

Investment Services

Key data

Price (EUR)*	8.48
Country	Finland
Bloomberg	TAALA.FH
Reuters	TAALA.HE
Free float	45.0%
Market cap (EURm)	240
No. of shares (m)	28.4
Next event	AGM: 18-Mar

* Price as at close on February 12, 2020

CEO	Robin Lindahl
CFO	Minna Smedsten

Company description

Taaleri is a Finnish financial services company. It offers wealth management services and guaranty insurance through its subsidiary Garantia. Taaleri group consists of three divisions: Wealth Management, Financing and Energia. At the end of 2019, Taaleri had 5,500 wealth management customers and assets under management totalling EUR7.1bn.

Ownership structure

Veikko Laine Oy	10.2%
Hermitage Oy	10.0%
Juhani Elomaa excl. related parties	6.1%

Source: Company data

Estimate changes

	20E	21E	22E
Tot inc	2.1%	0.2%	0.1%
Op prof	6.3%	4.6%	5.5%
EPS (adj.)	7.0%	5.0%	5.3%

Source: Danske Bank Equity Research estimates

Analyst(s)

- Matti Ahokas
- Olli Eloranta
- Antti Koskivuori

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<https://research.danskebank.com>

Important disclosures and certifications are contained from page 17 of this report

Taaleri plc

Asset growth and insurance profits drive 2020 revenues

Taaleri's H2 19 report was a beat on quality earnings. The Wealth Management business had better asset growth and insurance arm Garantia had record profits. We increase our 2020-22 adjusted EPS by 7-5% on the back of higher AuM and better insurance profits. We increase our valuation range to EUR9.0-11.0 (EUR8.0-10.8). A potential divestment of insurance arm Garantia could trigger a revaluation and justify value up to EUR13/share.

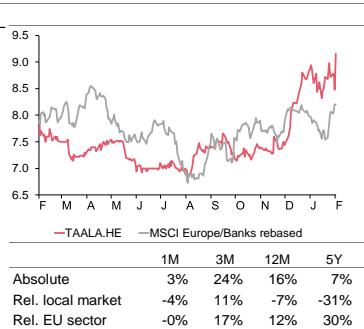
- **Wealth Management beat, with 21% increase in AuM.** Taaleri's key value driver, the Wealth Management business, beat our operating profit forecast by 11% in H2 19. Assets under management (AuM) was up 21% y/y and the only negative was that the mix was slightly softer with a slight miss in private equity funds, where AuM was still up 19% y/y. We have upgraded our 2020-22 AuM estimates by 1-2% and now forecast a 10% AuM CAGR for 2019-22E.
- **Insurance profits at all-time high.** Taaleri's guaranty insurance arm reported a strong H2 with a very strong combined ratio (IFRS) at 46%. Despite the good profits in H2 19 Garantia consumes 86% of the group's equity but generates only 41% of profits. As more efficient capital use is impossible due to the rating requirements, we believe the divestment of Garantia would significantly unlock value and release capital of 33-75% of the current market cap for extra dividends or acquisitions.
- **Estimate changes.** We have increased our FY 2020-22E adjusted EPS estimates by 7-5%. Taaleri kept its long-term financial targets but added a new one: >15% growth in recurring revenues. In FY 2019, recurring revenues grew by only 6% y/y. We regard this new target as positive for future value creation. This growth target is ahead of our forecasts and demanding but achievable, in our opinion.
- **Valuation.** The Taaleri shares are up 15% in the past three months but are still trading at a 25% discount to peers and a 19% discount to the historical average, at a 2020E P/E of 11.8x. The 2020-21E dividend yield is below that of peers but a decent 4.5-5.3%. However, we believe this could be significantly higher depending on the divestment of Garantia. Our fair value range is EUR9.0-11.0 (EUR8.0-10.8) per share, and up to EUR13.0 per share in a blue-sky scenario, depending on the price at which Taaleri might be able to sell Garantia.

Key financials

Year-end Dec (EUR)	2018	2019	2020E	2021E	2022E
Total income (m)	72.5	67.2	82.1	82.7	95.7
Total income growth	-10.5%	-7.4%	22.2%	0.8%	15.7%
Total expenses (m)	-48.5	-50.1	-55.7	-56.6	-59.3
Operating profit (m)	23.9	17.0	26.3	26.1	36.4
Operating profit growth	-13.6%	-28.6%	54.7%	-0.8%	39.4%
Operating profit margin	32.9%	25.4%	32.1%	31.6%	38.1%
EPS (adj.)	0.83	0.50	0.72	0.73	1.01
DPS	0.30	0.32	0.38	0.40	0.45
Dividend yield	4.2%	3.8%	4.5%	4.7%	5.3%
ROE	18.9%	8.8%	13.8%	13.7%	18.8%
P/E (adj.) (x)	8.5	16.8	11.8	11.6	8.4
P/BV	1.64	1.66	1.60	1.57	1.57

Source: Company data, Danske Bank Equity Research estimates

Price performance



Source: FactSet

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H2 19 overview

Taaleri's H2 19 result was a 10% beat versus our and FactSet consensus operating profit estimates.

H2 19 operating profit a 10% beat versus our estimates

H2 19 total income EUR36.3m (-4% y/y) came in 4% below FactSet consensus of EUR37.7m but the operating profit EUR10.1m (-12% y/y) was 10% better than consensus of EUR9.2m. On a segmental basis, H2 19 Wealth Management operating profit was EUR9.7m up 35% y/y and 11% better than our estimate, and Financing (Garantia) was also better with a H2 19 combined ratio (IFRS) at 46%. Energia's H2 19 operating profit was below estimates but mainly due to a one-off EUR0.5m credit loss. Other Operations' profit was impacted by the EUR5m mark-to-market valuation loss on the shares in Fellow Finance.

The H2 19 operating profit margin was 27.8% (H2 18: 30.8%) compared to our estimate of 23.6% and consensus at 24.4%. H2 19 EPS of 0.21 was 19% below our estimate due to a higher tax rate as the mark-to-market losses from the stake in listed peer-to-peer lender Fellow Finance are not tax deductible.

Table 1: H2 19 deviation to estimates

EURm	Actual H2	Cons. H2 19E	Diff	Danske H2 19E	Diff.	H2 18A	Growth y/y
Total income	36.3	37.7	-3.7%	39.1	-7.2%	37.3	-2.7%
Operating profit	10.1	9.2	9.8%	9.2	9.8%	11.5	-12.0%
Operating profit-%	27.8%	24.4%	n.m.	23.5%	n.m.	30.8%	n.m.
Net income	6.6	7.0	-5.1%	7.3	-9.0%	12.5	-46.7%
EPS	0.21	0.26	-19.2%	0.26	-19.2%	0.50	-57.7%
DPS	0.32	0.32	0.0%	0.32	0.0%	0.30	6.7%
Income by segment	36.3	37.7	-3.7%	39.1	-7.2%	37.3	-2.7%
Wealth Management	25.7			24.2	6.2%	19.0	35.3%
Financing	10.8			10.6	1.9%	7.4	46.0%
Energia	3.2			2.8	14.1%	1.2	168.7%
Other operations	-3.4			1.5	-326.7%	10.3	-133.1%
Operating profit by segment	10.1	9.2	9.8%	9.2	9.8%	11.5	-12.0%
Wealth Management	9.7			8.7	11.5%	2.7	265.8%
Financing	6.6			6.3	4.0%	2.5	158.9%
Energia	-1.0			-0.3	293.7%	-1.4	-29.2%
Other operations	-5.2			-5.6	-6.7%	7.7	-167.5%
Operating profit-% by segment	27.8%	24.4%	n.m.	23.6%	n.m.	30.8%	n.m.
Wealth Management	38%			36%	n.m.	14.0%	n.m.
Financing	61%			60%	n.m.	34.5%	n.m.
Energia	-31%			-11%	n.m.	-118.6%	n.m.
Other operations	153%			-371%	n.m.	75.0%	n.m.
AuM	7,100			6,922	2.6%	5,700	24.6%
Mutual funds	1,023			1,100	-7.0%	911	12.3%
Private equity funds	1,223			1,300	-5.9%	1,024	19.4%
Discretionary wealth management	n.a.			2,150	n.a.	1,922	n.a.
Consultative wealth management	n.a.			2,100	n.a.	1,754	n.a.
Energia	n.a.			272	n.a.		

