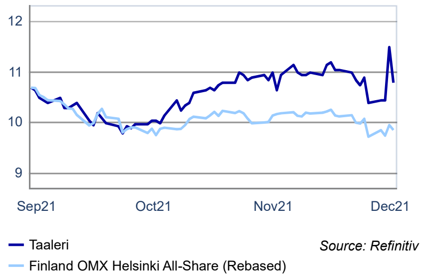
Taaleri

Financials
Finland

KEY DATA

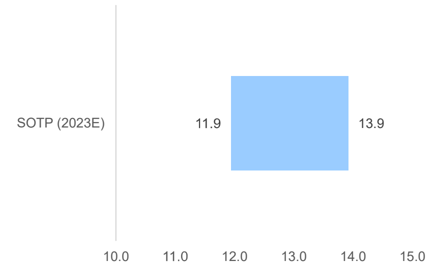
Stock country	Finland
Bloomberg	TAALA FH
Reuters	TAALA.HE
Share price (close)	EUR 10.80
Free Float	72%
Market cap. (bn)	EUR 0.31/EUR 0.31
Website	taaleri.com
Next report date	16 Feb 2022

PERFORMANCE



Source: Refinitiv

VALUATION APPROACH



Source: Nordea estimates

ESTIMATE CHANGES

Year	2021E	2022E	2023E
Sales	n.a.	n.a.	n.a.
EBIT (adj)	n.a.	n.a.	n.a.

Source: Nordea estimates

Nordea Markets - Analysts
Joni Sandvall
Analyst

Svante Krokfors
Director

Aiming to create a more sustainable future

Taaleri is a leading Nordic investment and asset manager focusing on sustainability. The company is in a transformational period after divesting its wealth management arm in April. Taaleri's private equity funds centre around renewable energy, real estate, bioindustry and infra. Taaleri also has a strategic ownership stake in Garantia, a non-life insurance company specialising in guarantee insurance. Taaleri targets at least 15% recurring revenue growth, at least 25% operating profit, and at least a 15% return on equity. Its overcapitalised balance sheet should offer strong dividends before an expected expansion of AuM from 2023 onwards. We believe the company is well positioned to capture growth in the sustainability-driven market. We initiate coverage with a fair value range of EUR 11.9-13.9 per Taaleri share.

Attractive market with untapped potential

Taaleri operates in the Nordic private equity market with a clear focus on sustainability. The company has a long track record in renewable energy, where wind and solar investments are poised to grow amid global targets to increase renewable energy production. The company is scaling up its real estate investments and ramping up its bioindustry and infrastructure offering. We think Taaleri is well positioned to capture expected growth within wind and solar investments through its established operations and good connections. An upcoming bioindustry fund will also open a new chapter for Taaleri's sustainability offering in a market with promising underlying demand. The non-life insurance company Garantia will remain the profitability backbone for Taaleri during the ramp-up of funds.

Garantia to secure profitability in the short term

On the group level, we forecast a 9% recurring revenue CAGR from pro forma 2020 to 2023, with growth accelerating from 2023 onwards, given the planned renewable energy flagship fund. In the short term, ownership of Garantia, income from dividends and investment gains should play a crucial role due to the transformation of the business after the divestment of its wealth management arm. We expect the private asset management operation to achieve positive underlying profitability in 2023.

Initiating with a fair value range of EUR 11.9-13.9

We initiate coverage with fair value range of EUR 11.9-13.9, which is based on our SOTP valuation using our 2023 estimates. Due to the current ramp-up phase, Taaleri should reach its full earnings potential after 2023.

SUMMARY TABLE - KEY FIGURES

EURm	2019	2020	2021E	2022E	2023E
Total revenue	67	69	66	56	68
EBITDA (adj)	23	24	32	21	32
EBIT (adj)	21	21	32	20	32
EBIT (adj) margin	30.8%	30.3%	48.1%	36.2%	46.7%
EPS (adj, EUR)	0.41	0.46	4.82	0.57	0.91
EPS (adj) growth	n.a.	11.8%	948.0%	-88.1%	59.1%
DPS (ord, EUR)	0.16	1.32	0.36	0.40	0.50
EV/Sales	4.1	3.8	3.8	4.7	4.0
EV/EBIT (adj)	13.4	12.4	8.0	13.0	8.5
P/E (adj)	20.5	17.7	2.2	18.8	11.8
P/BV	1.9	1.7	1.3	1.3	1.3
Dividend yield (ord)	1.9%	16.3%	3.3%	3.7%	4.6%
FCF Yield bef A&D, lease adj	3.0%	0.0%	2.6%	5.8%	7.7%
Net debt	38	32	-53	-42	-36
Net debt/EBITDA	1.6	1.4	-1.6	-2.0	-1.1
ROIC after tax	14.8%	7.4%	10.7%	6.7%	10.4%

Source: Company data and Nordea estimates

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Factors to consider when investing in Taaleri

Taaleri is an investment and asset manager focusing on sustainability. The company is in a transformational period after divesting its wealth management arm. Taaleri is ramping up its private equity offering and building sales-channel capabilities. It has a strategic target of EUR 3bn in AuM by 2023, compared to EUR 2.1bn at the end of Q3 2021. We model a 9% recurring revenue CAGR for 2020PF-23E, while we expect a 17% total income CAGR due to investment gains and meaningful carry potential in 2021E-23E. Its wholly owned subsidiary, non-life guarantee insurance company Garantia, should support earnings growth during ramp-up of the fund portfolio. We expect the next substantial AuM and recurring revenue contribution from the new flagship fund, SolarWind III, planned to start fundraising in 2023. In addition, the company has a clearly overcapitalised balance sheet, which should offer a compelling dividend and capital return outlook for 2021-23. We initiate coverage on Taaleri with an SOTP-derived fair value range of EUR 11.9-13.9.

Investment and asset manager with clear sustainability focus

After divesting its wealth management arm to Aktia Bank in April, Taaleri is transforming into a pure-play investment and asset manager. The company has a long history within renewable energy as its first Wind fund was launched back in 2010.

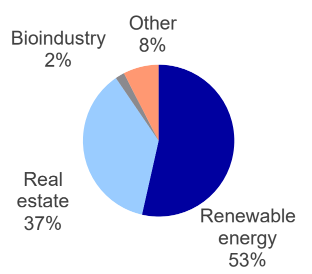
Taaleri seeks growth from private equity funds focusing on renewable energy and other alternative investments. It aims to be a Nordic forerunner in alternative investments focusing on sustainability. The company is centring its fund offering on renewable energy, real estate, bioindustry and infra.

Taaleri made the final closing on its latest flagship fund, SolarWind II, in June with EUR 354m of commitments. The company is currently raising funds for its Housing VIII and Infra I funds, while preparing for its first bioindustry fund.

