

Investment Services

Key data

Price (EUR)*	9.72
Country	Finland
Bloomberg	TAALA.FH
Reuters	TAALA.HE
Free float	45.0%
Market cap (EURm)	276
No. of shares (m)	28.4
Next event	Q1: 7-May

* Price as at 12:53 CET on 7 April 2021

CEO	Robin Lindahl
CFO	Minna Smedsten

Company description

Taaleri is a Finnish financial services company. Taaleri focuses on Private Equity funds, focusing 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

Estimate changes

	21E	22E	23E
Tot inc	-38.2%	-43.1%	-32.8%
Op prof	-32.3%	-41.8%	-31.6%
EPS (adj.)	-34.4%	-42.6%	-32.7%

Source: Danske Bank Equity Research estimates

Analyst(s)

Daniel Lepistö

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Important disclosures and certifications are contained from page 19 of this report

Taaleri plc

The start of a new chapter

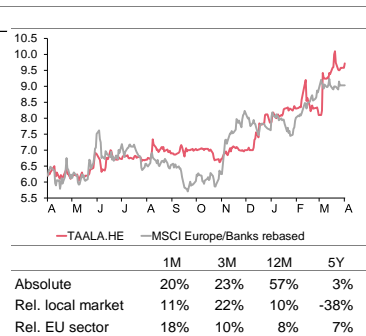
In March 2021, Taaleri announced that it would sell its Wealth Management operations to Aktia. After the deal, Taaleri is set to become an alternative investment fund manager with expertise in sustainability-themed funds, mainly renewable energy but also real estate, bio-industry and infrastructure funds. We raise our fair value range to EUR9.5-11.5, as we believe the deal is the first step for Taaleri to crystallise its company value.

- Sustainability-themed funds at Taaleri's core.** At its CMD, Taaleri communicated that with the post-deal setup it will have 64% of its total assets under management (AUM) in renewable energy projects. Taaleri has a dedicated team with both financial and engineering backgrounds that looks after the projects from start to finish. In the future, Taaleri is set to implement this 'all-around' team strategy for its other private equity fund classes as well, which will become a key competitive advantage, in our view.
- Excess cash from the deal to fuel growth and M&A.** As Taaleri will receive EV EUR120m and retain the approximately EUR10m net cash it has in Wealth Management, we believe that the company is poised to make at least some use of the money apart from paying it back to the shareholders. Taaleri's strategical roadmap for 2021-23 includes M&A. In our view, it is likely looking for attractive private equity teams focusing on either real estate or infrastructure funds. We estimate that Taaleri would pay EUR0.4 additional dividend for 2021E and EUR1.0 for 2022E.
- Significant carried interest potential for upcoming years.** Taaleri has several private equity funds that are relatively close to the end of their lifecycle. Based on company statements, Taaleri is currently in a near-exit phase for three of its real estate funds, totalling some EUR42m of investment commitments. We estimate some EUR2.5m carried interest for Taaleri in 2021E, rising to some EUR10m in 2023E. Our estimates imply EPS CAGR of 15% for 2020-23E for the company, despite the transaction decreasing Taaleri's total income by 40%.
- Valuation.** We raise our fair value range to EUR9.5-11.5 (EUR8.5-10.5 previously), noting that the transaction is set to go through in early May 2021. In our view, the deal is favourable for Taaleri in the long term and it is the first concrete step in unlocking the company's value.

Key financials

Year-end Dec (EUR)	2019	2020	2021E	2022E	2023E
Total income (m)	67.2	69.5	48.0	51.5	64.0
Total income growth	-7.0%	3.5%	-31.0%	7.3%	24.3%
Total expenses (m)	-50.6	-51.9	-31.7	-32.6	-38.5
Operating profit (m)	15.9	17.6	16.3	18.8	25.5
Operating profit growth	-32.4%	10.4%	-7.3%	15.3%	35.5%
Operating profit margin	23.7%	25.3%	34.0%	36.6%	39.9%
EPS (adj.)	0.49	0.45	0.44	0.50	0.68
DPS	0.32	0.34	0.80	1.50	0.50
Dividend yield	3.8%	4.2%	8.2%	15.4%	5.1%
ROE	8.0%	9.0%	61.0%	5.6%	8.2%
P/E (adj.) (x)	17.2	17.9	22.0	19.4	14.2
P/BV	1.70	1.59	1.07	1.11	1.22

Price performance



Source: Company data, Danske Bank Equity Research estimates

Source: FactSet

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Details of the proposed transaction

The deal to sell the Wealth Management operations to Aktia is set to go through in early May 2021, if approved by the regulator. Current management estimates of the probability of the deal succeeding are high. The details of the proposed transaction are the following.

Estimated total turnover of the operations is EUR35.5m (Taaleri Wealth Management total in 2020, EUR46.7m). In the transaction, approximately 100 employees of Taaleri will be transferred to Aktia and five employees of Aktia will be transferred to Taaleri. Purchase price is EUR120m of which up to EUR10m can be paid with Aktia shares. Our 2021E sum-of-the-parts valuation model assigned a fair value range of EUR105-136m for the entirety of Taaleri's wealth management operations. However, it is important to note that the most lucrative asset class in terms of management fee and carried interest potential, private equity funds, will remain fully at Taaleri, but the future fees will be somewhat split with Aktia (exact figures undisclosed). Despite this, the deal was executed at a clear premium in Taaleri's favour, in our view.

In total Taaleri will have approximately EUR1.8bn AUM after the transaction (2020 EUR7.6bn), consisting of private equity funds, Taaleri energy funds and the insurance arm Garantia's investments. Additionally, a long-term co-operation will be established between Aktia and Taaleri regarding distribution, development, marketing and sales of Taaleri's alternative fund products. Taaleri also acquires Aktia's real estate and infrastructure funds with an estimated value of EUR100-200m. As seen in the pro-forma figures excluding the divested Wealth Management operations, despite Taaleri transferring more than 75% of its AUM to Aktia in the deal, the company loses just 40% of its continuing earnings. This is due to private equity funds (that remain in Taaleri) having structurally higher management fees than the consultative and discretionary wealth management and mutual funds that are transferred to Aktia.

