it could be opening up its private equity fund lifecycles, management fees, and estimated carried interest in more detail in the future.

Small size and illiquid shares. Taaleri has limited institutional ownership at the moment, as either current or previous employees or related close-party institutions hold most of the shares. One could view this as negative from a governance point of view. Additional risk emerges from the fact that most of Taaleri's personnel will be transferred to Aktia, and as most of them simultaneously own Taaleri's shares, their incentives to keep their ownership in the long-term are uncertain.

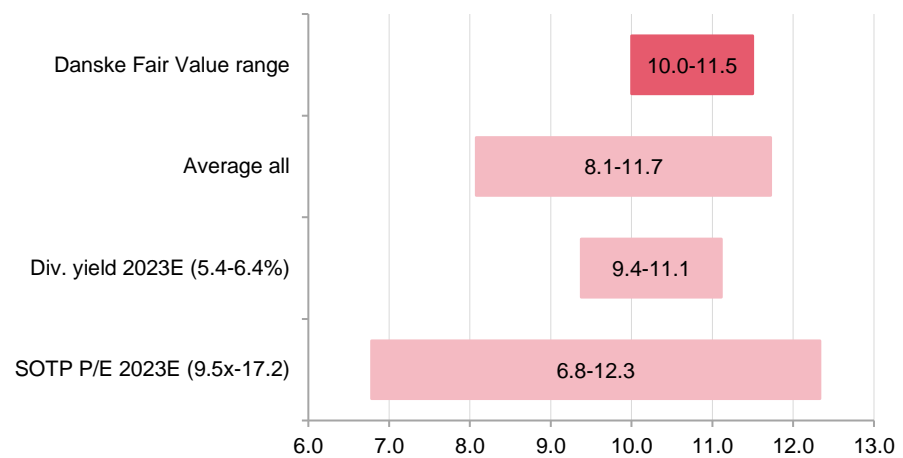
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Valuation

We reiterate our fair value range of EUR10.0-11.5. We believe that selling the Wealth Management operations (but keeping the private equity operations) is key for Taaleri to crystallise its company value and execute a clearer strategy with higher earnings potential in the future. In addition, cleaning up the balance sheet of the non-strategic investments is set to streamline the investment case overall.

We believe that if Taaleri is able to demonstrate good progress with its Bioindustry and Renewable Energy fund operations, the company's increased exposure to ESG should warrant a clear premium to the historical valuation. Taaleri's current past 5Y NTM P/E is 14.5x and our 2023E valuation midpoint suggests 15.3x.

Chart 1 : 12M Fair value range



Source: Danske Bank Equity Research estimates

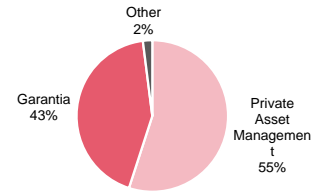
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Company summary

Income breakdown by geographical area



Income breakdown by segment



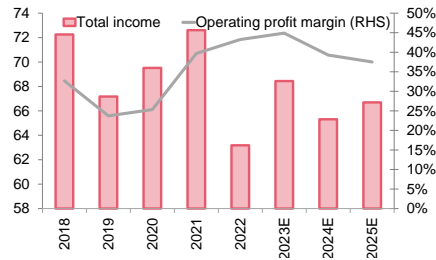
Company information

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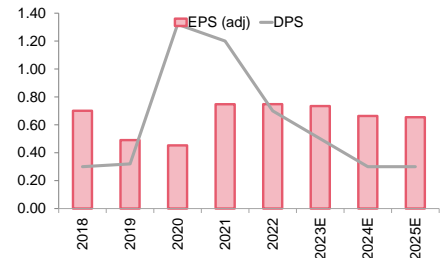
Main shareholders

Name	Votes (%)	Capital (%)
Veikko Laine Oy	11.5%	11.5%
Hermitage Oy	10.3%	10.3%
Juhani Elomaa	6.3%	6.3%

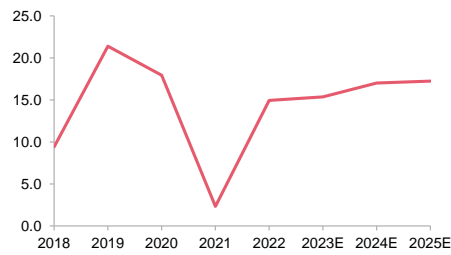
Total income and operating profit margin (FI TRm)



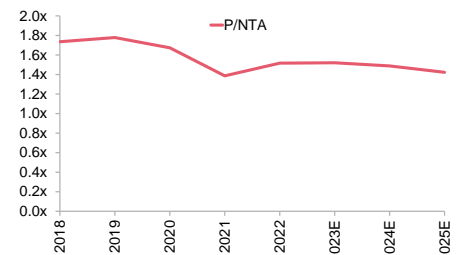
EPS (adjusted) and DPS (EURm)



P/E NTM (x)



P/NTA NTM (x)



