

Investment Services

**Key data**

Price (EUR)*	11.0
Country	Finland
Bloomberg	TAALA.FH
Reuters	TAALA.HE
Free float	45.0%
Market cap (EURm)	312
No. of shares (m)	28.4
Next event	Q2: 19-Aug

\* Price as at 10:10 CET on 10 May 2021

CEO	Robin Lindahl
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	10.3%
Hermitage Oy	10.0%
Henki-Fennia	6.1%

Source: Company data (30 April 2021)

Estimate changes

	21E	22E	23E
Tot inc	9.5%	2.6%	2.8%
Op prof	16.2%	2.1%	5.8%
EPS (adj.)	14.4%	3.2%	5.8%

Source: Danske Bank Equity Research estimates

Analyst(s)

Daniel Lepistö

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Important disclosures and certifications are contained from page 8 of this report

# Taaleri plc

## Building of the new Taaleri can now begin

**Q1 21 provided a first glimpse of the new Taaleri, as the transaction with Aktia regarding Taaleri's Wealth Management operations was completed at the end of April 2021. The first batch of extraordinary dividend has been proposed at a total of EUR1.0 per share and the next step for Taaleri is to find use for the profit from the sale (EUR110m) to boost both organic and inorganic growth.**

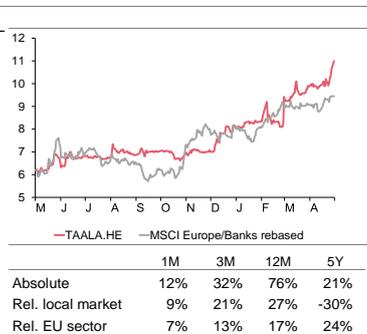
- Impact on the investment case.** Taaleri's official IFRS 5-based total income was EUR12.1m and operating profit was EUR4.7m (operating profit margin of 39%). Due to the sale of its Wealth Management operations to Aktia, Taaleri's continuing segment-reported figures are a better comparison in terms of ongoing operations. Including the segment figures, Taaleri would have reported total income of EUR13.7m and operating profit of EUR5.1m, with continuing earnings growing 5% y/y to EUR8.9m. Overall, the total income and profitability were boosted by favourable investment income of the guarantee insurance arm Garantia. Moreover, as the Other Private Equity segment is just beginning its ramp-up phase, Garantia's continuing profitability is set to keep carrying Taaleri's overall figures near term.
- Estimate changes.** We raise our total income estimates due to higher investment income estimates for Garantia and adjust our profitability estimates due to the nature of reporting the discontinued Wealth Management operations transferred to Aktia.
- Valuation.** We tighten our fair value range to EUR10.0-11.5 (previously EUR9.5-11.5) as the Aktia deal has now officially gone through. In the future, Taaleri's sum-of-the-parts valuation will be dependent on how much the company is able to channel the profit from the sale of Wealth Management to its ongoing operations, either in the form of boosting organic growth or looking into M&A, as the company has communicated.

### Key financials

Year-end Dec (EUR)	2019	2020	2021E	2022E	2023E
Total income (m)	67.2	69.5	52.5	52.8	65.8
Total income growth	-7.0%	3.5%	-24.4%	0.5%	24.6%
Total expenses (m)	-50.6	-51.9	-33.6	-33.6	-38.8
Operating profit (m)	15.9	17.6	19.0	19.2	27.0
Operating profit growth	-32.4%	10.4%	7.7%	1.3%	40.5%
Operating profit margin	23.7%	25.3%	36.1%	36.4%	41.0%
EPS (adj.)	0.49	0.45	0.51	0.52	0.72
DPS	0.32	1.32	0.50	1.00	0.50
Dividend yield	3.8%	16.3%	4.5%	9.1%	4.5%
ROE	8.0%	9.0%	66.2%	6.4%	9.1%
P/E (adj.) (x)	17.2	17.9	21.8	21.3	15.2
P/BV	1.70	1.59	1.35	1.36	1.41

Source: Company data, Danske Bank Equity Research estimates

### Price performance



Source: FactSet

### Not for US distribution

## Q1 review

Overall Taaleri's Q1 21 was solid. Segment-reported (not official IFRS 5 figures) total income of the continuing operations was EUR13.7m, 33% above of our estimate of EUR10.3m. Operating segment-wise, our estimates were broadly in line for Private Asset Management, but there was a large difference with Garantia's investment income of EUR3.4m. Taaleri made no exits in its Private Equity funds occurred during the reporting period, thus leaving the performance fees at a relatively low level of EUR0.8m. Assets under management were 1.7bn; these are set to expand to EUR2bn in Q2 21E, as the Aktia deal has gone through and Aktia's Infra I Ky fund and special investment fund investing in real estate have been moved under Taaleri. Taaleri has proposed EUR0.4 of extraordinary dividend and EUR0.6 of equity repayment, totalling EUR1.0 per share to be paid from the 2020 confirmed distributable funds, with record date on 1 June 2021. The extraordinary dividend is possible due to the EUR110m profit from the sale of its Wealth Management operations to Aktia.