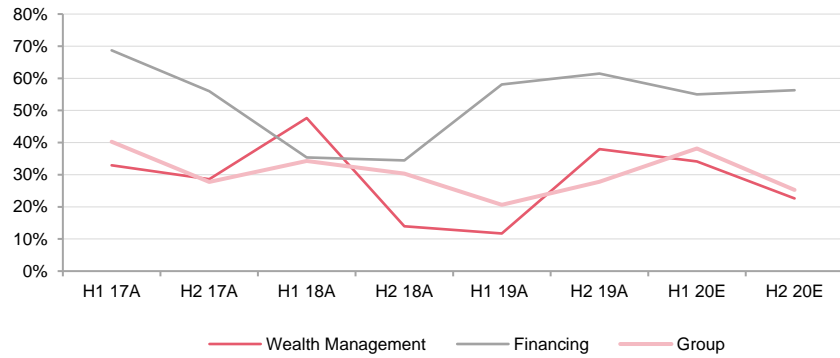
Source: Company data, FactSet consensus, Danske Bank Equity Research estimates

The FY 2019 DPS at EUR0.32 (EUR0.30), or an 82% pay-out ratio, was in line with our estimates and consensus. AuM of EUR7.1bn was better than our estimate of EUR6.9m but the mix was slightly worse as the high-margin Private Equity AuM (EUR1.22bn) was 6% lower than our forecast but still up 19% y/y.

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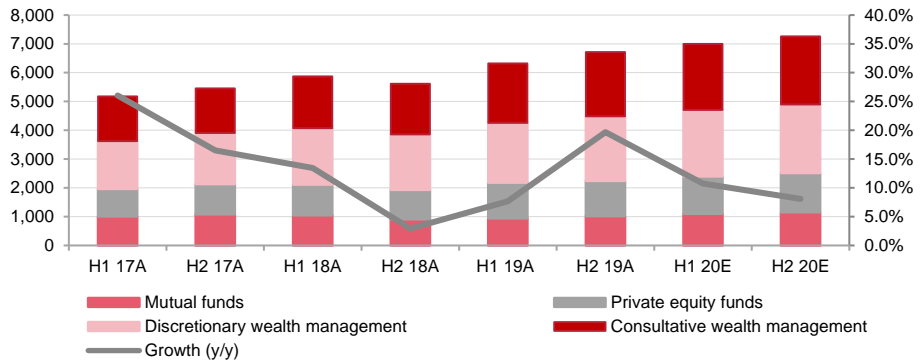
Taaleri's operating profit margin decreased in H2 18 - H1 19 due to weak performance of the Wealth Management segment. However, as the segment's profitability improved in H2 19, the group margin improved as well. We expect this to continue in H1 20E

Chart 1: Semi-annual quarterly operating profit margin by segment



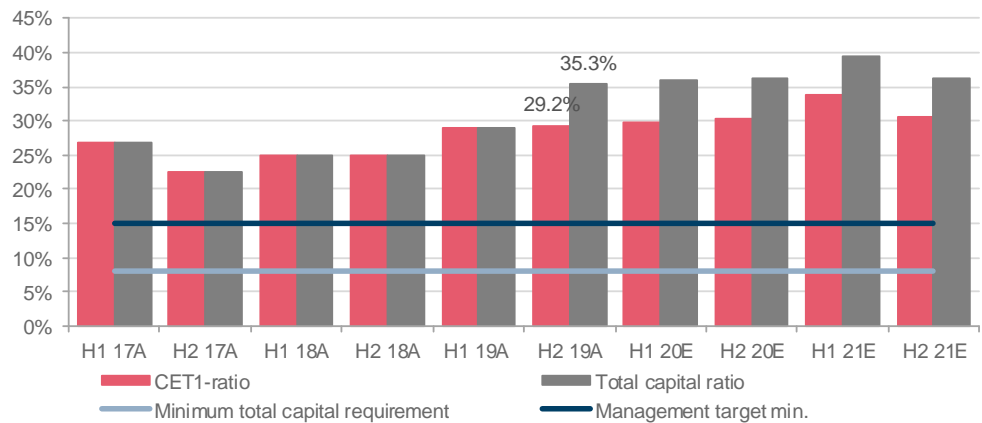
Source: Company data, Danske Bank Equity Research estimates

Chart 2: Semi-annual Wealth Management assets under management (EURm)



Source: Company data, Danske Bank Equity Research estimates

Chart 3: Semi-annual CET1 and capital ratio



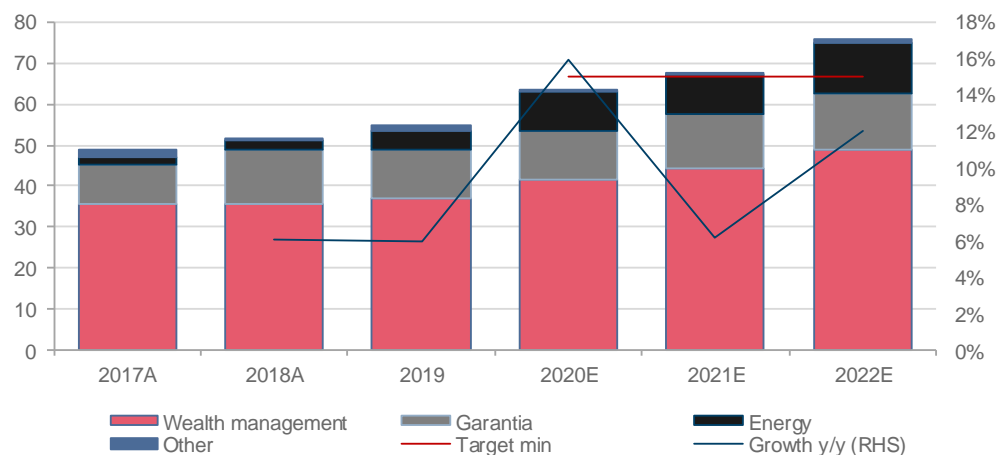
Source: Company data, Danske Bank Equity Research estimates

In the H2 19 report Taaleri kept its long-term guidance unchanged but added a target to grow recurring income by at least 15% per annum, versus only 6% in FY 2019. Taaleri still targets an operating profit margin of >20% and an ROE of >15%. Taaleri does not give specific guidance for FY 2020.