Table 1. Pro-forma figures excluding Wealth Management operations vs actual (2020)

EURm	2020 (pf)	2020	Diff. %
Total Income	40.0	69.5	-42%
Total expenses	-30.9	-51.9	-40%
Operating profit	9.1	17.6	-48%
Operating margin	23%	25%	-3%
Segment income			
Private Asset Management	21.9	52.2	-58%
Strategic investments	17.2	17.2	0%
Other	0.9	0.1	782%
Segment cont. earnings			
Private Asset Management	18.5	43.0	-57%
Strategic investments	14.6	14.6	0%
Other	2.7	1.6	74%
Segment operating profit			
Private Asset Management	3.7	12.4	-70%
Strategic investments	10.2	9.9	3%
Other	-4.8	-4.7	2%
Operating profit margin			
Private Asset Management	17%	24%	-7%
Strategic investments	59%	58%	2%
Other	-533%	-4599%	n.a.
AUM (EURm)	1,800	7,600	-76%

Note: Strategic investments only include guarantee insurance arm Garantia. Source: Company data, Danske Bank Equity Research estimates

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Long-term financial targets

Taaleri also revised its long-term financial targets. The long-term targets are as follows.

- **Over 15% growth in recurring revenues** (unchanged).
- **At least 25% operating profit margin** (previously 20%).
- **At least 15% ROE** (unchanged).

Taaleri's objective is to distribute at least 50% of the profit to shareholders, as well as the capital that the company does not need to fuel its growth or fulfil its solvency targets.

Taaleri also targets over EUR3bn AUM for 2023 (currently approximately EUR1.8bn).

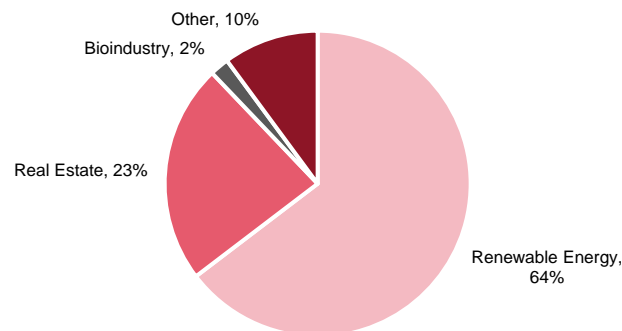
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Taaleri post-transaction

Divesting the Wealth Management business has significant consequences for Taaleri's capitalisation requirements, as the Financial Conglomerate (FiCo) framework will no longer regulate Taaleri after the transaction. Post deal, the major ruleset that Taaleri will have to comply with is the insurance arm Garantia's Solvency II rules, which the company already greatly exceeded with a S2 ratio of 230% in 2020. However, the final details will be decided upon after the transaction. In broad terms, Taaleri will be significantly overcapitalised from the received funds (EV EUR120m) from the transaction and thus there is pressure to invest them back into its business. If Taaleri is incapable of channelling the excess cash back into its operations and M&A does not pan out, the company will have to return the capital to its shareholders. Additionally, Taaleri is set to divest its non-strategic balance sheet investments (approximately EUR30m in 2020) and further unload its balance sheet.

In our view, with the cash received from the deal Taaleri will have significant tools to both retain and attract new talent to its alternative investment-focused setup. According to the roadmap announced at its CMD, the company will be looking at M&A, in our view especially for the new infrastructure fund segment. Taaleri also specified that in the future all the strategic balance sheet investments would be supporting the four key segments of the private equity offering. The segments Taaleri communicated are renewable energy, real estate, bio-industry and infrastructure. In its current setup, Taaleri also has some specialised private equity funds, for example circular economy and datacentre funds, but the company has stated that these type of single-focus funds are no longer in its scope in the future.

Chart 1. AUM division split (2021)



Source: Company data, Danske Bank Equity Research

Renewable energy

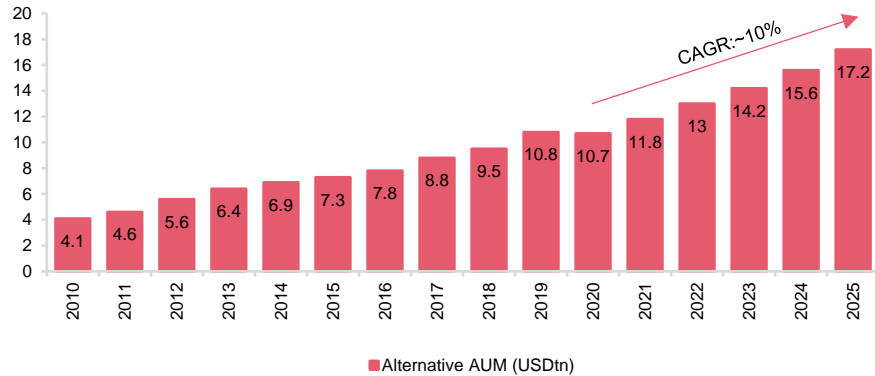
Taaleri's first renewable energy fund (Wind Power I) was initiated already in 2010 and it achieved EUR65m investment commitments, totalling EUR150m Gross Asset Value. Taaleri has over 10 years of experience in renewable energy and currently has four renewable energy funds with approximately EUR700m AUM under management. Taaleri participates in screening, developing, constructing, financing, operating and decommissioning of the projects. Taaleri's team of around 40 professionals includes people from both finance and engineering backgrounds, ensuring the highest possible professionalism in project lifecycle monitoring, which distinguishes it from its, often purely financial, competitors. Taaleri also manages wind parks for certain institutional accounts and receives management fees for that activity. Taaleri, through its wind power funds, is one of Finland's largest producers of wind power.

In our view, Taaleri's renewable energy unit is the spearhead of the company and the successful funds and reputation boost from these are set to push Taaleri's operations in other private equity

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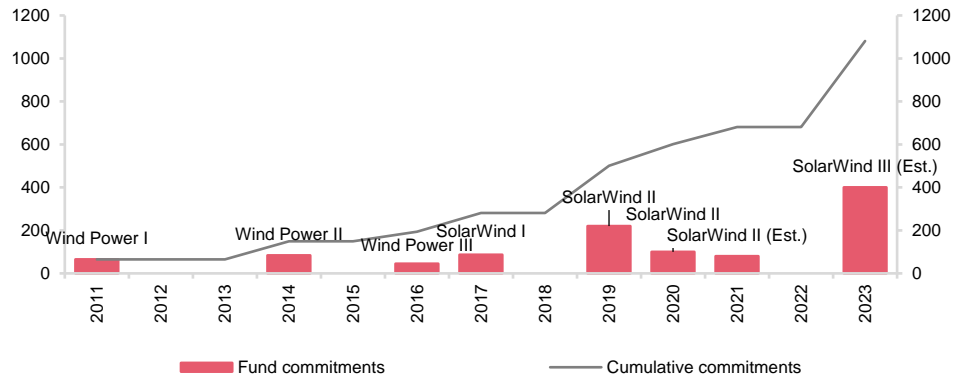
segments, especially in bio-industry and infrastructure. As Taaleri expects the alternative AUM to keep growing some 10% CAGR during 2021-2025, there is significant underlying demand for the company to capitalise on. Moreover, Taaleri has steadily grown its fund sizes over the years. By our estimates, the expected SolarWind III will be double the size (EUR800m) of the soon closing SolarWind II (EUR400m if fully booked) and the first close of the upcoming fund will be in 2023E.