In our previous report, *Taaleri plc - (Not rated) - The start of a new chapter*, 8 April 2021, we looked in detail at Taaleri's new segments post the Aktia transaction. In short, we summarise Taaleri's Q1 21 results per segment as follows.

- **Other Private Asset Management.** Overall expected development in which the key has been ramping up the Bio-industry business segment and preparing exit for several smaller Real estate funds. In operative terms, operating profit was EUR-0.4m as the salary expenses increased steeply in comparison to last year because of bonuses. Other Private Asset Management's operating profit is set to be heavily dependent on the timing of fund exits and performance fees during the Private Equity ramp-up in 2021-22E, in our view.
- **Renewables.** Taaleri's Renewable Energy fund projects progressed as planned during Q1 21 and the next key event will be the final close of the SolarWind II fund, which is set to be in June 2021 with a hard cap of EUR400m. We expect Taaleri to reach this target comfortably. In terms of profitability, Renewables recorded operating profit of EUR0.3m, also decreasing from y/y figures due to higher salary expenses.
- **Insurance.** Garantia continued its good development and its earned premiums grew during Q1 21 to EUR3.9m (y/y +14%). The gross guarantee insurance exposure decreased to EUR1.7bn from EUR1.8bn due to a strategically decided decline in volume of corporate exposures. Increase of earned premiums was mainly due to growth in residential mortgage guarantee volume, especially from the new distribution channel opened in October 2020.

*Not for US distribution*

*Quarterly estimates*

EURm	H1 19	H2 19	H1 20	H2 20	Q1 21A	Q2 21E	Q3 21E	Q4 21E
Total income	30.9	36.2	24.5	45.0	12.1	13.6	13.5	13.3
Growth y/y	-12.4%	-2.2%	-20.7%	24.3%		5.3%		-40.6%
Total expenses	-24.5	-25.6	-25.6	-30.3	-7.4	-8.8	-8.9	-8.9
Operating profit	6.3	10.6	0.9	14.8	4.7	4.9	4.6	4.4
Operating margin	20.6%	29.2%	3.8%	32.8%	38.8%	35.6%	34.0%	33.3%
<b>Segment income</b>								
Other Private Equity	17.2	25.7	18.5	24.4	1.2	2.3	2.8	2.0
Insurance	10.5	10.8	3.6	13.7	7.0	4.8	4.9	5.1
Renewables	1.4	3.2	4.2	5.1	4.0	5.2	4.4	4.9
Other	1.8	-3.4	-1.8	1.9	1.5	1.4	1.4	1.4
<b>Total</b>	<b>30.9</b>	<b>36.2</b>	<b>24.5</b>	<b>45.0</b>	<b>13.7</b>	<b>13.6</b>	<b>13.5</b>	<b>13.3</b>
<b>Income growth (y/y)</b>								
Other Private Equity	-42%	135.0%	7.4%	-4.7%		-81.4%		-80.5%
Insurance	55%	145.6%	-66.1%	26.8%		232.2%		-27.4%
Renewables	29%	270.9%	197.2%	56.9%		119.9%		84.5%
Other	-222%	-33.3%	-198.7%	-154.9%		-260.1%		46.9%
<b>Total</b>	<b>-14%</b>	<b>95.7%</b>	<b>-20.9%</b>	<b>24.3%</b>		<b>11.6%</b>		<b>-40.6%</b>
<b>Segment operating profit</b>								
Other Private Equity	2.1	9.7	6.4	5.9	-0.4	0.6	0.9	0.0
Insurance	6.1	6.6	0.8	9.2	5.4	3.3	3.1	3.2
Renewables	-1.6	-1.0	0.1	0.1	0.3	1.8	1.1	1.6
Other	-0.1	-5.3	-4.4	-0.3	-0.2	-0.8	-0.5	-0.4
<b>Total</b>	<b>6.4</b>	<b>10.1</b>	<b>2.8</b>	<b>14.8</b>	<b>5.1</b>	<b>4.9</b>	<b>4.6</b>	<b>4.4</b>
<b>Operating profit margin</b>								
Other Private Equity	11.9%	37.9%	34.3%	24.0%	-32.4%	24.9%	33.6%	0.9%
Insurance	58.1%	61.7%	21.1%	67.0%	76.9%	67.7%	62.6%	63.4%
Renewables	-116.5%	-30.3%	2%	1.7%	7.4%	34.6%	25.0%	33.2%
Other	-5.6%	155.7%	245.4%	-17.9%	-14.2%	-55.0%	-37.8%	-30.5%
<b>Total</b>	<b>20.7%</b>	<b>27.8%</b>	<b>11.6%</b>	<b>32.8%</b>	<b>37.4%</b>	<b>35.6%</b>	<b>34.0%</b>	<b>33.3%</b>
Reported EPS (EUR)	0.18	0.21	-0.02	0.41	0.13	4.01	0.12	0.12
Adj. EPS (EUR)	0.22	0.27	-0.02	0.41	0.13	0.13	0.12	0.12
ROE	16.6%	18.5%	-1.8%	34.6%	10.7%	273.9%	7.0%	5.7%
ROE (adj.)	20.4%	23.4%	-1.8%	34.6%	10.7%	8.7%	7.0%	5.7%
<b>AUM</b>								
Mutual funds	945	1,023	972	1,209	0	0	0	0
Private equity funds	1,238	1,223	1,232	1,282	578	728	803	903
Wealth management	4,138	4,469	4,423	4,629	0	0	0	0
Energia / Renewables	82	307	378	407	1,147	1,227	1,227	1,227
<b>Total AuM</b>	<b>6,600</b>	<b>7,100</b>	<b>7,100</b>	<b>7,657</b>	<b>1,700</b>	<b>2,000</b>	<b>2,000</b>	<b>2,100</b>