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We expect Taaleri to reach its new long-term target of 15% continuing earnings growth in 2020E driven by the AuM growth at the end of 2019

Chart 4: Continuing earnings 2016-22E (EURm)



Source: Company data, Danske Bank Equity Research estimates

Table 2: Summary tables

EURm	H1 17A	H2 17A	H1 18A	H2 18A	H1 19A	H2 19A	H1 20E	H2 20E	H1 21E	H2 21E
Total income	36.2	44.8	35.2	37.3	30.9	36.8	43.4	38.7	40.9	41.9
Growth h/h	3.5%	4.6%	4.5%	4.8%	4.6%	4.3%	0.0%	0.0%	17.0%	13.5%
Total expenses	-20.8	-33.2	-23.1	-25.4	-24.5	-25.6	-26.8	-28.9	-27.0	-29.6
Operating profit	15.6	12.0	12.4	11.5	6.4	10.6	16.6	9.8	13.9	12.2
Operating margin	43.1%	26.8%	35.1%	30.8%	20.6%	28.8%	38.2%	25.3%	34.0%	29.2%
Segment revenues										
Wealth Management	23.9	30.7	29.7	19.0	17.2	25.7	25.5	23.0	24.8	25.5
Financing	11.5	10.7	6.8	7.4	10.5	10.8	9.3	9.5	10.4	10.7
Energia	0.8	1.0	1.1	1.2	1.4	3.2	7.9	5.4	4.8	4.8
Other	2.6	0.9	-1.5	10.3	1.8	-3.4	0.8	0.8	0.9	0.9
Total	38.7	43.3	36.1	37.9	30.9	36.3	43.4	38.7	40.9	41.9
Segment operating profit										
Wealth Management	7.9	8.8	14.1	2.7	2.0	9.8	8.7	5.2	7.7	7.1
Financing	7.9	6.0	2.4	2.5	6.1	6.6	5.1	5.3	6.9	6.8
Energia	-0.7	-0.9	-0.9	-1.4	-1.6	-1.0	3.9	1.2	0.5	0.5
Other	0.5	-1.9	-3.3	7.7	-0.1	-5.3	-1.1	-1.9	-1.2	-2.0
Total	15.6	12.0	12.4	11.5	6.4	10.1	16.6	9.8	13.9	12.2
Operating profit margin										
Wealth Management	32.9%	28.6%	47.6%	14.0%	11.7%	38.0%	34.1%	22.6%	31.0%	27.7%
Financing	68.7%	56.0%	35.4%	34.5%	58.1%	61.5%	55.0%	56.3%	66.5%	63.0%
Energia	-87.1%	-86.0%	-84.3%	-118.6%	-116.5%	-30.3%	49.1%	21.6%	9.5%	9.5%
Other	19.6%	-222.0%	220.1%	75.0%	-5.6%	155.7%	-135.2%	-241.4%	-141.4%	-231.2%
Total	40.3%	27.8%	34.3%	30.4%	20.6%	27.8%	38.2%	25.3%	34.0%	29.2%
Reported EPS (EUR)	0.44	0.32	0.32	0.44	0.18	0.23	0.45	0.27	0.39	0.34
Adjusted EPS (EUR)	0.44	0.32	0.32	0.50	0.14	0.27	0.45	0.27	0.39	0.34
AuM										
Mutual funds	1,012	1,083	1,048	911	945	1,023	1,100	1,155	1,213	1,273
Private equity funds	957	1,052	1,067	1,024	1,238	1,223	1,300	1,365	1,433	1,505
Discretionary wealth management	1,653	1,772	1,961	1,922	2,074	2,240	2,306	2,409	2,482	2,556
Consultative wealth management	1,552	1,544	1,794	1,754	2,064	2,229	2,294	2,398	2,470	2,544
Total AuM	5,300	5,600	6,000	5,700	6,600	7,100	7,572	7,979	8,249	8,530

Source: Company data, Danske Bank Equity Research estimates

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Investment case

Taaleri is a Finnish wealth management and insurance group founded in 2007. Taaleri (name derived from the Finnish spelling of 'thaler', an old European silver coin) has 230 employees and was listed on Nasdaq Helsinki First North in 2013 and on the main list in 2016. The company has three divisions: Wealth Management, Financing and Energia. It also makes investments from its own balance sheet, which it reports under Other Operations.

The core of the franchise and key value drivers of the Taaleri Group are wealth management and alternative investments, in particular. The group's key growth and value driver focuses on different property, forest and wind power funds, among others, with AuM of more than EUR1.3bn in Finland.

Throughout its fairly short history, Taaleri has been opportunistic in its business rather than following a clear strategy. The acquisition of guaranty insurance company Garantia in 2016, in particular, demonstrates this. This acquisition had virtually no synergies with the rest of the group. In addition, Taaleri has several minority holdings in different kinds of unlisted companies.

For further details see our report of 27 January 2020: *Taaleri: Alternative investment growth case with a large M&A option*.

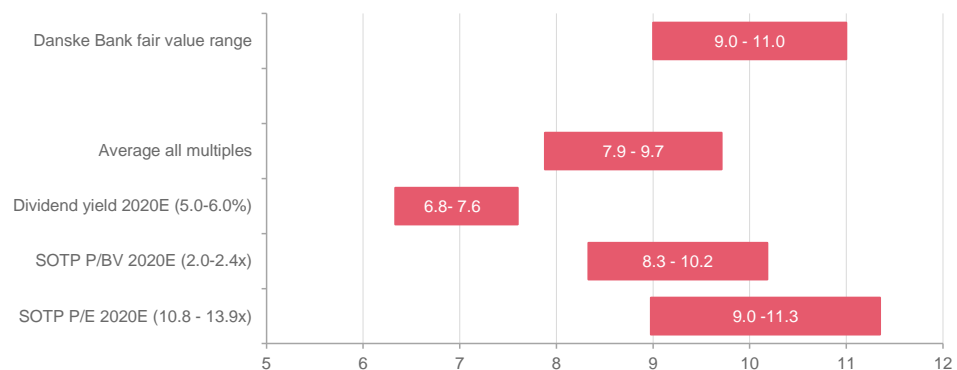
Chart 5: Taaleri share price and fair value range (EUR per share)



Source: FactSet, Danske Bank Equity Research estimates

Taaleri's shares have underperformed those of key peers, especially since 2018. We set our fair value range at EUR9.0-11.0 (EUR8.0-10.8). The range is very wide given the very different value of insurance arm Garantia in different scenarios. We believe that a potential larger buyer could leverage the business significantly depending mainly on the potential leverage. The uncertainty is whether it can and will be sold. In this respect, we see Taaleri as an M&A-driven event case.