Chart 2. Alternative Assets Under Management (USDtn)



Source: Company data, Preqin

Chart 3. Investment commitments in Taaleri's energy infrastructure funds (EURm)



Source: Company data, Danske Bank Equity Research estimates

Real estate

Taaleri currently has 10 real estate funds and around 12 professionals managing the funds. Taaleri's real estate investments have thus far been in rental homes, property development projects, land lots and forests in Finland. Even though real estate funds are a rather mature asset class already, Taaleri has a good reputation, especially in the Finnish market, and is set to compete with quality in these funds. As we remain in a low-yield environment, especially in the EU, real estate funds are set to attract investor money until this paradigm changes. In addition, from the transaction with Aktia, Taaleri will receive Aktia's Commercial Properties fund.

The company communicated at the CMD that four of its 12 real estate funds are currently in the exit phase. We expect exits for three of the four in 2021E. The funds in question are Taaleri's Housing VI, Housing IV and Linnainmaankulma, totalling some EUR42m of investment commitments. In our estimates, assuming static MOIC of 1.7x and a hurdle rate of 7% for each fund, carried interest with 20/80 split would be some EUR2.5m for 2021E. As these performance

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fees are a natural part of the private equity fund lifecycle, Taaleri is expected to provide more detail on its other fund lifecycles in the future.

Bio-industry

Taaleri's bio-industry segment is a young and emerging asset class focusing on developing and producing resource-efficient and sustainable biofuels and materials on an industrial scale. The projects and technologies invested in must be already commercially efficient and proven on an industrial scale and Taaleri is set to function as a growth enabler. Taaleri has made its first investments in the bio-industry with a bio-refinery processing tall oil and a bio-coal production plant. In the future investments in green hydrogen are also a possibility, which could be highly synergistic with the Taaleri's renewable energy funds, in our view. The segment is in the ramp-up phase and focus in the beginning will be mainly Finnish (institutional) investors. First fund is set to be launched 2021E and is set to be between EUR50-100m. The bio-industry segment for Taaleri is young and high risk, but as a pioneer, there are significant first-mover reputational advantages if the projects are successful and the performance is good, as institutional investors are exceedingly looking for new sustainable investments. Taaleri is committed to making its own strategic balance sheet investments to support its fund-operating segments and in bio-industry Taaleri has already invested in the Fintoil Oy bio-refinery and the Joensuu Biohiili Oy bio-coal production enterprise.

Infrastructure

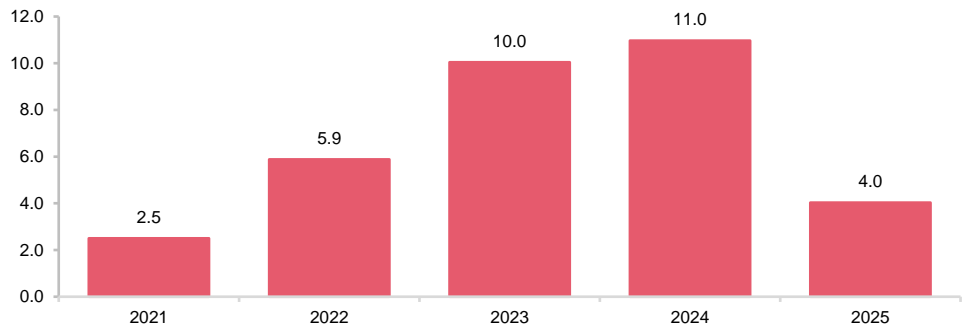
Infrastructure will be Taaleri's fourth and final private equity segment, which is a more mature asset class. The company did not elaborate on the deeper focus here, but as Taaleri will be receiving Aktia's Infra I fund, some pre-work will have been done. As all of Taaleri's private equity segments, the infrastructure funds are set to be thematically sustainable in the future. In our view, especially for the infrastructure segment, Taaleri is looking into strategic M&A and/or acquiring reputable teams from Finnish/Nordic competitors. However, Taaleri already has infrastructure experience from its renewable energy segment where it has been owner-operator, so the infrastructure segment is not a new avenue for the company.

Carried interest for upcoming years

As previously noted, Taaleri has several private equity funds that are close to or in their exit phase currently. Our estimate for upcoming exits in the next two years (2021-22E) is some EUR150-200m in terms of initial investment commitments. Depending on IRR achieved, carried interest for Taaleri for these exits could be some EUR8m for the next two years on our estimates. We base our estimates on MOIC 1.7x-1.8x for each fund, with estimated maturities ranging from 7-10 years. With a hurdle rate of 7% and carried interest split of 20/80 we estimate carried interest of EUR2.5m for 2021E and EUR5.9m for 2022E, steeply increasing after that as larger funds with greater return potential start to come to the end of their lifecycle.

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Chart 3. Carried interest for private equity funds 2021-2025E (EURm)



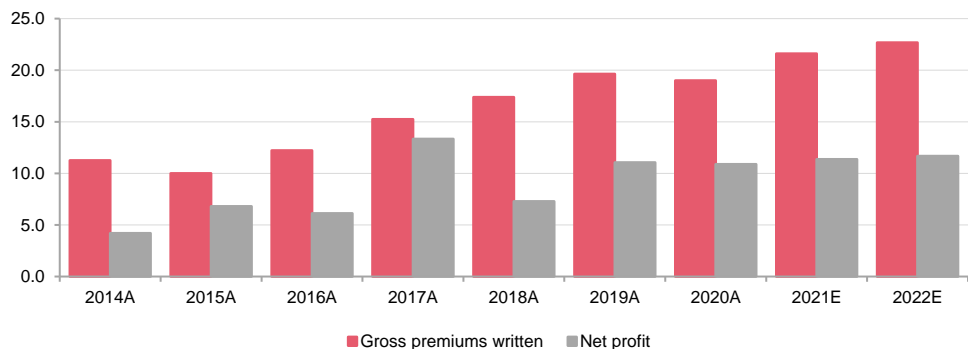
Source: Danske Bank Equity Research estimates

Strategic investment Garantia

With the new organisational structure of Taaleri, Garantia will be reported as the only strategic investment of Taaleri. Founded in 1993, Taaleri acquired Garantia in 2015 from a group of Finnish pension insurance companies. Garantia is an independent non-life insurance company specialising in guarantee insurance. It offers its customers mortgage guarantees, rental guarantees, loan guarantees, investment guarantees and other tailored guarantee solutions for corporations. In mortgage loans, Garantia’s co-operation partners include Aktia, Danske Bank, Handelsbanken, HYPO, OmaSp, OP Group, POP Bank Group, S-Bank and Savings Bank Group. Of the largest banks operating in Finland, only Nordea does not use Garantia as its mortgage guarantee provider at the moment.