Taaleri had EUR 2.1bn in AuM in Q3 2021 and targets EUR 3bn by 2023. In addition, the company has laid down specific 2025 AuM targets for its investments in renewable energy (above EUR 2bn), real estate (EUR 1bn) and bioindustry (EUR 0.5bn).

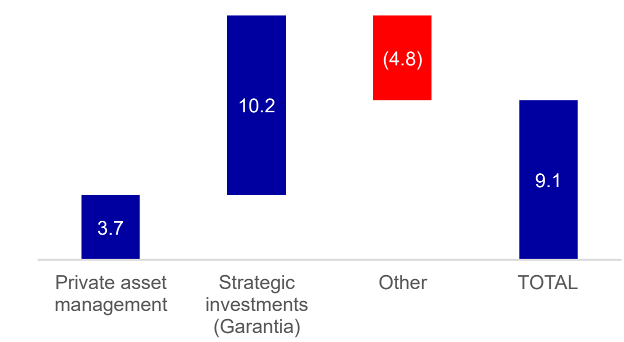
In addition to private equity funds, Taaleri owns Garantia, an independent non-life insurance company specialising in guarantee services. Garantia had guarantee insurance exposure amounting to EUR 1.7bn in Q3 2021.

AuM DISTRIBUTION, Q3 2021



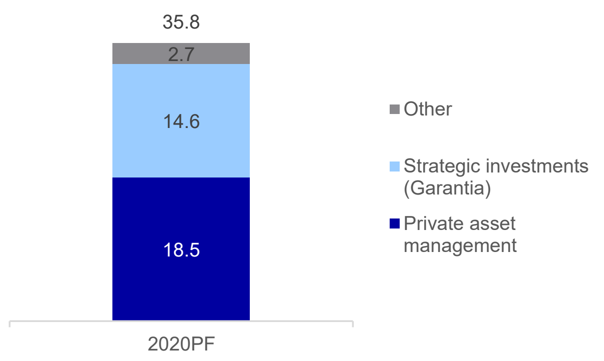
Source: Company data

OPERATING PROFIT (SEGMENT REPORTING) SPLIT, 2020PF (EURm)



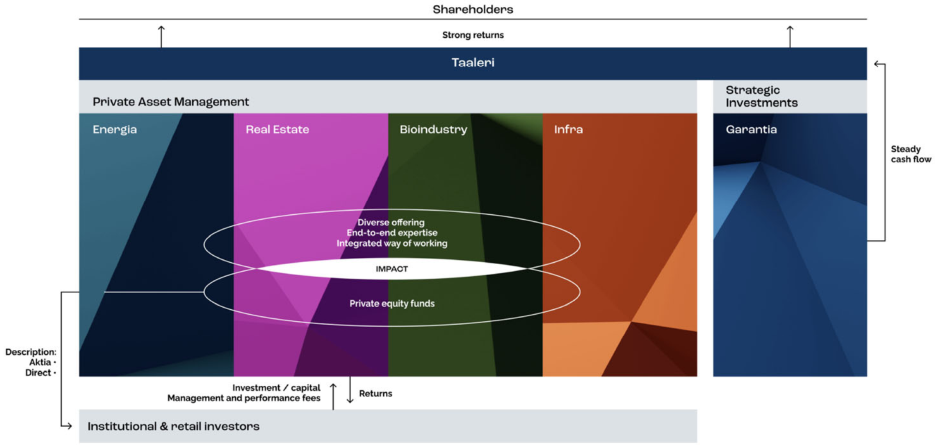
Source: Company data

RECURRING REVENUE (SEGMENT REPORTING) SPLIT, 2020PF (EURm)



Source: Company data

TAALERI'S BUSINESS MODEL



Source: Company data

Renewable energy is driving private asset management growth

Renewable energy accounted for 37% of recurring revenues in 2020...

Renewable energy is the key contributor to AuM in private asset management, recurring earnings and performance fees. The company manages a roughly 2.8 GW wind and solar portfolio in Europe, the US and the Middle East. In 2020PF, renewable energy accounted for 37% of recurring revenues and 12% of operating profit. Taaleri is currently investing its flagship fund, SolarWind II, and expects to launch the next vintage in 2023.

The company has in-house knowledge through development and technical professionals, making it one of the largest wind and solar investment teams in Europe. We see good potential within the renewable energy sector given favourable market conditions and its long track record of successful operations and exits within renewable energy.

...and it has operations in five target markets

Taaleri operates its renewable energy portfolio in five target markets (Nordics & Baltics, Poland, South East Europe, the US and Iberia) with distinct technologies. We believe the company has adequate staffing to substantially scale up its businesses, which should become visible from 2023 onwards when the new flagship SolarWind III fund is planned to be launched. We believe the company targets doubling the commitments for its SolarWind III from EUR 354m in SolarWind II.

Scaling up its other private equity funds

Other private assets accounted for 13% of recurring revenues

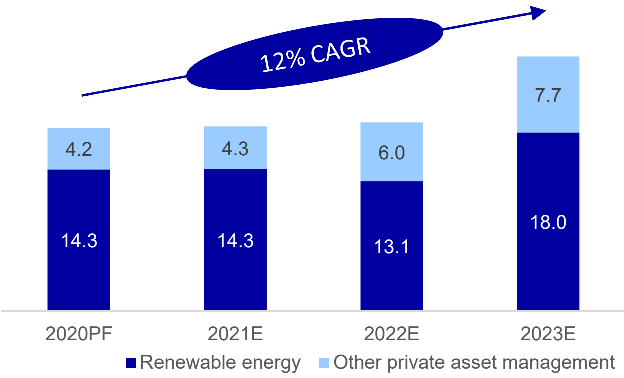
In addition to renewable energy, private asset management includes Taaleri's real estate funds and its bioindustry and infra businesses. In 2020PF, other private asset management accounted for 13% of recurring revenues and 0% of operating profit. The company aims to scale up its fund sizes within real estate and plans to launch its first bioindustry fund in Q1 2022. In addition, the company is currently in the fundraising phase of its first infra fund after onboarding its infra team from Aktia in conjunction with the divestment of its wealth management arm.

We view bioindustry as an interesting addition to Taaleri's offering and think the company can leverage its knowhow within renewable energy to scale up the business at a fast pace. However, as bioindustry is a new segment for Taaleri (despite its current two co-investments), we believe the first fund will be relatively small (EUR 50-100m of commitments).