Chart 6: Taaleri fair value range



Source: Danske Bank Equity Research estimates

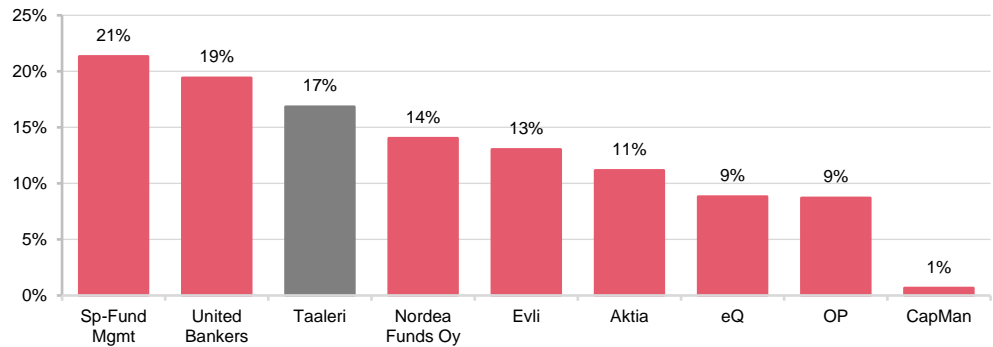
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High client rankings and 17% AuM CAGR over 2012-19

In our opinion, the key positives in the investment case are as follows.

- **Strong record of organic growth in high net worth individual (HNWI) asset management and alternative investment funds, in particular.** Taaleri has a proven record and had the third highest AuM growth (17% CAGR) among Finnish asset managers over 2012-H1 19. Finnish business magazine *Arvopaperi* chose Taaleri as the best wealth manager in Finland in 2019.

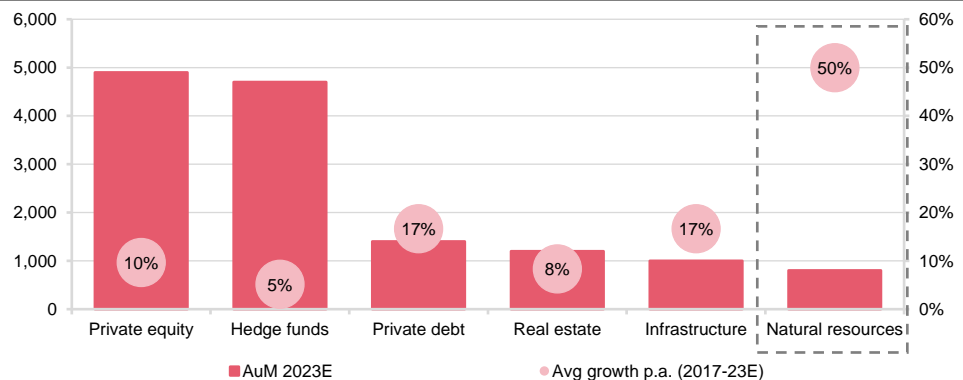
Chart 7: Finnish medium-sized asset managers – assets under management CAGR 2012-H1 19



Source: Company data, Danske Bank Equity Research

- **Wind and solar 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 the largest private equity owner-operator in the Finnish wind market, with 110 turbines producing approximately 1% of all the country’s electricity. Infrastructure investments in wind and solar power are the main drivers of Taaleri’s asset and revenue growth. This is a fairly new asset sub-class, where we see strong growth as Taaleri 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. In addition, as many of these are relatively new, we believe funds will start to generate carry in coming years, which will drive earnings.

Chart 8: Global AuM in 2023E (EURbn) and average growth rate p.a. of different alternative investment classes over 2017-23E



Source: Bloomberg Intelligence

- **Environmental, social and governance (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 promote sustainability in their strategy and operations. As an example, Taaleri’s renewable energy funds have reduced 1.2m tonnes of CO₂ emissions. In our view, the current valuation of Taaleri’s shares does not reflect this.

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Taaleri’s competitive advantage is in wind and solar alternative investments; Bloomberg expects these assets to have the highest growth globally until 2023E

Bloomberg expects natural resource investments, such as wind and solar, to be the fastest growing asset class, with 50% CAGR over 2017-23

Divesting guaranty insurance arm Garantia is a key trigger for the revaluation of Taaleri, as it would significantly improve asset returns and extra dividend potential

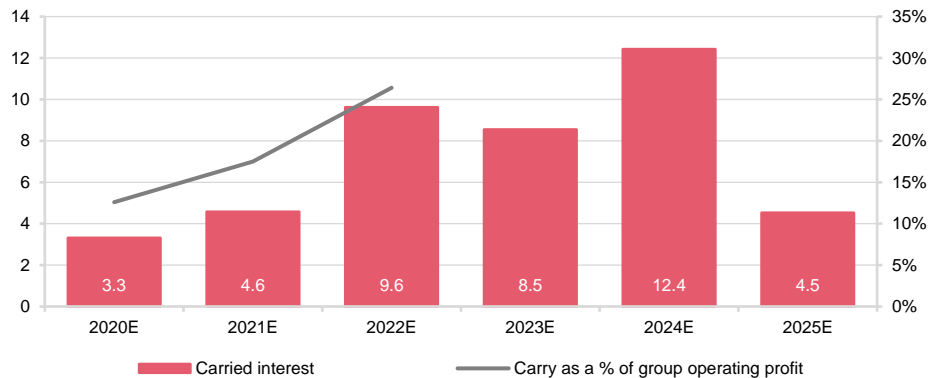
We expect Taaleri's first alternative investment funds to mature and start generating significantly more carry, or performance fees, in FY 2022-24E

Taaleri's current alternative funds are maturing and starting to generate significantly more carried interest in 2022-24E

Complex reporting and accounting and non-transparent assets

- Large value creation opportunity in the divestment of Garantia.** In the current group set-up, Taaleri's credit guaranty insurance arm Garantia has virtually no synergies with the rest of the group and requires far too much solvency capital to generate a high return on capital. We estimate that Garantia's ROE for IFRS capital is around 10% versus the group target of >15% but an industrial buyer could leverage the operations and optimise capital better than Garantia can currently. We estimate that the value range for Garantia could be EUR150-180m (4.4-6.5 per share) compared with our base-case range of EUR90-109m (EUR2.8–4.1 per share). We also believe that the divestment of Garantia would increase the probability of M&A for the rest of Taaleri Group.
- 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. The AuM of these funds were some EUR1.2bn at the end of H1 19. 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 EUR9-12m in 2022-24E, driven by exits of larger funds.

Chart 10: Taaleri alternative investments - carried interest 2020-25E (EURm)



Source: Danske Bank Equity Research estimates

- M&A opportunities in the Finnish wealth management business.** 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. We believe that we will see mergers and acquisitions in Finland and see Taaleri taking part in this activity, especially if, and when, it divests Garantia.
- Insiders buying.** Several insiders have bought Taaleri's shares lately. These include Chairman of the Board Peter Fagernäs, through his family investment company Oy Hermitage Ab, and CEO Robin Lindahl.

In our view, the key negatives in the investment case are as follows.

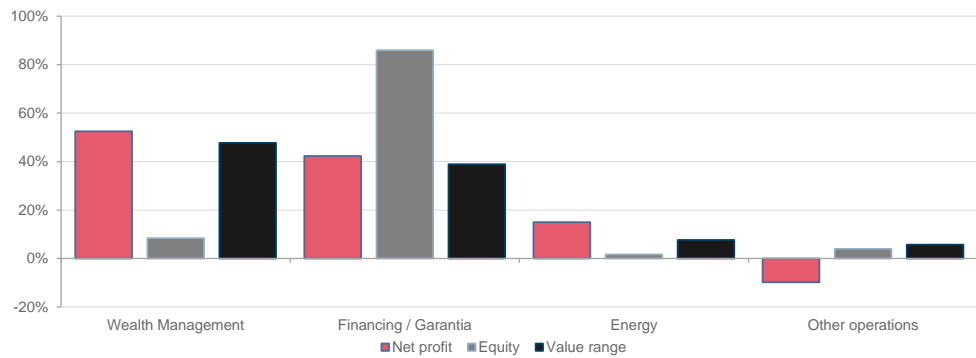
- Complicated structure and non-transparent assets.** While the different operations provide diversification, we believe investors could diversify themselves and the different operations complicate the case as well. In particular, the insurance company and the group's financial investments are difficult to value from the outside and, in our opinion, add to the risk premium in the shares. In addition, Taaleri reports only half-year earnings, so disclosure is not at the same level as that of most other listed peers.
- High earnings volatility.** While Taaleri's operations are not very cyclical by nature, the group's reported earnings have been volatile. This is due largely 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.