Ever since Taaleri acquired Garantia in 2015, Garantia’s operations have developed positively. Garantia has had extraordinarily good combined ratio levels in recent years, showing ratios as low as 34% in 2018 due to negative claims ratio. Going forward, we estimate Garantia’s claims ratio to ‘normalise’ towards historical 10-13% in 2022-23E. Garantia has a solid base to grow its business in this relatively niche field, as at the consumer side, rental deposits in Finland are still mostly executed by the traditional bank account method, where a new bank account for the rental deposit is founded and kept untouched until the end of the rental contract. Additionally, as Garantia’s strategic roadmap includes exploring opportunities to take its business to the other Nordic countries through co-operation, in our view, Garantia’s current co-operation partners are the natural enablers for this activity.

Chart 4. Gross premiums written and net profit (FAS) (EURm)

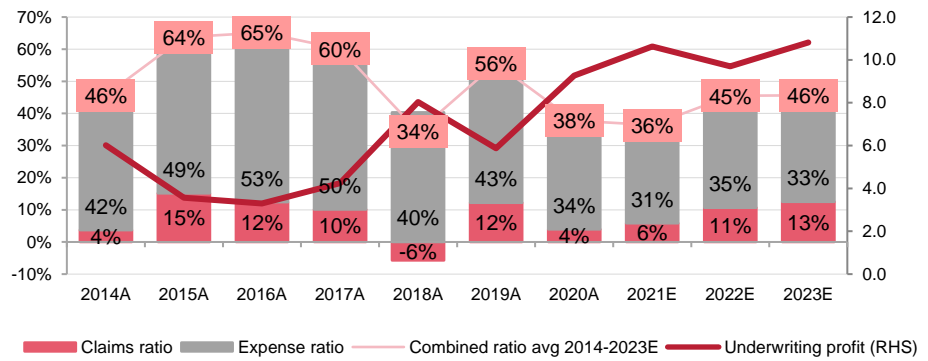


Source: Company data, Danske Bank Equity Research estimates

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Chart 5. Garantia's combined ratio % and underwriting profit (FAS) (EURm)

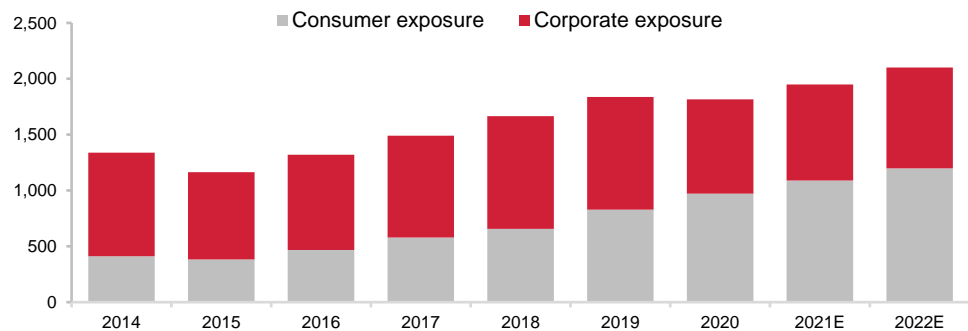


Source: Company data, Danske Bank Equity Research estimates

The guarantees Garantia underwrites have very different solvency requirements and the loan guarantees have clearly higher solvency requirements than, for example, the residential mortgage guarantees. From this perspective, Garantia has steered the business in the right direction and is expected in the future to diversify its risk further by pooling its corporate solutions to a wider base with lower risk concentration on single names, thus decreasing its internal capitalisation requirements. Additionally, as the demand for capitalisation decreases, it creates room for Garantia to pay more dividends to Taaleri. For context, in 2020 Garantia decided to distribute EUR10m from retained earnings as dividends.

In our view, as Garantia remains a strategic investment that is not incorporated in Taaleri's core business and lacks major synergies with the other operations, the company should be willing to divest Garantia if the right buyer appears with the right price. However, as Garantia's recent performance has been excellent, Taaleri is currently waiting to see how much Garantia's operations can be developed and how value can be maximised, in our view. We continue to value Garantia cautiously in our sum-of-the-parts model due to its absolute small size, but if the company is able to keep decreasing its internal solvency requirements, we note that in terms of relative valuation versus other Nordic non-life insurance companies, there is room to expand the P/E used in our sum-of-the-parts valuation.

Chart 6. Garantia's total insurance exposure by group (EURm)



Source: Company data, Danske Bank Equity Research estimates

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Executive summary

We reiterate most of our key positives for the case, which are now even further underlined in our view.

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-operator 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.

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. Institutional investors are increasingly interested in alternative sustainable funds that have long time horizons and return potential. In our view, now as Taaleri has streamlined its business and better underlined its great exposure to ESG, its valuation should benefit in the long run.

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 EUR1.6bn at the end of H2 20. 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 into co-operation with Aktia and is set to provide the private equity funds for their 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.

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 their 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.

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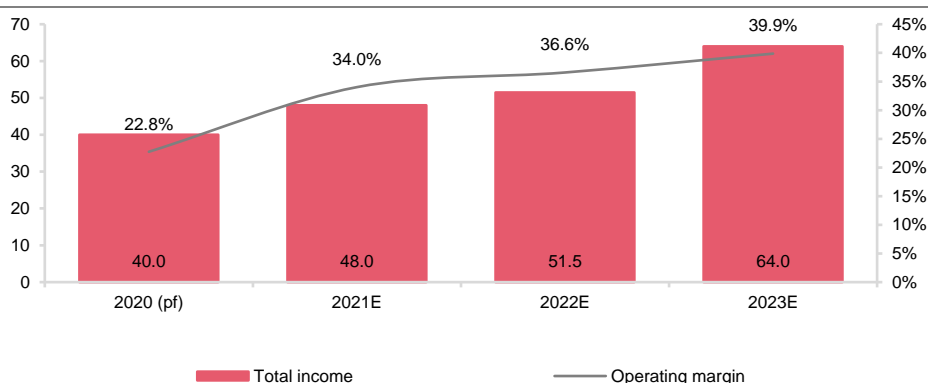
Small size and illiquid shares. Taaleri has very limited institutional ownership at the moment, as either current or previous employees or related close-party institutions hold most of the shares. One could view this as negative from a governance point of view. Additional risk emerges from the fact that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