*Note: Segment figures differ from the Total income and operating profit due to Taaleri's IFRS 5 reporting of the discontinued operations of the Wealth Management sold to Aktia. Segment figures illustrate better the ongoing operations of the company.*

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

*Not for US distribution*

## *Executive summary*

**Renewable funds 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 renewables business for Taaleri as the company is now able to attract institutional money but is still small enough not to be competing with the larger global payers and is able to invest in smaller assets.

**Earnings boost from carried interest from existing alternative investments in 2021-24E.** Taaleri has in total 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. We estimate that carries are set to increase after 2019-21E, to EUR4-12m in 2022-24E, driven by exits of larger funds.

**M&A opportunities remain even after the Aktia transaction.** There are several medium-sized asset managers in Finland, with both complementary and overlapping operations. These players include companies such as CapMan, eQ and Evli Bank. Even though Taaleri has now entered a co-operation with Aktia and is set to provide the private equity funds for its needs until further notice, the simplified structure of Taaleri and streamlined future ambitions increase the chances that Taaleri would be part of the asset management M&A activity in the Finland in the future, in our view.

**ESG focus and impact 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 lots of 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.** While Taaleri's operations are not very 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, mainly in terms of visibility, will be resolved over time after the transaction, as Taaleri has communicated it will be opening up its private equity fund lifecycles, management fees and estimated carried interest in more detail in the future. Moreover, as Taaleri is divesting its non-strategic investments, the income statement effect that Fellow Finance currently has, will be resolved.

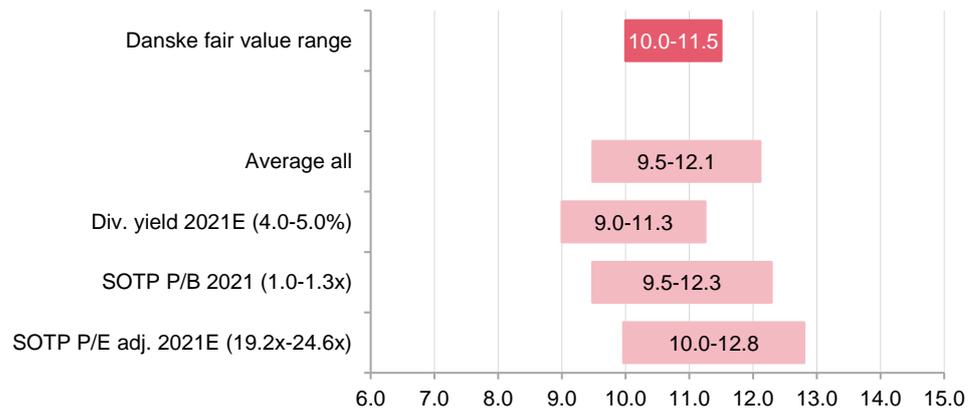
**Small size and illiquid shares.** Taaleri has very limited institutional ownership at the moment, as either current or previous employees or related close-party institutions hold most of the shares. One could view this as negative from a governance point of view. Additional risk emerges from the fact that most of the 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.