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Taaleri's subsidiary Garantia is a problem from a regulatory solvency perspective and it generates too little return on the capital it requires in the current set-up, so, in our opinion, divesting it would create value

- Suboptimal capital structure and capital uncertainty.** Taaleri is regulated both as a financial conglomerate (FiCo) and as a bank and insurance company. This means Taaleri has to comply with both the bank (Basel III) and insurance (Solvency II) rules. We note that a structure with both a bank and insurance company is seldom optimal, especially if a credit institution owns an insurance company. Currently, Taaleri has a permission from the Finnish FSA not to deduct the Garantia insurance investment from its own funds but rather to use a risk weighting until 31 December 2020. If the FSA does not extend this, we believe Taaleri's CET1 ratio would fall from 29.1% in H1 19 to around 18%. However, in our opinion, it would not have an impact on the financial conglomerate solvency or be a risk for dividends.
- Small size and illiquid shares.** Taaleri has very limited institutional ownership currently, 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. At the same time, we note that several insiders have been buying the shares in recent months.

Chart 9: Taaleri profit, equity and value breakdown 2020E



Source: Danske Bank Equity Research estimates

Valuation

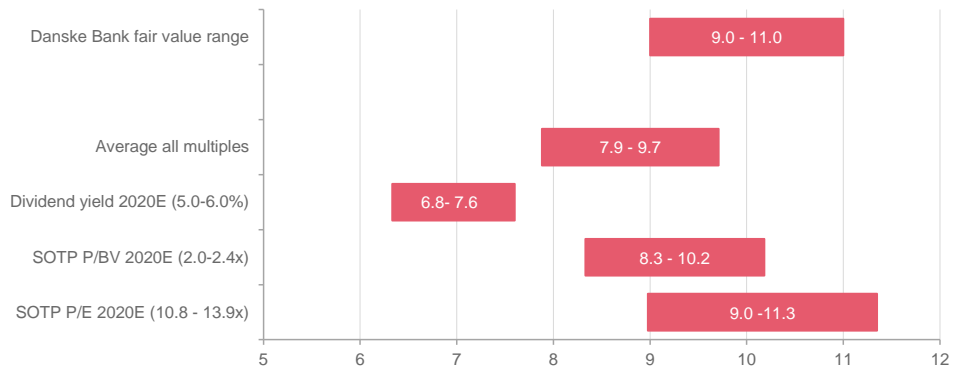
Chart 10: Taaleri share price fair value range (EUR per share)



Source: FactSet, Danske Bank Equity Research estimates

The range is very wide given the very different value of insurance arm Garantia in different scenarios. We believe that a potential larger buyer could leverage the business significantly depending mainly on the potential leverage. The uncertainty is whether Taaleri can, and will, sell Garantia.

Chart 11: Taaleri fair value range (EUR per share)



Source: Danske Bank Equity Research estimates

Table 3: Sum-of-the-parts on P/E 2020E

EURm	Net profit	Share	P/E (x)	Value low	Value high
Wealth Management	11.1	49%	13 - 15	145	167
Financing/Garantia	10.0	44%	7 - 12	90	109
Energia	4.0	18%	n.m.	10	30
Other operations	-2.4	-11%	n.m.	10	15
Total	22.7	100%	8.1 - 12.2	254	321
Per share (EUR)	0.80			9.0	11.3

Source: Danske Bank Equity Research estimates

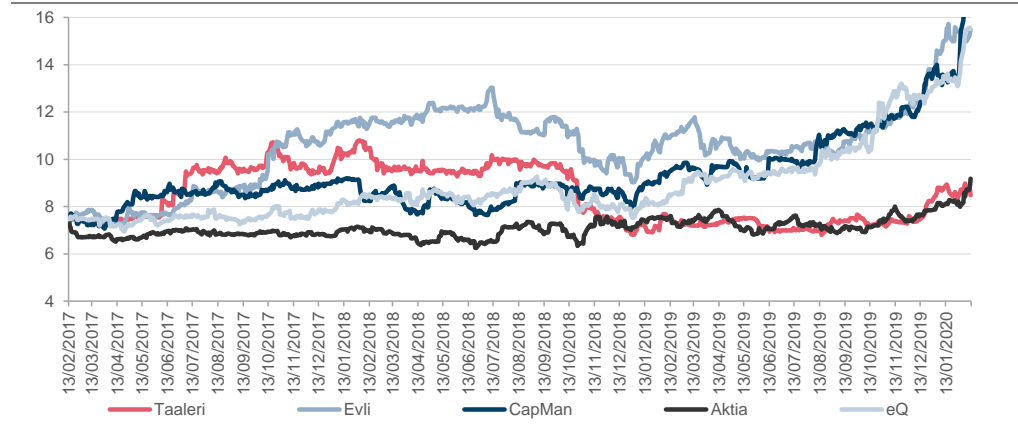
We increase our fair value range to EUR9.0-11.0 (EUR8.0-10.8) after the H2 19 report

Blue-sky at EUR13 per share

Wealth Management is the key value driver in the group, with 46-55% of the target value based on a 2020E sum-of-the-parts on P/E

Taaleri and Aktia have clearly underperformed other Finnish asset management peers such as EQ, Evli and CapMan since 2018

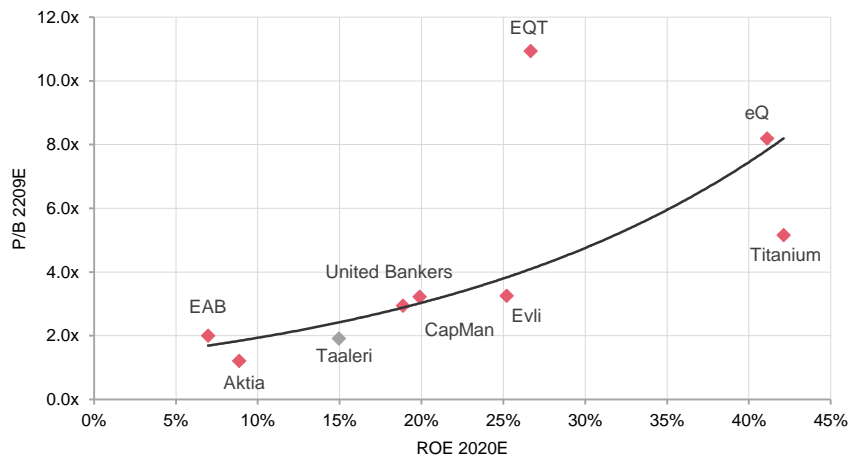
Chart 12: Total return of Finnish asset management companies - rebased to Taaleri



Source: FactSet, Danske Bank Equity Research

Taaleri's shares performed largely in line with the Finnish asset management peer group until August 2018 and have not recovered since. Over the same period, both CapMan and eQ's share prices have almost doubled.