Estimates

As Taaleri will be reporting its Wealth Management operations transferring to Aktia under discounted operations for Q1 and management statements that the deal will be approved are very confident, we are adjusting our estimates to reflect the post-deal figures. As Wealth Management transferred represents a large portion of Taaleri's current total income, a significant reduction of total income is expected. However, as private equity and energy funds have had the highest management fees of Taaleri's fund mix, the relative effect on the company's continuous earnings is lower. Additionally, as Taaleri's private equity funds mostly have fixed terms, typically from 7-10 years, several funds are close to their exit phase. Management has confirmed that four of Taaleri's real estate funds are currently seeking exit and exit from three of them in 2021E is likely in our view.

Our estimates include the following key assumptions. Taaleri will achieve the full EUR400m investment commitments to its SolarWind II fund in Q2 21E. The Texas project final divestment is set for the first half of 2023E and we estimate some EUR4m income from the divestment. We also estimate that Taaleri will nearly double its non-renewable Private Equity AUM by 2022E from approximately EUR600m to EUR1.1bn, fuelled by new fund starts, growing the size of new funds and strategic M&A. For Garantia, we expect stable growth for gross premiums written and claims ratio expanding towards some 12% by 2022E, thus slightly 'normalising' the profitability of the operations. For upcoming dividends, we estimate that Taaleri will be paying some EUR0.4 as an additional dividend for 2021E after the transaction is finalised. Due to the limiting factor of current distributable funds (EUR48m after 2021 paid dividends) and plans to pay off its EUR35m bond that has its maturity date in 12/2021, additional dividend for 2021E is limited. In our view, Taaleri will be paying a much larger additional dividend in 2022E (our estimate EUR1.0), when the profit for the year 2021 is confirmed.

Chart 7. Total income and operating margin estimates 2020 (pro forma) - 2023E



Source: Company data, Danske Bank Equity Research estimates

For 2021E, we estimate that Taaleri will exit some EUR109m of investment commitments in its real estate fund segment. In our estimates, assuming static MOIC of 1.7x and a hurdle rate of 7% for each fund, carried interest with 20/80 is some EUR2.5m for 2021E. For 2022E, our carried interest estimate increases to EUR5.9m. In 2023E, we estimate that the ramp-up for other private equity funds is largely done and that the close of the upcoming SolarWind III would happen in Q1. Note that due to the proposed transaction with Aktia, Taaleri merged its renewable private equity AUM, which was reported in the Wealth Management/Private Equity funds segment before, with the Renewables segment.

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Table 1. Quarterly summary financials

EURm	H1 19	H2 19	H1 20	H2 20	Q1 21E	Q2 21E	Q3 21E	Q4 21E
Total income	30.9	36.2	24.5	45.0	10.3	12.1	13.0	12.7
Growth y/y	-12.4%	-2.2%	-20.7%	24.3%		-8.7%		-43.1%
Total expenses	-24.5	-25.6	-25.6	-30.3	-7.8	-7.8	-8.0	-8.0
Operating profit	6.3	10.6	0.9	14.8	2.5	4.2	4.9	4.7
Operating margin	20.6%	29.2%	3.8%	32.8%	24.4%	35.1%	38.0%	36.7%
Segment income								
Other Private Equity	17.2	25.7	18.5	24.4	1.5	2.3	2.8	2.0
Insurance	10.5	10.8	3.6	13.7	4.0	4.5	4.7	5.2
Renewables	1.4	3.2	4.2	5.1	4.6	5.1	4.8	4.9
Other	1.8	-3.4	-1.8	1.9	0.2	0.2	0.7	0.7
Total	30.9	36.2	24.5	45.0	10.3	12.1	13.0	12.7
Income growth (y/y)								
Other Private Equity	-42%	135.0%	7.4%	-4.7%		-80.0%		-80.5%
Insurance	55%	145.6%	-66.1%	26.8%		138.1%		-28.0%
Renewables	29%	270.9%	197.2%	56.9%		132.1%		91.6%
Other	-222%	-33.3%	-198.7%	-154.9%		-125.4%		-28.1%
Total	-14%	95.7%	-20.9%	24.3%		-8.7%		-43.1%
Segment operating profit								
Other Private Equity	2.1	9.7	6.4	5.9	0.3	1.0	1.3	0.4
Insurance	6.1	6.6	0.8	9.2	2.2	2.8	2.8	3.3
Renewables	-1.6	-1.0	0.1	0.1	1.5	1.9	1.6	1.7
Other	-0.1	-5.3	-4.4	-0.3	-1.4	-1.4	-0.8	-0.7
Total	6.4	10.1	2.8	14.8	2.5	4.2	4.9	4.7
Operating profit margin								
Other Private Equity	11.9%	37.9%	34.3%	24.0%	17.5%	43.8%	48.1%	19.8%
Insurance	58.1%	61.7%	21.1%	67.0%	54.0%	61.1%	59.9%	63.9%
Renewables	-116.5%	-30.3%	2%	1.7%	32.6%	37.3%	33.3%	34.7%
Other	-5.6%	155.7%	245.4%	-17.9%	-622.2%	-622.2%	-122.2%	-107.4%
Total	20.7%	27.8%	11.6%	32.8%	24.4%	35.1%	38.0%	36.7%
Reported EPS (EUR)	0.18	0.21	-0.02	0.41	0.06	3.99	0.13	0.12
Adj. EPS (EUR)	0.22	0.27	-0.02	0.41	0.06	0.11	0.13	0.12
ROE	16.6%	18.5%	-1.8%	34.6%	5.3%	259.1%	6.8%	5.4%
ROE (adj.)	20.4%	23.4%	-1.8%	34.6%	5.3%	7.1%	6.8%	5.4%
AUM								
Mutual funds	945	1,023	972	1,209	0	0	0	0
Private equity funds	1,238	1,223	1,232	1,282	578	678	728	828
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
Total AUM	6,600	7,100	7,100	7,657	1,800	2,100	2,100	2,200