Source: FactSet, Company data, Danske Bank Equity Research estimates

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Summary tables

INCOME STATEMENT										
Year end Dec, EURm	2015	2016	2017	2018	2019	2020	2021	2022	2023E	2024E
Commissions	31.8	33.2	53.0	45.6	46.1	51.5	21.9	20.9	31.2	34.3
Total income	58.4	60.6	81.6	72.3	67.2	69.5	72.6	63.2	68.4	65.3
Costs	-39.6	-44.5	-54.0	-48.5	-50.7	-51.9	-43.8	-35.8	-37.7	-39.7
Operating profit	47.4	16.3	27.6	23.6	15.9	17.6	28.8	27.3	30.7	25.7
Taxes	-3.0	-3.6	-5.8	-2.3	-5.0	-4.4	-5.2	-5.1	-6.1	-5.1
Pre-tax profit	47.4	16.3	27.6	23.6	15.9	17.6	28.8	27.3	30.7	25.7
Net profit	44.1	12.8	21.4	21.3	10.6	12.8	138	22.2	20.8	18.8
Net profit (adj.)	17.3	12.8	21.4	19.8	13.9	12.8	21.2	21.2	20.8	18.8
BALANCE SHEET										
EURm	2015	2016	2017	2018	2019	2020	2021	2022	2023E	2024E
Insurance assets	0.0	126	136	134	153	160	169	166	161	164
Other interest bearing assets	0.0	55.1	34.6	26.1	29.1	37.0	53.3	82.1	77.4	78.9
Goodwill	0.0	2.5	2.2	6.6	6.5	6.8	0.7	7.9	7.5	7.6
Total assets	0.0	213	229	238	270	268	319	308	295	300
Insurance liabilities	13.1	15.0	20.3	23.3	32.3	34.7	39.4	42.4	40.0	40.8
Wholesale funding	29.9	64.7	54.8	54.8	34.9	34.9	0.0	0.0	0.0	0.0
Equity	97.1	93.9	106	122	141	144	230	217	218	223
NTA	97.1	91.3	104	116	134	138	229	209	210	215
PER SHARE DATA										
	2015	2016	2017	2018	2019	2020	2021	2022	2023E	2024E
No. of shares, fully diluted YE (m)	28.3	28.3	28.3	28.3	28.3	28.4	28.4	28.4	28.4	28.4
No. of shares, fully diluted av. (r)	28.3	28.3	28.3	28.3	28.3	28.4	28.4	28.4	28.4	28.4
EPS (reported) (EUR)	1.56	0.45	0.76	0.75	0.39	0.45	4.80	0.75	0.73	0.66
EPS (adj.) (EUR)	0.61	0.45	0.76	0.70	0.49	0.45	0.75	0.75	0.73	0.66
DPS (EUR)	0.14	0.22	0.26	0.30	0.32	1.32	1.20	0.70	0.50	0.30
Book value per share (EUR)	3.43	3.32	3.75	4.32	4.97	5.09	8.10	7.65	7.69	7.85
NTA per share (EUR)	3.43	3.23	3.67	4.09	4.73	4.85	8.08	7.37	7.42	7.58
MARGINS AND GROWTH										
	2016	2017	2018	2019	2020	2021	2022	2023E	2024E	2025E
C/I, adjusted	73.4%	66.2%	67.1%	75.4%	74.7%	60.3%	56.7%	55.1%	60.7%	62.5%
Op profit marg	27.0%	33.8%	32.7%	23.7%	25.3%	39.7%	43.3%	44.9%	39.3%	37.5%
Op profit grth	-65.51%	69.0%	-14.52%	-32.49%	10.5%	63.5%	-5.09%	12.4%	-16.47%	-2.47%
Tot inc growth	3.7%	34.7%	-11.4%	-7.0%	3.5%	4.4%	-13.0%	8.3%	-4.6%	2.1%
Cost growth	-12.2%	-21.4%	10.2%	-4.5%	-2.5%	15.6%	18.2%	-5.2%	-5.1%	-5.1%
PPP growth	-14.2%	71.4%	-13.8%	-30.6%	6.6%	63.5%	-5.1%	12.4%	-16.5%	-2.5%
EPS (adj) growth	-26.1%	67.9%	-7.5%	-30.0%	-7.7%	65.1%	0.1%	-1.9%	-9.7%	-1.3%
PROFITABILITY										
	2015	2016	2017	2018	2019	2020	2021	2022	2023E	2024E
ROE, reported profits	65.3%	13.4%	21.5%	18.7%	8.0%	9.0%	74.0%	10.0%	9.6%	8.5%
RONTA, adj. profits	25.6%	13.6%	22.0%	18.1%	11.1%	9.5%	11.6%	9.7%	9.9%	8.8%
VALUATION										
	2015	2016	2017	2018	2019	2020	2021	2022	2023E	2024E
Share price (EUR)	8.38	8.24	10.4	7.10	8.42	8.12	11.2	11.2	11.3	11.3
Market cap (EURm)	237	233	293	201	238	230	318	317	320	320
P/E (reported) (x)	5.4	18.3	13.7	9.4	21.4	17.9	2.3	14.9	15.4	17.0
P/E (adj.) (x)	13.7	18.3	13.7	10.1	17.2	17.9	15.0	14.9	15.4	17.0
P/BV (x)	2.44	2.49	2.76	1.64	1.70	1.59	1.38	1.46	1.47	1.44
P/NTA (x)	2.44	2.55	2.82	1.74	1.78	1.67	1.39	1.52	1.52	1.49
Dividend yield	1.7%	2.7%	2.5%	4.2%	3.8%	16.3%	10.7%	6.3%	4.4%	2.7%
Total yield (incl. buybacks)	1.7%	2.7%	2.5%	4.2%	3.8%	16.3%	10.7%	6.3%	4.4%	2.7%

Source: Company data, Danske Bank Equity Research estimates

Disclosures

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More information about the valuation and/or methodology and the underlying assumptions is accessible via www.danskebank.com/equityresearch.

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Major risks connected with investment views or opinions in this research report, including a sensitivity analysis of relevant assumptions, are stated throughout the text.

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This report does not have a target price or a buy/sell recommendation but it does include a valuation discussion and a suggested valuation range.

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