Earnings will be supported by investment gains and carry

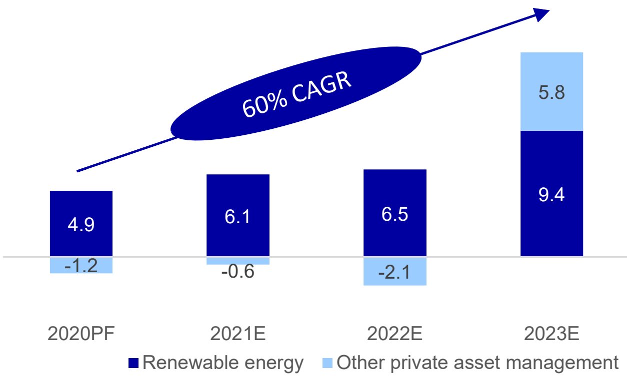
The 2021E-23E earnings development should be supported by carry from multiple funds and expected investment gains. For the first time, Taaleri is starting to amortise carry after refinancing its Wind II and III fund investments in November. We expect Taaleri to reach positive operating profit excluding investment gains and carry from private asset management by 2023.

PRIVATE ASSET MANAGEMENT: RECURRING REVENUES, 2020PF-23E (EURm)



Source: Company data and Nordea estimates

PRIVATE ASSET MANAGEMENT: OPERATING PROFIT, 2020PF-23E (EURm)



Source: Company data and Nordea estimates

Cooperation with Aktia

Taaleri's cooperation with Aktia plays a crucial role for scaling up funds

In conjunction with the divestment of its wealth management, Taaleri agreed on cooperation with Aktia for sales of its funds. This recently announced cooperation plays a crucial role for achieving the targeted fund sizes and scale benefits. In addition, Taaleri is ramping up its institutional sales channel. We think the company is slightly behind the original plans with its sales channel ramp-up. We believe the new CEO from December 2021, Peter Ramsay, will bring needed expertise regarding the sales and distribution channel.

Garantia supports earnings during the transformational period

Garantia is a non-life insurance company offering guarantee services...

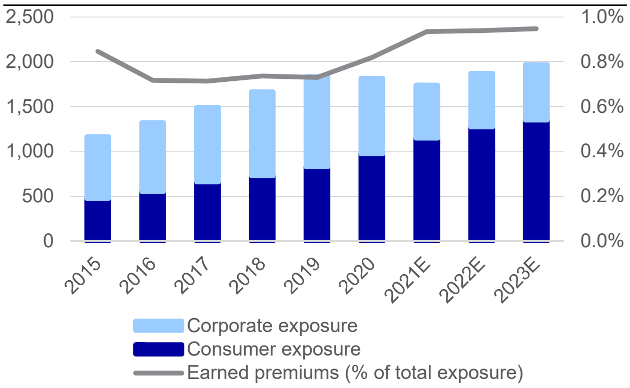
Taaleri acquired Garantia in 2015, and the business has developed favourably since then. Garantia offers guarantee services for consumer and corporate customers. Garantia has a broad and diversified distribution network consisting of bancassurance partnerships, online distribution channels and direct customer relationships. Garantia has been increasing the share of consumer exposure after its strategic decision in 2019 to reduce its construction sector-related exposure. In Q3 2021, its consumer exposure was 63% of the total EUR 1.7bn insurance exposure, mainly relating to consumer mortgages. We expect Garantia to post a 7% income CAGR in 2020-23, driven by a favourable mix and a solid consumer guarantee market outlook.

...and is the key contributor to short-term underlying profitability

As private asset management is in a ramp-up phase, Garantia will play a crucial part in Taaleri's underlying short-term profit development. We expect Garantia to continue to benefit from the agreement to provide residential mortgage guarantees to member banks of the OP Financial Group that came into force in October 2020. Currently, all of the largest Finnish mortgage banks except Nordea collaborate with Garantia on mortgage loans.

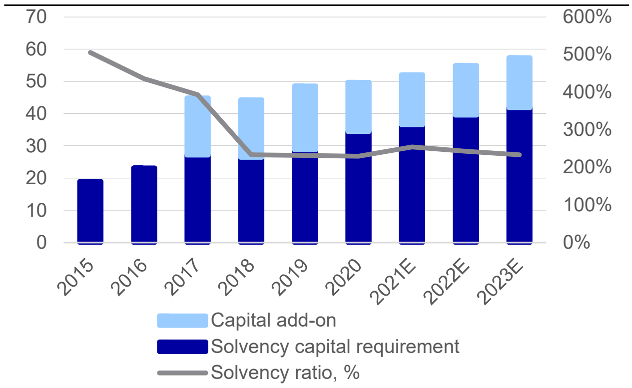
Currently, Garantia has a close to 250% solvency rate, which combined with a solid business outlook should secure increasing dividends to Taaleri. We believe the company could in principle distribute all of its earnings to Taaleri without putting its A-credit rating or its internal solvency targets at risk.

GARANTIA'S EXPOSURE SPLIT, 2015-23E (EURm)



Source: Company data and Nordea estimates

GARANTIA'S SOLVENCY RATIO, 2015-23E (%)



Source: Company data and Nordea estimates

Strategy and long-term financial targets

Taaleri's strategy for 2021-23 builds on four strategic priorities:

Strategy built on four strategic priorities

1. **Focus on impact investing and renewable energy** – Taaleri is developing and expanding private equity funds that seek not only economic returns but also measurable benefits for the environment and society. The company aims to create, among other things, wind and solar power, biofuels and real estate.
2. **Aim to scale up its business** – Taaleri aims to increase the average size of its funds and other assets under management. In Garantia, the company aims to continue promoting a strategy based on a scalable business model, risk pooling and an extensive distribution network.
3. **Expanding the sales and distribution of its private equity funds** – The company has started a partnership with Aktia, including a significant distribution channel for its products. Taaleri aims to strengthen its own sales to major institutional clients and international investors. In addition, the company is seeking new international distribution channels.
4. **Capital and balance sheet optimisation** – Taaleri aims to increase its capital efficiency and distribute capital to its shareholders in excess of capital needed for growth investments or capital requirements.

Taaleri has set long-term financial targets for growth in recurring revenues, operating profit and return on equity.

In addition, Taaleri has a dividend policy to distribute at least 50% of the profit and the capital that it does not need for growth investments or to fulfil its targets for solvency.

LONG-TERM FINANCIAL TARGETS

	2020PF	2021E	2022E	2023E	Target
Growth in recurring revenues	n.a.	5%	2%	19%	at least 15%
Operating profit margin *	23%	45%	36%	47%	at least 25%
Return on equity	10%	73%	7%	11%	at least 15%
Dividend payout	287%	24%	174%	99%	at least 50% of FY profit

Source: Company data and Nordea estimates

Financials

We model a 9% recurring revenue CAGR in 2020PF-23E...

We model a 9% recurring revenue CAGR for Taaleri in 2020PF-23 (based on segment reporting), compared to the company's financial target of at least 15% growth.