### *Not for US distribution*

## Valuation

We tighten our fair value range for Taaleri to EUR10.0-11.5 (previously EUR9.5-11.5) as the Aktia deal has now gone through. 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.

Taaleri fair value range EUR per share



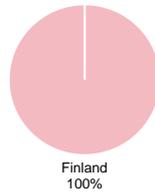
Source: Danske Bank Equity Research estimates

Our revised estimates suggest that on an ongoing basis (excluding the one-off gain from Wealth Management operations) on the mid-point fair value Taaleri would be trading at a P/E of around 20.7x for 2021E. We continue to value Taaleri by averages of P/E and P/BV-based sum-of-the-parts and dividend yield. In the sum-of-the-parts valuation model, the divested Wealth Management is treated as one-off profit for 2021E.

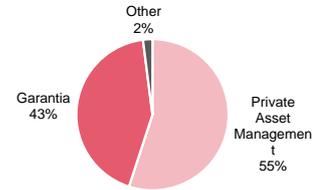
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## Company summary

### Income breakdown by geographical area



### Income breakdown by segment



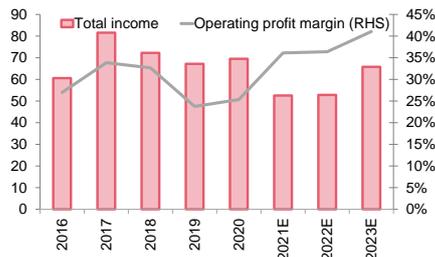
### Company information

Taaleri plc  
 Kasarmikatu 21, 00130 Helsinki  
 Finland  
 www.taaleri.com

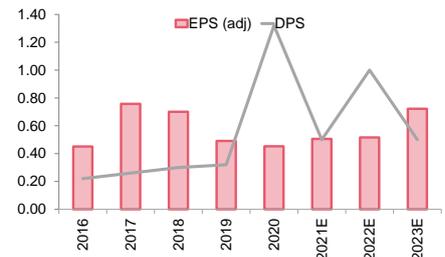
### Main shareholders

Name	Votes (%)	Capital (%)
Veikko Laine Oy	10.3%	10.3%
Hermitage Oy	10.0%	10.0%
Henki-Fennia	6.1%	6.1%

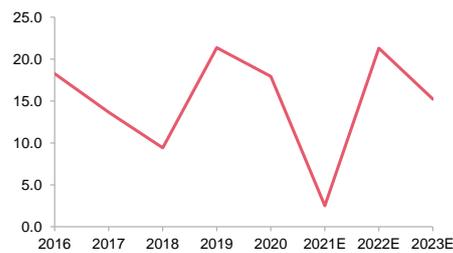
### Total income and operating profit margin (EURm)



### 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	2013	2014	2015	2016	2017	2018	2019	2020	2021E	2022E
Commissions			31.8	33.2	53.0	45.6	46.1	51.5	24.3	28.0
<b>Total income</b>			<b>58.4</b>	<b>60.6</b>	<b>81.6</b>	<b>72.3</b>	<b>67.2</b>	<b>69.5</b>	<b>52.5</b>	<b>52.8</b>
Costs			-39.6	-44.5	-54.0	-48.5	-50.6	-51.9	-33.6	-33.6
<b>Operating profit</b>			<b>47.4</b>	<b>16.3</b>	<b>27.6</b>	<b>23.6</b>	<b>15.9</b>	<b>17.6</b>	<b>19.0</b>	<b>19.2</b>
Taxes			-3.0	-3.6	-5.8	-2.3	-5.0	-4.4	-3.8	-3.8
<b>Pre-tax profit</b>			<b>47.4</b>	<b>16.3</b>	<b>27.6</b>	<b>23.6</b>	<b>15.9</b>	<b>17.6</b>	<b>19.0</b>	<b>19.2</b>
<b>Net profit</b>			<b>44.1</b>	<b>12.8</b>	<b>21.4</b>	<b>21.3</b>	<b>10.6</b>	<b>12.8</b>	<b>12.4</b>	<b>14.6</b>
<b>Net profit (adj.)</b>			<b>17.3</b>	<b>12.8</b>	<b>21.4</b>	<b>19.8</b>	<b>13.9</b>	<b>12.8</b>	<b>14.3</b>	<b>14.6</b>