Chart 13: Value map - Nordic asset management companies



Source: FactSet consensus

Taaleri's FY 2020E ROE of 15.0% is below the 2020E Finnish peer median of 19.9%. Thus, Taaleri is trading at a 22% discount to its peers at P/BV 2020E of 1.7x. The Finnish asset management companies with the highest ROE and P/BV is eQ trading at ROE of 41%, with P/BV of 8.0x.

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Sweden's EQT and Finland's eQ have the highest ROE and are trading in a league of their own in terms of P/BV

Table 4: Key ratios for international and Finnish asset management companies

Company	Ticker	Price lcl ccy	Market cap lcl ccy	P/B (x)		P/E (x)		Div. yield		ROE	
				2019E	2020E	2019E	2020E	2019E	2020E	2019E	2020E
Affiliated Managers Group	AMG US	83.71	4,125	1.4	1.5	5.9	5.8	1.5%	1.5%	24.5%	25.6%
AGF Management	AGF/B CN	7.13	561	0.6	0.6	11.9	11.9	4.5%	4.5%	5.1%	4.9%
Azimut Holding Spa	AZM IM	23.92	3,488	4.4	3.9	11.0	14.2	5.0%	5.0%	39.9%	27.8%
BlackRock	BLK US	572.48	88,848	2.7	2.5	20.1	17.9	2.3%	2.5%	13.3%	14.1%
Blackstone	BX US	62.85	75,074	5.4	5.2	27.2	20.6	3.1%	4.1%	19.7%	25.1%
CI Financial	CIX CN	24.36	5,481	3.6	2.9	10.2	9.5	3.0%	3.0%	35.4%	31.0%
DWS Group	DWS GR	38.63	7,726	1.1	1.1	14.3	13.2	4.3%	5.0%	8.0%	8.3%
Eaton Vance	EV US	49.45	5,616	4.8	4.7	14.3	14.1	2.9%	3.1%	33.2%	33.2%
EQT	EQT SS	137.60	131,131	11.8	10.9	70.2	41.0	1.6%	1.9%	16.8%	26.7%
Federated Investors	FII US	36.16	3,657	3.6	3.5	13.4	11.8	3.0%	3.2%	26.8%	29.3%
GAM Holding	GAM SW	2.95	471	0.5	0.5	305.6	27.2	0.0%	1.0%	0.2%	1.8%
IGM Financial	IGM CN	39.76	9,475	2.1	2.0	12.5	11.4	5.7%	5.7%	16.9%	17.2%
Invesco	IVZ US	18.58	8,433	0.6	0.6	7.3	6.9	6.7%	6.9%	7.9%	8.4%
Janus Henderson	JHG US	27.06	5,073	1.1	1.0	11.0	10.4	5.3%	5.5%	9.7%	9.6%
Legg Mason	LM US	41.20	3,576	1.0	0.9	11.0	9.9	3.9%	4.1%	8.6%	9.1%
Man Group	EMG LN	1.56	2,355	1.9	1.8	11.2	11.0	4.5%	4.9%	16.5%	16.4%
Manning & Napier	MN US	2.00	31	1.0	1.0	11.8	11.8	4.0%	4.0%	8.4%	8.4%
Rathbone Brothers	RAT LN	19.70	1,111			15.1	14.6	3.5%	3.7%		
Schroders	SDR LN	34.12	9,201	2.5	2.4	17.6	16.2	3.3%	3.4%	14.3%	14.5%
T. Rowe Price	TROW US	138.48	32,570	4.6	4.1	15.9	15.5	2.2%	2.3%	28.8%	26.4%
Waddell & Reed Financial	WDR US	16.81	1,157	1.5	1.4	10.7	10.2	5.9%	5.9%	13.6%	13.5%
WisdomTree Investments	WETF US	5.02	779	1.6	1.6	22.9	19.5	2.4%	2.4%	6.9%	8.1%
CapMan	CAPMAN FH	2.76	425.1	3.5	3.2	30.4	16.2	4.7%	5.1%	11.4%	19.9%
EAB	EABGB FH	3.12	70.4	2.1	2.0	n.a.	28.8	0.8%	2.2%	-3.4%	7.0%
eQ	EQV1V FH	14.75	565.0	8.7	8.2	26.8	19.9	4.2%	5.1%	32.4%	41.1%
Evli	EVLI FH	11.65	274.1	3.5	3.3	16.2	12.9	5.7%	6.9%	21.4%	25.2%
United Bankers	UNIAV FH	9.20	96.1	3.1	2.9	19.5	15.6	4.9%	6.0%	15.7%	18.9%
Titanium	TITAN FH	10.70	109.4	5.0	5.1	14.1	12.2	7.0%	7.5%	35.5%	42.1%
Aktia	AKTIA-FI	10.88	752.6	1.2	1.2	14.5	13.7	5.7%	5.8%	8.5%	8.8%
Average				3.0	2.9	27.6	15.3	3.8%	4.2%	17.0%	18.7%
Median				2.3	2.2	14.3	13.7	4.0%	4.1%	15.0%	16.8%
Finnish average				3.9	3.7	20.3	17.0	4.7%	5.5%	17.4%	23.3%
Finnish median				3.5	3.2	17.9	15.6	4.9%	5.8%	15.7%	19.9%
Taaleri	TAALA FH	8.48	240	2.1	1.9	23.1	12.8	3.5%	3.8%	9.0%	15.0%
Taaleri vs. median				-10%	-12%	62%	-7%				
Taaleri vs. Finnish median				-40%	-41%	29%	-18%				

Note: Prices as at close on 12 February 2020

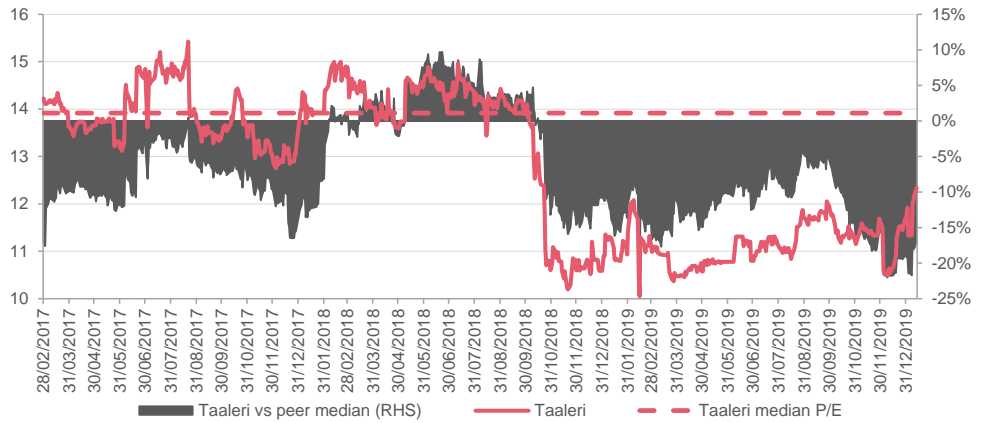
Source: FactSet prices and consensus

Taaleri is currently trading at a P/E 2020E of 12.8x based on FactSet consensus, which is 9% below the three-year average (14x) and 18% below the Finnish peer median and the lowest among our listed peer group (eQ, CapMan and Evli). This has not always been the case, as before September 2018 the stock traded at a premium to its peers (see below).