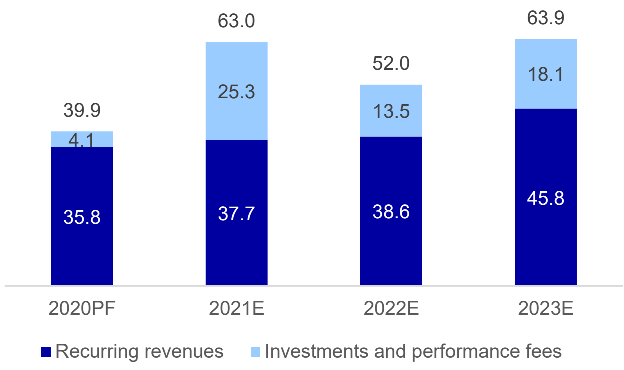
As there are only small fund closings in 2022 and we expect claims to increase in Garantia, we model only 2% recurring revenue growth for 2022. However, we model the first closing of SolarWind III in 2023, which should boost recurring revenue in private asset management. Thus, we model 19% recurring revenue growth for 2023.

In addition to the expected good performance of Garantia, Taaleri's operating profit will be supported by meaningful carry bookings and investment gains from the closing of multiple funds. Furthermore, it had EUR ~28m (at the end of Q3) of non-strategic investments that are planned to be divested in 2021-24. In addition, we note the high excess capital that the company will likely start to offload through dividends and capital returns.

...and expect an above 40% operating profit margin in 2021-23

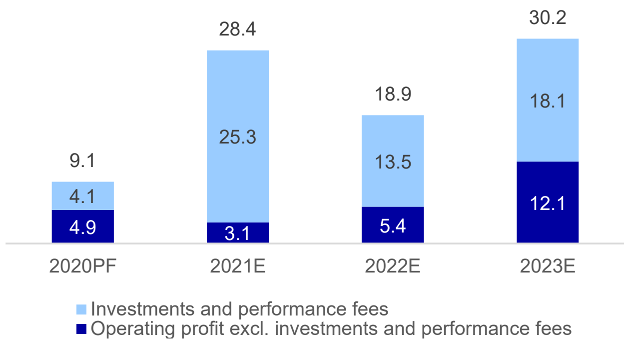
We believe the operating profit margin will remain above 40% in 2021-23, given expected strong investment gains and carry from multiple funds. However, owing to the ramp-up phase of Taaleri's private equity offering, we believe private asset management should reach positive underlying profitability (excluding investments and carry) in 2023.

TAALERI: REVENUES (SEGMENT REPORTING), 2020PF-23E (EURm)



Source: Company data and Nordea estimates

TAALERI: OPERATING PROFIT (SEGMENT REPORTING), 2020PF-23E (EURm)



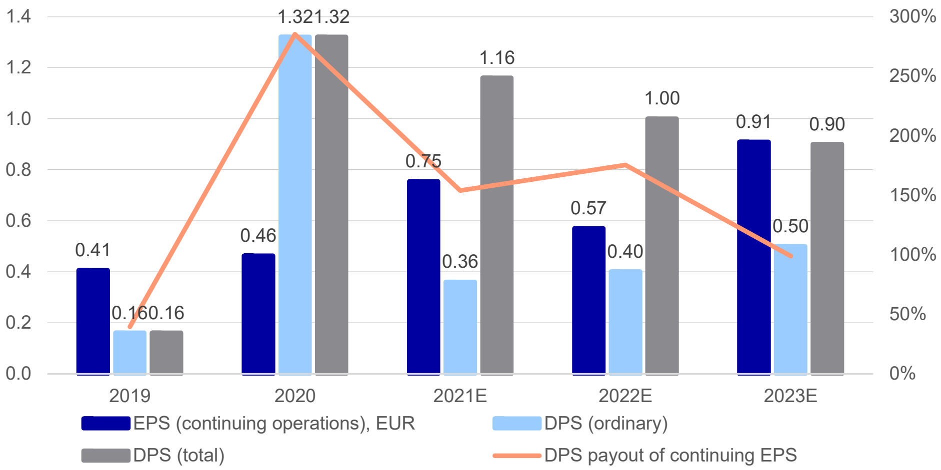
Source: Company data and Nordea estimates

Strong dividends expected due to overcapitalised balance sheet

We expect dividend payments to remain strong in 2021-23, as we believe the company will continue to offload its overcapitalised balance sheet. We do not envisage any larger M&A in the near term, which is why we expect EUR 0.90-1.16 per share in total annual dividend payments in 2021-23.

Dividends and capital returns should remain strong due to its overcapitalised balance sheet

EARNINGS PER SHARE AND DIVIDEND PER SHARE, 2019-23E



Source: Company data and Nordea estimates

Valuation

We think an SOTP valuation is most relevant for Taaleri. However, we use different valuation methods for the company's asset management business and Garantia, due to their different characteristics. We believe peer multiples are the logical means of valuing the company's private asset management business, despite it being in a ramp-up phase, while we are inclined to use a dividend discount model to value Garantia, due to its stable business model and fairly stable dividend outlook.

Based on our 2023 EBIT estimate for renewable energy excluding performance fees (EUR 5.7m) and accepted valuation multiples of 13-16x, we derive a fair value range of EUR 58-72m for renewable energy. In addition, we derive a fair value range of EUR 16-24m for expected performance fees from renewable energy. Our valuation takes into account the minority share of renewable energy (21%). In total, our fair value range for renewable energy is EUR 74-96m.

Given our EBIT estimate of EUR 0.9m (excluding performance fees) and EUR 5.4m performance fees for other private asset management for 2023, we derive a fair value range of EUR 27-40m for other private asset management. We assign accepted valuation multiples of 6-8x for other private asset management and 4-6x for performance fees.

In principle, we believe Garantia could pay all of its annual profits to Taaleri. We model an annual EUR 1m increase in dividends from Garantia to Taaleri (EUR 10m in 2020) until 2025, after which we expect a 0-2% annual dividend increase for terminal value. We use 9.65% cost of equity as a discount factor. Based on this approach, we arrive at a fair value range of EUR 147-175m for Garantia.

In addition, we deduct group costs and add investments at book value (as of Q3 2021), Aktia shares (0.97m) at current market value (EUR 11.58), 2022E net cash (EUR 42m) and 2021E dividends (EUR 37m) to derive our equity fair value range of EUR 338-394m for Taaleri. As there are 28.3m shares outstanding, we derive a fair value range of EUR 11.9-13.9 per Taaleri share.