Source: Company data, Danske Bank Equity Research estimates

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Valuation

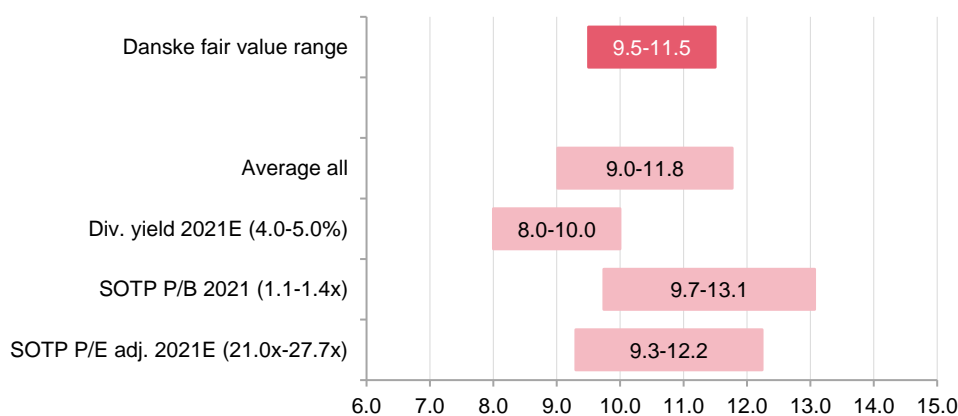
We lift our fair value range for Taaleri to EUR9.5-11.5 (previously EUR8.5-10.5). We believe that selling the wealth management operations (but keeping the private equity operations) is key for Taaleri to crystallise its company value and execute a clearer strategy with higher earnings potential in the future. Our revised estimates suggest that on an ongoing basis (excluding the one-off gain from subsidiary) on the lower fair value end Taaleri would be trading at a P/E of around 21.5x 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 and Private Asset Management includes Renewables and Other Private Equity funds. Dividend yield is adjusted for the basic continuing dividend, not additional dividend likely to be distributed in 2021-22E.

Table 2. P/E SOTP 2021E

2021E	PBT	Net income	P/E (x)	Value low	Value high
Private Asset Management	9.7	7.7	11-14	85	108
Insurance	11.0	8.8	9-13	79	114
Other operations	-4.4	-3.5	n.m.	-10	15
Profit from the divestment	110.0	110.0	n.m.	110	110
Minorities	n.m.	-0.5	n.m.	-1	-1
Total	126.3	122.5		263.6	347.0
Per share (EUR)		4.32		9.3	12.2

Source: Danske Bank Equity Research estimates

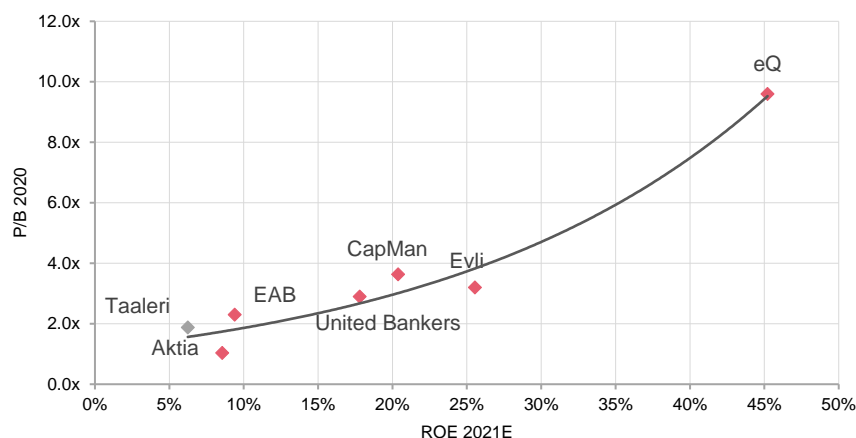
Chart 8. Taaleri fair value range (EUR per share)



*Note P/E in parenthesis is adjusted for continuing earnings excluding Wealth Management one-off gain. Source: Danske Bank Equity Research estimates

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Chart 9. Value map – Nordic asset management companies



Source: FactSet, Danske Bank Equity Research estimates for Taaleri

Table 3. International and Finnish peer group summary

Company	Ticker	Market		P/B (x)		P/E (x)		Div. yield		ROE	
		Price	cap	2020	2021E	2020	2021E	2020	2021E	2020	2021E
Affiliated Managers Group	AMG US	154.41	6,581	2.6	2.7	11.6	9.5	0.10%	0.00%	22.50%	28.80%
AGF Management	AGF/B CN	7.41	521	0.5	0.5	12.6	13.8	4.30%	4.30%	4.10%	3.60%
Azimut Holding Spa	AZM IM	19.43	2,832	3.1	2.6	8.3	10.4	5.10%	5.70%	37.40%	25.30%
BlackRock	BLK US	784.02	119,668	3.4	3.2	23.2	21.4	1.90%	2.00%	14.80%	15.20%
Blackstone	BX US	75	88,493	9	8.6	28.3	23.4	3.00%	3.70%	31.80%	36.60%
CI Financial	CIX CN	18.69	3,906	2.5	1.9	7.6	6.8	3.90%	3.90%	32.60%	28.60%
DWS Group	DWS GR	37.4	7,480	1.1	1	13.1	12	4.80%	5.40%	8.10%	8.50%
EQT	EQT SS	284.5	271,124	21.4	12.2	94.9	45	0.90%	1.10%	22.50%	27.10%
Federated Investors	FII US	31.55	3,123	2.6	2.6	9.8	9.9	6.60%	3.60%	26.70%	26.50%
GAM Holding	GAM SW	2.51	401	0.8	0.8			0.00%	0.00%	-3.30%	-0.80%
IGM Financial	IGM CN	38.87	9,263	1.8	1.7	12.1	10.2	5.80%	5.80%	15.10%	16.70%
Invesco	IVZ US	25.93	11,961	0.8	0.8	13.4	10.2	3.00%	2.40%	6.20%	7.70%
Janus Henderson	JHG US	32.44	5,591	1.2	1.2	10.8	9.7	4.40%	4.40%	11.50%	12.10%
Man Group	EMG LN	1.61	2,344	2.1	2	13.9	11.2	4.70%	5.40%	15.10%	18.00%
Rathbone Brothers	RAT LN	17.7	1,034		2	13.8	12.9	4.10%	4.20%		15.10%
Schroders	SDR LN	35.47	9,447	2.5	2.3	18	16.8	3.20%	3.20%	13.60%	13.60%
T. Rowe Price	TROW US	176.5	40,232	5.2	4.4	17.7	14.5	2.00%	2.20%	29.60%	30.20%
Waddell & Reed Financial	WDR US	25.17	1,565	2.1	2	23.3	13.6	4.00%	4.00%	9.20%	15.00%
WisdomTree Investments	WETF US	6.56	983	2.5	2.5	25.5	21.9	1.80%	1.80%	9.90%	11.20%
CapMan	CAPMAN FH	2.62	409.4	3.6	3.4	87.2	16.9	5.40%	5.70%	4.20%	20.40%
EAB	EABGB FH	3.63	50.3	2.3	2.4	181.5	25.9	1.40%	2.60%		9.40%
eQ	EQV1V FH	18.7	727.8	9.6	10.2	29.4	22.5	3.70%	4.50%		45.20%
Evli	EVLI FH	16.35	388.9	3.2	4	18.4	15.6	4.50%	6.10%		25.50%
United Bankers	UNIAV FH	12.5	130.5	2.9	3.2	20.2	18.1	4.10%	4.40%		17.80%
Titanium	TITAN FH	16.1	164.6	7.3	7	17.8	15.2		5.70%	40.90%	46.40%
Aktia	AKTIA-FI	9.93	691.9	1	1	16.3	11.9	4.30%	6.50%	6.40%	8.60%
Average				3.8	3.3	28.5	16.1	3.40%	3.80%	17.10%	19.70%
Median				2.5	2.4	17.8	14.2	3.90%	4.10%	14.80%	17.30%
Finnish average				4.3	4.5	53	18	3.90%	5.10%	17.10%	24.80%
Finnish median				3.2	3.4	20.2	16.9	4.20%	5.70%	6.40%	20.40%
Taaleri	TAALA FH	9.58	272	1.9	1.1	21.3	21.7	3.40%	8.40%	8.80%	6.20%
Taaleri vs median				-26%	-57%	20%	53%				
Taaleri vs Finnish median				-41%	-69%	6%	28%				