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Taaleri is trading at a discount to both its history and local peers on forward P/E

Chart 14: Taaleri forward P/E 2020 (x) vs Finnish peer median to date



Source: Danske Bank Equity Research estimates

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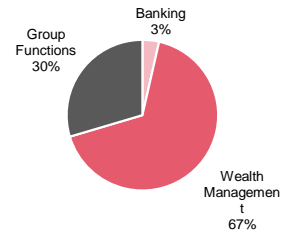
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Company summary

Income breakdown by geographical area



Income breakdown by segment



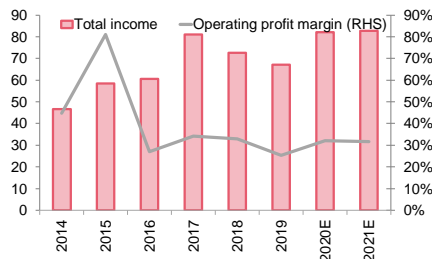
Company information

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

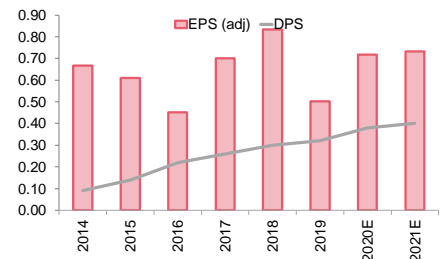
Main shareholders

Name	Votes (%)	Capital (%)
Veikko Laine Oy	10.2%	10.2%
Hermitage Oy	10.0%	10.0%
Juhani Elomaa excl. related parties	6.1%	6.1%

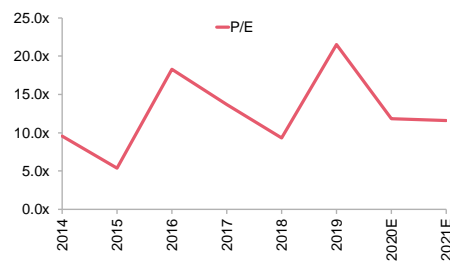
Total income and operating profit margin (EURm)



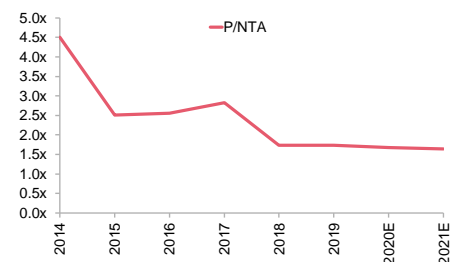
EPS (adjusted) and DPS (EURm)



P/E NTM



P/NTA NTM



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	2020E	2021E	2022E
Commissions	28	32	33	53	46	46	55	60	63	63
Total income	47	58	61	81	73	67	82	83	96	96
Costs	-26	-40	-44	-54	-48	-50	-56	-57	-59	-59
Operating profit	21	47	16	28	24	17	26	26	36	36
Taxes	-4	-3	-4	-6	-2	-5	-5	-5	-5	-7
Pre-tax profit	21	47	16	28	24	17	26	26	36	36
Net profit	17	44	13	21	22	12	20	21	29	29
Net profit (adj.)	17	17	13	20	24	14	20	21	29	29

BALANCE SHEET

EURm	2013	2014	2015	2016	2017	2018	2019	2020E	2021E	2022E
Insurance assets	0	117	126	136	134	153	151	154	162	162
Other interest bearing assets	32	28	55	35	26	29	30	31	32	32
Goodwill	2	2	3	2	7	7	7	7	7	7
Total assets	153	217	213	229	238	270	273	277	291	291
Insurance liabilities	0	13	15	20	23	32	34	34	36	36
Wholesale funding	30	30	65	55	55	35	36	37	39	39
Equity	38	97	94	106	122	144	150	153	153	153
NTA	35	95	91	104	116	137	143	146	146	146

PER SHARE DATA

	2013	2014	2015	2016	2017	2018	2019	2020E	2021E	2022E
No. of shares, fully diluted YE (m)	25.2	28.3	28.3	28.3	28.3	28.3	28.3	28.3	28.3	28.3
No. of shares, fully diluted avg. (m)	25.2	28.3	28.3	28.3	28.3	28.3	28.3	28.3	28.3	28.3
EPS (reported) (EUR)	0.67	1.56	0.45	0.76	0.76	0.39	0.72	0.73	1.01	1.01
EPS (adj.) (EUR)	0.67	0.61	0.45	0.70	0.83	0.50	0.72	0.73	1.01	1.01
DPS (EUR)	0.09	0.14	0.22	0.26	0.30	0.32	0.38	0.40	0.45	0.45
Book value per share (EUR)	1.51	3.43	3.32	3.75	4.32	5.09	5.29	5.40	5.40	5.40
NTA per share (EUR)	1.41	3.35	3.23	3.67	4.09	4.86	5.05	5.15	5.14	5.14

MARGINS AND GROWTH

	2013	2014	2015	2016	2017	2018	2019	2020E	2021E	2022E
C/I, adjusted	55.3%	67.8%	73.4%	66.6%	66.8%	74.6%	67.9%	68.4%	61.9%	61.9%
Op profit marg	44.7%	81.1%	27.0%	34.1%	32.9%	25.4%	32.1%	31.6%	38.1%	38.1%
Op profit grth		n.m.	-65.51%	69.0%	-13.59%	-28.61%	54.7%	-0.84%	39.4%	39.4%
Tot inc growth		25.2%	3.7%	33.7%	-10.5%	-7.4%	22.2%	0.8%	15.7%	15.7%
Cost growth		-53.5%	-12.2%	-21.4%	10.2%	-3.5%	-11.2%	-1.5%	-4.7%	-4.7%
PPP growth		-9.8%	-14.2%	67.8%	-11.0%	-29.2%	54.7%	-0.8%	39.4%	39.4%
EPS (adj) growth		-8.4%	-26.1%	55.5%	18.8%	-39.8%	43.0%	2.3%	38.0%	38.0%

PROFITABILITY

	2013	2014	2015	2016	2017	2018	2019	2020E	2021E	2022E
ROE, reported profits	44.3%	65.3%	13.4%	21.5%	18.9%	8.8%	13.8%	13.7%	18.8%	18.8%
RONTA, adj. profits	47.2%	26.6%	13.7%	20.3%	21.5%	11.2%	14.5%	14.4%	19.7%	19.7%

VALUATION

	2013	2014	2015	2016	2017	2018	2019	2020E	2021E	2022E
Share price (EUR)	6.36	8.38	8.24	10.4	7.10	8.42	8.48	8.48	8.48	8.48
Market cap (EURm)	160	237	233	293	201	238	240	240	240	240
P/E (reported) (x)	9.5	5.4	18.3	13.7	9.3	21.5	11.8	11.6	8.4	8.4
P/E (adj.) (x)	9.5	13.7	18.3	14.8	8.5	16.8	11.8	11.6	8.4	8.4
P/BV (x)	4.23	2.44	2.49	2.76	1.64	1.66	1.60	1.57	1.57	1.57
P/NTA (x)	4.51	2.50	2.55	2.82	1.74	1.73	1.68	1.65	1.65	1.65
Dividend yield	1.4%	1.7%	2.7%	2.5%	4.2%	3.8%	4.5%	4.7%	5.3%	5.3%
Total yield (incl. buybacks)	1.4%	1.7%	2.7%	2.5%	4.2%	3.8%	4.5%	4.7%	5.3%	5.3%