SOTP VALUATION FOR TAALERI, EURm AND EUR

Based on 2023E estimates	Share	Sales	EBIT	Valuation method	EV Range
Private asset management		**37.1**	**17.1**	**EV/EBIT 6x - 8x**	**102 - 136**
Renewable energy (excl. performance fees)	81%	23.0	5.7	EV/EBIT 13x - 16x	58 - 72
Performance fees	81%		5.0	EV/EBIT 4x - 6x	16 - 24
Other private asset management (ex. performance fees)	100%	14.1	0.9	EV/EBIT 6x - 8x	6 - 7
Performance fees	100%		5.4	EV/EBIT 4x - 6x	22 - 33
Strategic investments (Garantia)	**100%**	**22.2**	**16.1**	**DDM**	**147 - 175**
Other excl. investment operations	**100%**	**4.6**	**-3.7**	**EV/EBIT 7.9x - 9.6x**	**-29 to -36**
Investments	100%		2.0	Book value Q3 21	27
TOTAL			**31.4**	**EV/EBIT 7.9x - 9.6x**	**247 - 303**
Aktia shares				As of 30 Nov 2021	12
Net cash 2022E					42
2021E dividends					37
Equity value					338 - 394
Number of shares (m)					28.3
Equity per share, EUR					**11.9 - 13.9**

Source: Nordea estimates

We note that Taaleri's full earnings potential should be visible after 2023, while we are slightly hesitant to push our valuation approach beyond 2023 due to uncertainties related to fund sizes and the ramping up of the current funds.

Company overview

Taaleri is an investment and asset manager with an ambition to be a Nordic forerunner in alternative investments focusing on sustainability. The company is focusing on renewable energy, real estate and bioindustry, among others. It also has a strategic ownership in Garantia, a non-life insurance company specialising in guarantee insurance. In 2021, the company sold its wealth management arm to Finland's Aktia Bank Plc and renewed its strategy. Taaleri is aiming for EUR 3bn in assets under management by 2023 (EUR 2.1bn in Q3 2021) through private equity funds focusing on renewable energy and other alternative investments. In addition to own funds distribution, the company has agreed on a strategic distribution partnership with Aktia. As part of the renewed strategy, the company is aiming to exit its non-strategic investments. Following the divestment of its wealth management arm, the company employs around 110 full-time employees.

Forerunner in sustainable investing

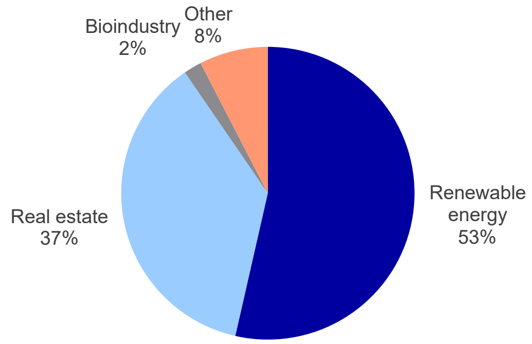
Taaleri aims to be a Nordic forerunner in alternative investments focusing on sustainability

Taaleri was founded in 2007, under the name Taaleritehdas. The stock has been listed since 2013 and it moved to the main list of Nasdaq Helsinki in 2016. Following divestment of its wealth management arm in March 2021, the main business now relates to private equity funds with a clear focus on sustainability. Taaleri promotes its sustainability targets through impact investing and investments in renewable energy, and it also has a vision to be a Nordic forerunner in alternative investments focusing on sustainability. In addition, Taaleri has a strategic investment (100% ownership) in non-life insurance company Garantia, which specialises in guarantee insurance.

Taaleri's continuing operations are divided into two reporting segments: private asset management and strategic investments. In addition, non-strategic investments, Taaleri Kapitaali (Taaleri's corporate finance arm), and group operations are separate from the business segments.

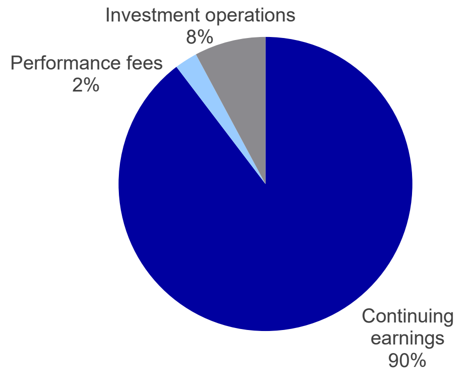
At the end of Q3 2021, the company had EUR 2.1bn in assets under management (AuM), of which 53% were related to renewable energy and 37% to real estate. With the current operations, continuing earnings were 90% of total segment earnings in 2020.

DISTRIBUTION OF ASSETS UNDER MANAGEMENT, Q3 2021 (%)



Source: Company data

EARNINGS DISTRIBUTION, 2020 (%)



Source: Company data

Aiming to become a pure-play investment and asset manager

Taaleri divested its wealth management arm to Aktia in April 2021...

On 10 March 2021, Taaleri announced the sale of its wealth management operations to Aktia at an enterprise value of EUR 120m. The divestment was completed on 30 April, and as part of the deal, Taaleri received around 0.97m Aktia shares (1.4% ownership). Aktia is listed on Nasdaq Helsinki.

...and is currently a pure-play investment and asset manager...

After the divestment, Taaleri renewed its strategy, aiming to become a pure-play investment and asset manager. Sustainability is at the core of the renewed strategy, and the company aims to scale up its funds and AuM to increase the recurring earnings and profitability of the funds. As part of the divestment, the company has entered into strategic partnership with Aktia for distribution of funds. In addition, Taaleri is strengthening its own sales operations to major institutional clients and international investors. The core strength of Taaleri's asset management is renewable energy, in which it has more than ten years' experience, both from managing the funds and operating the energy operations. The company aims to leverage this knowledge to its new ventures in bioindustry, where the immature market should offer compelling investment opportunities.

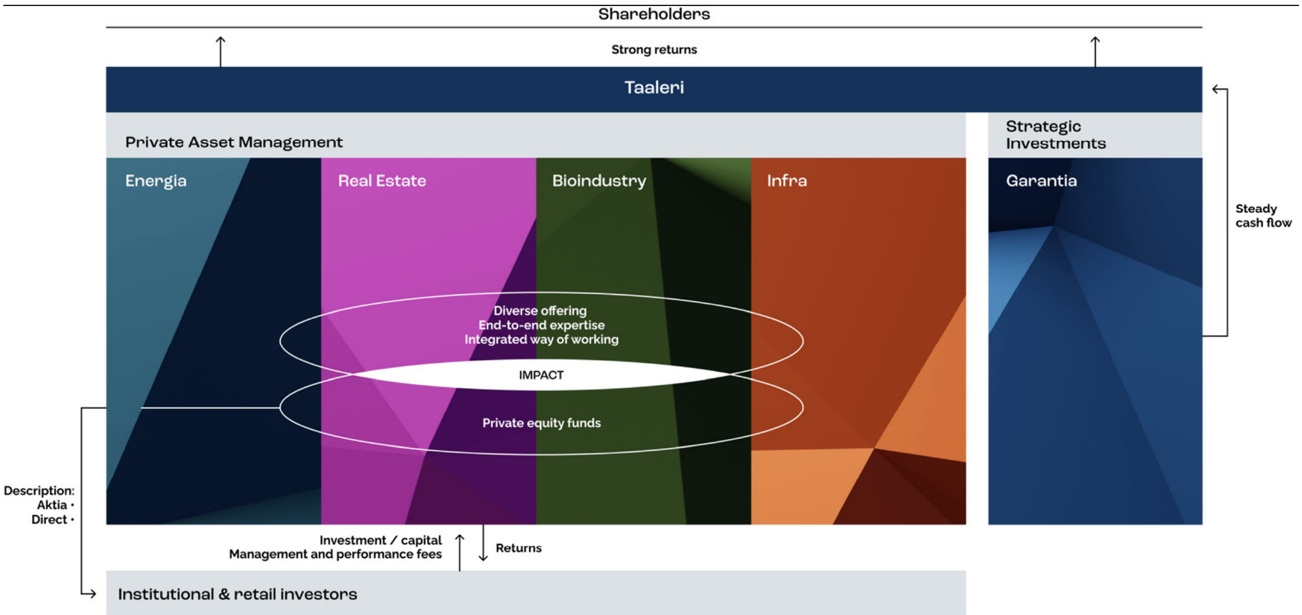
...with an overcapitalised balance sheet