Prices as at close on 6 April 2021. Source: FactSet, Danske Bank Equity Research estimates for Taaleri 2021E figures.

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Management team and ownership

Robin Lindahl has been Taaleri's CEO since June 2019. He joined Taaleri from Normet Group and Taaleri's CFO Minna Smedsten joined the company from GreenStream Network in 2013. At the end of 2020, Taaleri had 28,350,620 shares, of which Taaleri Oyj held 45,000, or 0.16% of the shares. Of the shares, 7.06% were nominee registered or in foreign ownership. The table below shows Taaleri's 20 largest owners as of 31 March 2021.

Table 4. Largest shareholders

Shareholders	Shares	% of shares
1 Veikko Laine Oy	2,932,519	10.34
2 Oy Hermitage Ab	2,840,308	10.02
3 Elomaa Heikki Juhani	1,723,278	6.08
4 Vakuutusosakeyhtiö Henki-Fennia	1,714,624	6.05
5 Swiss Life Luxembourg S.A.	1,491,770	5.26
6 Haaparinne Karri Erik	1,452,936	5.12
7 Lampinen Petri Juhani	500,000	1.76
8 Mathur Ranjit	440,000	1.55
9 Lehto, Vesa	362,510	1.28
10 Neva-Aho Ronnie Juhani	320,051	1.13
11 Kaski Olli	303,650	1.07
12 Merenlahti Mikko	300,000	1.06
13 Kinnunen Arto Lauri	290,693	1.03
14 Lombard International Assurance S.A.	286,478	1.01
15 Ruusunen Sami Juha-Pekka	273,000	0.96
16 Pekkala Pekka Juhani	272,923	0.96
17 Heinonen Jyrki Antero	270,000	0.95
18 Hirvonen Tomi Harri Olavi	267,060	0.94
19 E-Capital Oy	266,656	0.94
20 Koskelainen Jaana Katariina	217,424	0.77

Source: Company data, Danske Bank Equity Research

Taaleri's largest owner is Veikko Laine Oy. Pertti Laine, one of Taaleri's founders, holds 20% of Veikko Laine Oy's shares, representing 83.3% of the votes in the company. The second largest owner Oy Hermitage Ab is the family investment company of Taaleri's previous Chairman of the Board Peter Fagnäs, who is one of the founders of Taaleri. Further, Taaleri's other largest owners include Juhani Elomaa, the company's founder and the first CEO whose near affiliates also own E-Capital Oy.

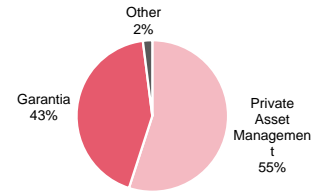
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Company summary

Income breakdown by geographical area



Income breakdown by segment



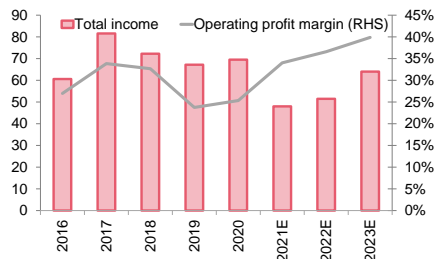
Company information

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

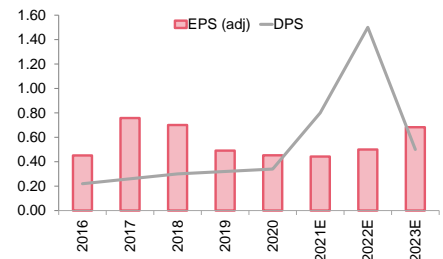
Main shareholders

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

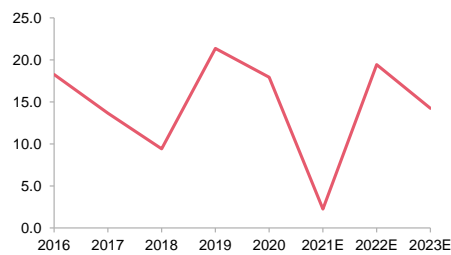
Total income and operating profit margin (EURm)



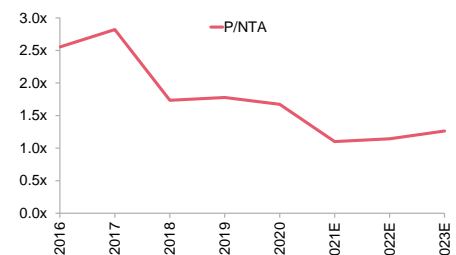
EPS (adjusted) and DPS (EURm)