### BALANCE SHEET

EURm	2013	2014	2015	2016	2017	2018	2019	2020	2021E	2022E
Insurance assets			0.0	126	136	134	153	160	158	166
Other interest bearing assets			0.0	55.1	34.6	26.1	29.1	37.0	38.5	43.4
Goodwill			0.0	2.5	2.2	6.6	6.5	6.8	7.0	7.9
<b>Total assets</b>			<b>0.0</b>	<b>213</b>	<b>229</b>	<b>238</b>	<b>270</b>	<b>268</b>	<b>391</b>	<b>374</b>
Insurance liabilities			13.1	15.0	20.3	23.3	32.3	34.7	37.6	40.7
Wholesale funding			29.9	64.7	54.8	54.8	34.9	34.9	34.9	0.0
Equity			97.1	93.9	106	122	141	144	231	229
<b>NTA</b>			<b>97.1</b>	<b>91.3</b>	<b>104</b>	<b>116</b>	<b>134</b>	<b>138</b>	<b>224</b>	<b>221</b>

### PER SHARE DATA

	2013	2014	2015	2016	2017	2018	2019	2020	2021E	2022E
No. of shares, fully diluted YE (m)			28.3	28.3	28.3	28.3	28.3	28.4	28.4	28.4
No. of shares, fully diluted avg. (m)			28.3	28.3	28.3	28.3	28.3	28.4	28.4	28.4
EPS (reported) (EUR)			1.56	0.45	0.76	0.75	0.39	0.45	4.39	0.52
EPS (adj.) (EUR)			0.61	0.45	0.76	0.70	0.49	0.45	0.51	0.52
DPS (EUR)			0.14	0.22	0.26	0.30	0.32	1.32	0.50	1.00
Book value per share (EUR)			3.43	3.32	3.75	4.32	4.97	5.09	8.16	8.07
NTA per share (EUR)			3.43	3.23	3.67	4.09	4.73	4.85	7.91	7.79

### MARGINS AND GROWTH

	2014	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E
C/I, adjusted		67.8%	73.4%	66.2%	67.1%	75.4%	74.7%	63.9%	63.6%	59.0%
Op profit marg		81.1%	27.0%	33.8%	32.7%	23.7%	25.3%	36.1%	36.4%	41.0%
Op profit grth			-65.51%	69.0%	-14.52%	-32.43%	10.4%	7.74%	1.28%	40.5%
Tot inc growth			3.7%	34.7%	-11.4%	-7.0%	3.5%	-24.4%	0.5%	24.6%
Cost growth			-12.2%	-21.4%	10.2%	-4.5%	-2.5%	35.3%	-0.1%	-15.4%
PPP growth			-14.2%	71.4%	-13.8%	-30.5%	6.5%	7.7%	1.3%	40.5%
EPS (adj) growth			-26.1%	67.9%	-7.5%	-29.9%	-7.8%	11.7%	2.1%	39.9%

### PROFITABILITY

	2013	2014	2015	2016	2017	2018	2019	2020	2021E	2022E
ROE, reported profits			65.3%	13.4%	21.5%	18.7%	8.0%	9.0%	66.2%	6.4%
RONTA, adj. profits			25.6%	13.6%	22.0%	18.1%	11.1%	9.5%	7.9%	6.6%

### VALUATION

	2013	2014	2015	2016	2017	2018	2019	2020	2021E	2022E
Share price (EUR)		6.36	8.38	8.24	10.4	7.10	8.42	8.12	11.0	11.0
Market cap (EURm)			237	233	293	201	238	230	312	312
P/E (reported) (x)			5.4	18.3	13.7	9.4	21.4	17.9	2.5	21.3
P/E (adj.) (x)			13.7	18.3	13.7	10.1	17.2	17.9	21.8	21.3
P/BV (x)			2.44	2.49	2.76	1.64	1.70	1.59	1.35	1.36
P/NTA (x)			2.44	2.55	2.82	1.74	1.78	1.67	1.39	1.41
Dividend yield			1.7%	2.7%	2.5%	4.2%	3.8%	16.3%	4.5%	9.1%
Total yield (incl. buybacks)			1.7%	2.7%	2.5%	4.2%	3.8%	16.3%	4.5%	9.1%

Source: Company data, Danske Bank Equity Research estimates

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