Given the divestment of its wealth management arm, Taaleri has an overcapitalised balance sheet. The company aims to increase capital efficiency by distributing extra capital to its shareholders. In addition, Garantia has a solvency ratio close to 250% (as of the end of Q3 2021), which implies to us that Garantia could distribute all of its profits to Taaleri (EUR 10m in 2020), ensuring strong dividend payouts in parallel with the ramp-up of the new funds.

Dismantling of financial and insurance conglomerate substantially eases the capital requirements

In addition, the company is no longer a financial and insurance conglomerate, which substantially eases its capital requirements. As Taaleri is no longer covered by the Act of the Supervision of Financial and Insurance Conglomerates (RaVa), the company does not disclose group own funds and solvency. Hence, as binding obligations towards Taaleri are lifted (the solvency requirement remains for Garantia), the company can distribute or invest its excess capital and improve its capital efficiency going forward.

TAALERI'S BUSINESS MODEL



Source: Company data

Strategy to build on sustainability and scale

Taaleri renewed its strategy in conjunction with divestment of its wealth management arm. The strategic priorities for 2021-23 include a clear sustainability theme, with focus on scaling its business model. In addition, the company aims to improve its reach by expanding its sales and distribution of private equity funds.

Following the dismantling of Taaleri's financial and insurance conglomerate status, the company has excess capital and aims to increase its capital efficiency, most likely leading to high capital distributions to its shareholders.

TAALERI: LONG-TERM FINANCIAL TARGETS AND DIVIDEND POLICY

	2020PF	2021E	2022E	2023E	Target
Growth in recurring revenues	n.a.	5%	2%	19%	at least 15%
Operating profit margin *	23%	45%	36%	47%	at least 25%
Return on equity	10%	73%	7%	11%	at least 15%
Dividend payout	287%	24%	174%	99%	at least 50% of FY profit

* based on segment reporting

Source: Company data and Nordea estimates

Business segments

Private asset management

Private asset management includes renewable energy and other private asset management

Private asset management is divided into renewable energy and other private asset management.

Renewable energy includes Taaleri Energia, which develops and invests in industrial-scale wind and solar projects. The company is developing projects through balance sheet investments while also seeking to allocate developing projects to upcoming funds. In addition, it manages investments throughout their lifecycle.

Other private asset management includes real estate, bioindustry and infrastructure businesses. The company has a long track record of managing renewable energy and real estate funds, while bioindustry and infrastructure funds are recent additions to the fund portfolio.

Taaleri has reached vintage model in renewable energy

Close to 80% of private asset management recurring revenues were derived from renewable energy as of 2020

Renewable energy is the key contributor to AuM in private asset management, recurring earnings and performance fees. Taaleri has a long track record in renewable energy, having launched its first renewable energy fund in 2010. In 2020, close to 80% of recurring earnings and all of the performance fees were derived from renewable energy funds.

The company has four renewable energy funds and one co-investment fund, of which three are currently fully invested. SolarWind II was closed in June 2021 with EUR 354m in commitments and seven investments, representing a significant proportion of the committed capital (EUR ~700m). Wind Fund IV acts as a co-investment fund for SolarWind II. In addition, the company has one renewable energy mandate that it achieved after selling Wind Fund I and part of Wind Fund II to a consortium of Korean institutional investors at the beginning of 2020.

Next flagship fund, SolarWind III, is expected to be launched in 2023

The company aims to launch the next renewable energy fund, SolarWind III, in 2023. As the company has reached an established market position within renewable energy funds, we believe it is aiming to double the size of its next flagship fund, meaning at least EUR 600-700m in committed capital.

In-house development and technical knowhow

Taaleri Energia has roughly 40 employees...

Taaleri Energia has roughly 40 employees, including in-house development and technical professionals, making it one of the largest wind and solar investment teams in Europe. Roughly one-third of employees are within technical, operations and development functions. Taaleri Energia has local presence in its five target markets (Nordics and Baltics, Poland, South East Europe, the Iberian peninsula and Texas).

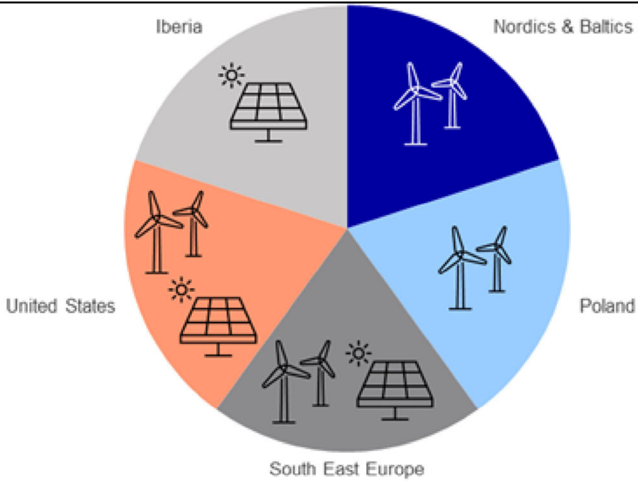
...with technical expertise

Although Taaleri has the technical expertise to run its renewable energy projects throughout the project lifetime, the typical holding period for funds is around ten years from inception. For fund investors, the key is to optimise the assets for potential exits during the holding period.

The company operates in the mid-market segment, with ideal equity tickets of EUR 20-60m, and offers co-investment possibilities for its limited partners. The company develops projects in-house and together with local developers. Taaleri prefers making deals through bilateral negotiations and rarely participates in auctions.