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	25.0	28.4
Total income			58.4	60.6	81.6	72.3	67.2	69.5	48.0	51.5
Costs			-39.6	-44.5	-54.0	-48.5	-50.6	-51.9	-31.7	-32.6
Operating profit			47.4	16.3	27.6	23.6	15.9	17.6	16.3	18.8
Taxes			-3.0	-3.6	-5.8	-2.3	-5.0	-4.4	-3.3	-3.8
Pre-tax profit			47.4	16.3	27.6	23.6	15.9	17.6	16.3	18.8
Net profit			44.1	12.8	21.4	21.3	10.6	12.8	12.3	14.2
Net profit (adj.)			17.3	12.8	21.4	19.8	13.9	12.8	12.5	14.2

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
Total assets			0.0	213	229	238	270	268	391	374
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	257	249
NTA			97.1	91.3	104	116	134	138	250	241

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	4.32	0.50
EPS (adj.) (EUR)			0.61	0.45	0.76	0.70	0.49	0.45	0.44	0.50
DPS (EUR)			0.14	0.22	0.26	0.30	0.32	0.34	0.80	1.50
Book value per share (EUR)			3.43	3.32	3.75	4.32	4.97	5.09	9.07	8.77
NTA per share (EUR)			3.43	3.23	3.67	4.09	4.73	4.85	8.82	8.49

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%	66.0%	63.4%	60.1%
Op profit marg		81.1%	27.0%	33.8%	32.7%	23.7%	25.3%	34.0%	36.6%	39.9%
Op profit grth			-65.51%	69.0%	-14.52%	-32.43%	10.4%	-7.30%	15.3%	35.5%
Tot inc growth			3.7%	34.7%	-11.4%	-7.0%	3.5%	-31.0%	7.3%	24.3%
Cost growth			-12.2%	-21.4%	10.2%	-4.5%	-2.5%	39.0%	-3.1%	-17.9%
PPP growth			-14.2%	71.4%	-13.8%	-30.5%	6.5%	-7.3%	15.3%	35.5%
EPS (adj) growth			-26.1%	67.9%	-7.5%	-29.9%	-7.8%	-2.4%	13.1%	36.5%

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%	61.0%	5.6%
RONTA, adj. profits			25.6%	13.6%	22.0%	18.1%	11.1%	9.5%	6.5%	5.8%

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	9.72	9.72
Market cap (EURm)			237	233	293	201	238	230	276	276
P/E (reported) (x)			5.4	18.3	13.7	9.4	21.4	17.9	2.2	19.4
P/E (adj.) (x)			13.7	18.3	13.7	10.1	17.2	17.9	22.0	19.4
P/BV (x)			2.44	2.49	2.76	1.64	1.70	1.59	1.07	1.11
P/NTA (x)			2.44	2.55	2.82	1.74	1.78	1.67	1.10	1.14
Dividend yield			1.7%	2.7%	2.5%	4.2%	3.8%	4.2%	8.2%	15.4%
Total yield (incl. buybacks)			1.7%	2.7%	2.5%	4.2%	3.8%	4.2%	8.2%	15.4%

Source: Company data, Danske Bank Equity Research estimates

Summary tables

EURm	2017A	2018A	2019A	2020A	2021E	2022E	2023E
Total income	81.6	72.3	67.2	69.5	48.0	51.5	64.0
<i>Growth y/y</i>	34.7%	-11.4%	-7.0%	3.5%	-31.0%	7.3%	24.3%
Total expenses	-54.0	-48.5	-50.6	-51.9	-31.7	-32.6	-38.5
Operating profit	27.6	23.6	16.5	17.6	16.3	18.8	25.5
Operating margin	33.8%	32.7%	24.6%	25.3%	34.0%	36.6%	39.9%
Segment income							
Other Private Equity	54.6	48.7	42.9	43.0	8.5	12.4	20.2
Insurance	21.8	12.5	21.3	17.2	18.3	18.9	20.4
Renewables	1.8	2.3	4.6	9.2	19.4	18.6	22.6
Other	3.4	8.8	-1.6	0.1	1.8	1.6	0.8
Total	81.6	72.3	67.2	69.5	48.0	51.5	64.0
Income growth							
Other Private Equity		-10.8%	-11.9%	0.1%	-80.3%	46.1%	63.1%
Insurance		-42.6%	70.3%	-19.0%	6.4%	3.2%	8.0%
Renewables		27.7%	%	99.5%	109.9%	-4.1%	21.5%
Other		156.0	118.4	106.3	1664.7		
		%	%	%	%	-11.1%	-50.0%
Total		-11.4%	-7.0%	3.5%	-31.0%	7.3%	24.3%
Segment operating profit							
Other Private Equity	16.6	16.8	11.8	12.2	3.0	4.5	9.5
Insurance	13.9	4.9	12.7	9.9	11.0	11.4	13.1
Renewables	-1.5	-2.3	-2.6	0.2	6.7	5.7	6.8
Other	-1.4	4.4	-5.4	-4.7	-4.4	-2.8	-3.9
Total	27.6	23.8	16.5	17.6	16.3	18.8	25.5
Operating profit margin							
Other Private Equity	30.4%	34.5%	27.6%	28.4%	35.2%	36.7%	47.1%
Insurance	63.9%	39.2%	59.9%	57.5%	60.0%	60.3%	64.2%
Renewables	-84.0%	100.9	-56%	2.0%	34.5%	30.6%	30.1%
Other	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Total	33.8%	32.9%	24.6%	25.3%	34.0%	36.6%	39.9%
Reported EPS (EUR)	0.76	0.75	0.39	0.45	4.32	0.50	0.68
Adj. EPS (EUR)	0.76	0.70	0.49	0.45	0.44	0.50	0.68
<i>Growth y/y</i>		-8%	-30%	-8%	-2%	13%	37%
DPS (EUR)	0.26	0.30	0.32	0.34	0.80	1.50	0.50
<i>Growth y/y</i>		15%	7%	6%	135%	88%	-67%
Dividend payout ratio	34%	43%	65%	75%	181%	300%	73%
ROE	21.5%	18.7%	8.5%	9.0%	61.0%	5.6%	8.2%
ROE (adj.)	21.5%	17.4%	10.6%	9.0%	6.2%	5.6%	8.2%
AUM							
Mutual funds	1,083	911	1,023	1,209	0	0	0
Other private equity funds	1,052	1,024	1,223	1,282	828	1,114	1,487
Wealth management	3,316	3,676	4,469	4,629	0	0	0
Renewables	74	82	307	407	1,227	1,227	1,827
Total AUM	5,600	5,700	7,100	7,657	2,200	2,500	3,500

Source: Company data, Danske Bank Equity Research estimates

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Disclosures

This commissioned research report has been prepared by Equity Research, a division of Danske Bank A/S ('Danske Bank'). The author of this research report is Daniel Lepistö.

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