Source: Company data, Danske Bank Equity Research estimates

Summary tables

EURm	H1 17A	H2 17A	H1 18A	H2 18A	H1 19A	H2 19A	H1 20E	H2 20E	H1 21E	H2 21E
Total income	36.2	44.8	35.2	37.3	30.9	36.8	43.4	38.7	40.9	41.9
<i>Growth h/h</i>	3.5%	4.6%	4.5%	4.8%	4.6%	4.3%	0.0%	0.0%	17.0%	13.5%
Total expenses	-20.8	-33.2	-23.1	-25.4	-24.5	-25.6	-26.8	-28.9	-27.0	-29.6
Operating profit	15.6	12.0	12.4	11.5	6.4	10.6	16.6	9.8	13.9	12.2
Operating margin	43.1%	26.8%	35.1%	30.8%	20.6%	28.8%	38.2%	25.3%	34.0%	29.2%
Segment revenues										
Wealth Management	23.9	30.7	29.7	19.0	17.2	25.7	25.5	23.0	24.8	25.5
Financing	11.5	10.7	6.8	7.4	10.5	10.8	9.3	9.5	10.4	10.7
Energia	0.8	1.0	1.1	1.2	1.4	3.2	7.9	5.4	4.8	4.8
Other	2.6	0.9	-1.5	10.3	1.8	-3.4	0.8	0.8	0.9	0.9
Total	38.7	43.3	36.1	37.9	30.9	36.3	43.4	38.7	40.9	41.9
Segment operating profit										
Wealth Management	7.9	8.8	14.1	2.7	2.0	9.8	8.7	5.2	7.7	7.1
Financing	7.9	6.0	2.4	2.5	6.1	6.6	5.1	5.3	6.9	6.8
Energia	-0.7	-0.9	-0.9	-1.4	-1.6	-1.0	3.9	1.2	0.5	0.5
Other	0.5	-1.9	-3.3	7.7	-0.1	-5.3	-1.1	-1.9	-1.2	-2.0
Total	15.6	12.0	12.4	11.5	6.4	10.1	16.6	9.8	13.9	12.2
Operating profit margin										
Wealth Management	32.9%	28.6%	47.6%	14.0%	11.7%	38.0%	34.1%	22.6%	31.0%	27.7%
Financing	68.7%	56.0%	35.4%	34.5%	58.1%	61.5%	55.0%	56.3%	66.5%	63.0%
Energia	-87.1%	-86.0%	-84.3%	-118.6%	-116.5%	-30.3%	49.1%	21.6%	9.5%	9.5%
Other	19.6%	-222.0%	220.1%	75.0%	-5.6%	155.7%	-135.2%	-241.4%	-141.4%	-231.2%
Total	40.3%	27.8%	34.3%	30.4%	20.6%	27.8%	38.2%	25.3%	34.0%	29.2%
Reported EPS	0.44	0.32	0.32	0.44	0.18	0.23	0.45	0.27	0.39	0.34
Adjusted EPS	0.44	0.32	0.32	0.38	0.22	0.29	0.45	0.27	0.39	0.34
AuM										
Mutual funds	1,012	1,083	1,048	911	945	1,023	1,100	1,155	1,213	1,273
Private equity funds	957	1,052	1,067	1,024	1,238	1,223	1,300	1,365	1,433	1,505
Discretionary wealth managem	1,653	1,772	1,961	1,922	2,074	2,240	2,306	2,409	2,482	2,556
Consultative wealth managem	1,552	1,544	1,794	1,754	2,064	2,229	2,294	2,398	2,470	2,544
Total AuM	5,300	5,600	6,000	5,700	6,600	7,100	7,572	7,979	8,249	8,530

Source: Company data, Danske Bank Equity Research estimates

Summary tables

EURm	2015A	2016A	2017A	2018A	2019A	2020E	2021E
Total income	58.4	60.6	81.0	72.5	67.2	82.1	82.7
<i>Growth y/y</i>	25.2%	3.7%	33.7%	-10.5%	-7.4%	22.2%	0.8%
Total expenses	-39.6	-44.5	-54.0	-48.5	-50.1	-55.7	-56.6
Operating profit	47.4	16.3	27.6	23.9	16.5	26.3	26.1
Operating margin	81.1%	27.0%	34.1%	32.9%	24.5%	32.1%	31.6%
Segment revenues							
Wealth Management	39.4	37.1	54.6	48.7	42.9	48.5	50.3
Financing	13.2	12.3	22.1	14.2	21.3	18.8	21.2
Energia	0.0	0.3	1.8	2.3	4.6	13.2	9.5
Other	6.1	11.0	3.4	8.8	-1.6	1.6	1.7
Total	58.4	60.7	81.9	73.9	67.2	82.1	82.7
Segment operating profit							
Wealth Management	9.8	6.2	16.6	16.8	11.8	13.9	14.8
Financing	6.7	4.6	13.9	4.9	12.7	10.4	13.7
Energia	0.0	-0.9	-1.5	-2.3	-2.6	5.0	0.9
Other	2.3	6.4	-1.4	4.4	-5.4	-3.0	-3.2
Total	18.8	16.4	27.6	23.9	16.5	26.3	26.1
Operating profit margin							
Wealth Management	24.8%	16.6%	30.4%	34.5%	27.4%	28.7%	29.3%
Financing	51.1%	37.5%	62.9%	34.6%	59.8%	55.7%	64.7%
Energia		-258%	-84.0%	-100.9%	-56.5%	38.0%	9.5%
Other	37.8%	58.4%	-40.8%	50.1%	334.5%	-188.3%	-186.9%
Total	32.2%	26.9%	33.7%	32.3%	24.5%	32.1%	31.6%
Reported EPS (EUR)	1.56	0.45	0.76	0.76	0.39	0.72	0.73
Adj. EPS (EUR)	0.61	0.45	0.70	0.83	0.50	0.72	0.73
<i>Growth y/y</i>	-8%	-26%	55%	19%	-40%	43%	2%
DPS (EUR)	0.14	0.22	0.26	0.30	0.32	0.38	0.40
<i>Growth y/y</i>	56%	57%	18%	15%	7%	19%	5%
Dividend payout ratio	23%	49%	37%	36%	64%	53%	55%
ROE	63.1%	7.8%	21.5%	18.9%	8.3%	13.8%	13.7%
ROE (adj.)	24.7%	13.4%	19.9%	20.7%	10.7%	13.8%	13.7%
CET1-ratio	19.4%	18.6%	25.0%	30.5%	33.1%	23.5%	25.7%
AuM							
Mutual funds	850	857	1,083	911	1,023	1,155	1,273
Private equity funds	623	880	1,052	1,024	1,223	1,365	1,505
Discretionary w wealth management	1,275	1,431	1,772	1,922	2,240	2,409	2,556
Consultative w wealth management	1,052	1,511	1,544	1,754	2,229	2,398	2,544
Total AuM	3,900	4,800	5,600	5,700	7,100	7,979	8,530

Source: Company data, Danske Bank Equity Research estimates

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