Five target markets with distinct technologies

TARGET MARKETS AND TECHNOLOGIES



Source: Company data and Nordea

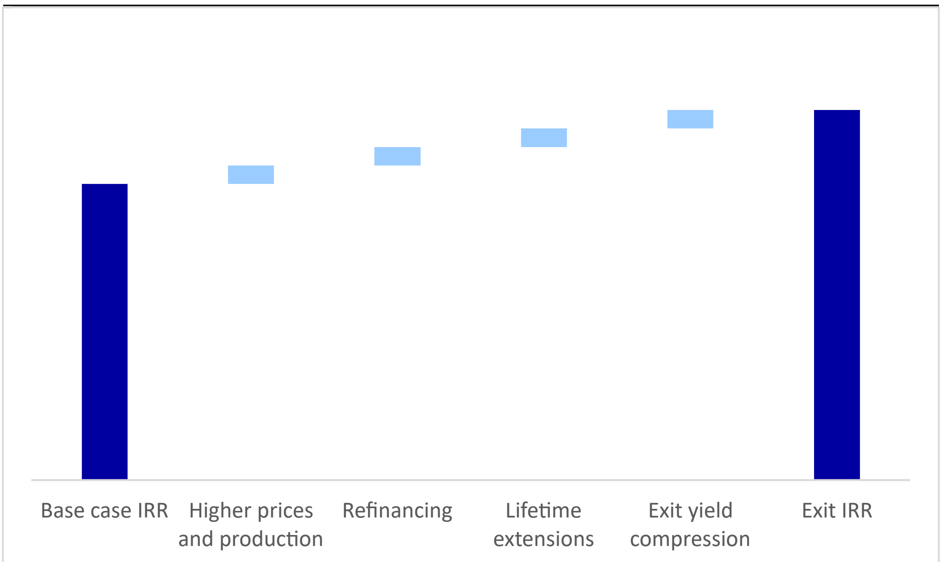
We think the targeted base-case IRRs vary between 8% and 15%, depending on the target market. We expect the highest targeted returns in South East Europe, where the company has exclusive joint ventures with Masdar (the renewable energy arm of Abu Dhabi's Mubadala Investment Company).

Base-case IRRs can be boosted through operational and financial optimisations

Base-case IRRs are most likely calculated using conservative energy price estimates and modest yield compression at the end of the holding period. To our knowledge, yield compression starts to pick up pace when the ticket size exceeds EUR 100m, which gives Taaleri a good possibility for meaningful yield compression when different projects are bundled together. In addition to yield compression, the company can hike its IRRs through higher power prices and higher production volumes, refinancing and lifetime extensions, for example.

A good example of refinancing was disclosed in conjunction with the Q3 2021 report, when the company announced a EUR 287m refinancing of its Wind II-III funds. Given the new funding structure, the company can return original commitments and increase IRRs for the funds for the remainder of the holding period. At the same time, Taaleri announced that refinancing will result in around EUR 20m carry from the two funds.

INDICATIVE IRR UPLIFT POTENTIAL FROM THE BASE CASE



Source: Nordea estimates

The funds' hurdle rates are most likely calculated to be close to base-case IRRs, which, in the case of successful projects, could offer significant carry potential for Taaleri. We believe Taaleri is using around 20% carry over the hurdle rate.

TAALERI'S CURRENT FUNDS, Q3 2021

Renewable energy	Founded	Product	AuM Q3E	Stage
Taaleri SolarWind II	2019	Private equity fund	355	Investing period
Taaleri Wind Fund II Ky	2014	Private equity fund	330	Invested
Taaleri Wind Fund III Ky	2016	Private equity fund	60	Invested
Taaleri SolarWind I Ky	2016	Private equity fund	180	Invested
Taaleri SolarWind II Feeder Fund Ky	2019	Feeder fund	60	Investing period
Taaleri Wind Fund IV Ky	2019	Co-investment fund	80	Investing period
Managed accounts	2019-	Managed accounts	65	Invested
Renewable energy TOTAL, EURm			**1130**	
Other private asset management	**Founded**	**Product**	**AuM Q3E**	**Stage**
Taaleri Real Estate Development Fund Ky	2015	Private equity fund	60	Invested
Taaleri Linnainmaankulma Ky	2011	Private equity fund	0	Exited
Taaleri Forest Fund III Ky	2014	Private equity fund	36	Invested
Taaleri Daycare Properties Ky	2019	Private equity fund	50	Investing period
Taaleri Housing Fund IV Ky	2010	Private equity fund	4	Invested
Taaleri Multifunctional Properties Ky	2018	Private equity fund	58	Investing period
Taaleri Property Fund I Ky	2015	Private equity fund	52	Invested
Taaleri Property Fund II Ky	2016	Private equity fund	50	Invested
Taaleri Rental Home Ky	2016	Private equity fund	80	Investing period
Managed accounts	2021-	Managed accounts	388	Invested
Real estate TOTAL			**778**	
Taaleri Biorefinery Ky	2020	Co-investment	42	Investing period
Bioindustry TOTAL			**42**	
Other funds TOTAL			**160**	
Other private asset management TOTAL			**980**	
Private asset management segment TOTAL			**2110**	

Source: Company data and Nordea estimates

Other private asset management includes real estate, bio and infra investments and funds

Other private asset management mainly consists of real estate investments, for which the contribution to total private asset management recurring earnings was around 23% in 2020. The company exited its Housing Fund VI in July 2021 with a EUR 145m consideration and close to 2x MOIC (multiple of invested capital). Real estate accounted for 79% of Q3 2021 AuM in other private asset management. In addition, other private asset management comprises infra (first fund investing and open for new investments), and bioindustry, which has made a co-investment in the Fintoil biorefinery project and is currently preparing for the first fund launch.

We view bioindustry as a compelling addition to Taaleri's offering as the company should be able to leverage its pioneering expertise in renewable energy and use it to scale up its bioindustry product offering. However, we remain slightly cautious regarding the real estate funds due to fiercer competition in this segment and a lack of clear competitive advantages over the main rivals in the market.

We take a deeper dive into private asset management funds in the Funds section.

Strategic investments (Garantia)

Non-life insurance company Garantia was acquired in 2015...

In addition to private asset management, Taaleri has a strategic investment in non-life insurance company Garantia, which specialises in guarantee insurance. Garantia was founded in 1993 under the Finnish Centre for Pensions scheme, and Taaleri acquired Garantia, mainly from the largest Finnish pension funds in 2015.

...which had a 63% consumer exposure in Q3 2021

Garantia operates in the Finnish guarantee insurance market and had EUR 1.8bn insurance exposure in 2020. Although Garantia is solely owned by Taaleri, it operates largely independently with Taaleri as a 'financial sponsor'. The company has a solid balance sheet with a solvency ratio close to 250% (Q3 2021), which should ensure a steady dividend stream to Taaleri. In 2020, some 54% of guarantees granted by Garantia were for housing and 46% for corporations. In line with its strategy, Garantia has continued to increase its exposure towards consumer guarantees, which made up 63% of total Q3 2021 exposure.

Garantia's main customers are Finnish banks, for whom the company secures private individuals' mortgage loans. After reaching a deal with OP Financial Group, all the largest Finnish mortgage banks except Nordea are collaborating with Garantia on mortgage loans. In addition, the company offers landlords and tenants rental deposit solutions and maintenance charge guarantees for housing companies.

For corporations, Garantia offers mainly pension loan and bank loan guarantees. In addition, it can offer residual value guarantees, investment guarantees and leasing and rent guarantee portfolios, for example. Garantia's main exposures with corporate customers are in construction (35.4% in 2020) and manufacturing (24.7%), while the company made a strategic decision to discontinue underwriting new commercial bonds for construction sector customers as of 1 January 2020.

We take a more detailed look at Garantia in a later section of this report.

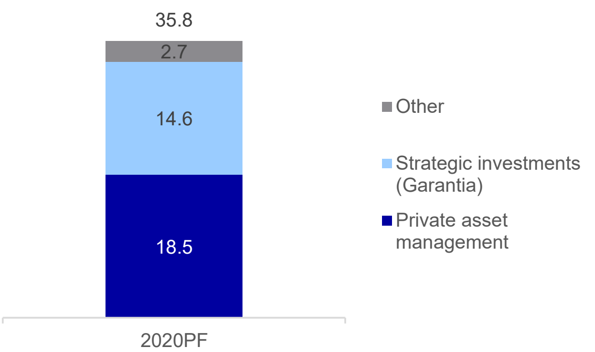
Historical financials

Taaleri is currently in a transformational period with Garantia supporting earnings

As Taaleri has now divested its wealth management arm, we mainly concentrate on the future outlook of the company. We note that it is in a transformational period with Garantia being the main earnings contributor until the private equity funds can scale up their business. The company has disclosed comparison figures for 2020.

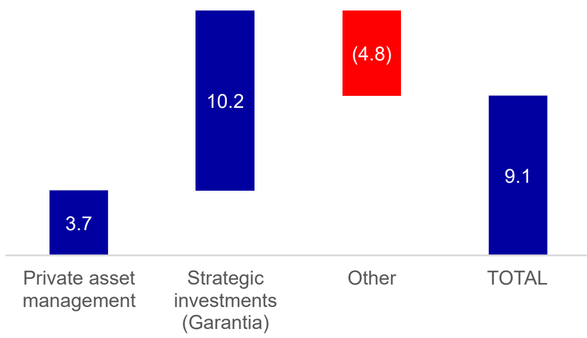
Based on segment reporting and pro forma figures, Taaleri's operating profit was EUR 9.1m in 2020, with strategic investments (Garantia) as the main contributor with EUR 10.2m operating profit. The operating profit of private asset management, consisting of renewable energy and other private asset management, was EUR 3.7m in 2020. Other, including non-strategic investments and group functions, incurred an operating loss of EUR 4.8m in 2020. After the divestment of the wealth management arm, we think the company has streamlined its operations and is currently focusing on growing its asset management business.

RECURRING EARNINGS (SEGMENT REPORTING), 2020PF (EURm)



Source: Company data

OPERATING PROFIT (SEGMENT REPORTING), 2020PF (EURm)



Source: Company data

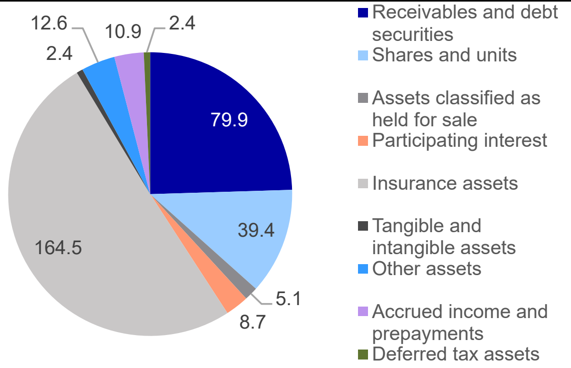
Strong balance sheet

After divesting its wealth management arm, Taaleri is no longer a financing and insurance conglomerate and hence does not disclose its own funds and capital adequacy on the group level. As previously mentioned, Garantia's solvency ratio is close to 250% (as of the end of Q3 2021). Taaleri's net gearing was -27% at the end of Q3 2021. The company has EUR 14.8m in financial debt that relates to Tier 2, a fixed 5% bond, with a call option in October 2024.

Interest and other financial expenses totalled EUR 3.3m in 2020, while the level will become substantially lower following repayment of financial debt in Q2 2021.

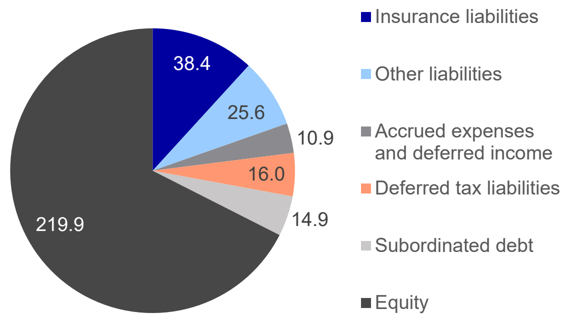
Taaleri's largest assets relate to Garantia's investment portfolio and receivables from credit institutions. In addition, in conjunction with the divestment of the wealth management arm, the company received close to 1m Aktia shares (1.35% ownership), with book value of EUR ~11m (Q3 2021). The two main components of liabilities are equity and insurance liabilities.

TAALERI: ASSETS, Q3 2021 (EURm)



Source: Company data

TAALERI: LIABILITIES AND EQUITY, Q3 2021 (EURm)



Source: Company data

Taaleri has EUR 27.5m of non-strategic investments...

Taaleri has non-strategic investments worth EUR 27.5m (Q3 2021) on its balance sheet. The company made its latest divestment of non-strategic investments in Q2 2021 with the sale of Mobify Invoices, booking a EUR 0.6m total loss. We think the company should be able to divest the remainder of the non-strategic portfolio with gains, as indicated by the valuation of the recently IPOed Inderes.

In Q3 2021, Taaleri had a EUR 2.5m fair value for its holding in Inderes. Taaleri has continued to sell down its holding, but we do not know if this relates to Inderes' buy option on Inderes shares held by Taaleri. Inderes has a buy option for 50,364 of Taaleri's Inderes shares at EUR 25 per share (IPO price). In Q3, Taaleri booked EUR 2.3m in realised and fair value changes from its Inderes holding. Taaleri had ~50,000 shares without restrictions in Inderes (as of the end of Q3) and we expect the company to exit this holding in 2021-22. Based on Inderes' ownership list as of 30 November, Taaleri holds 50,364 shares in Inderes, equivalent to Inderes' buy option for Taaleri's Inderes shares.

...with an aim of exiting within the coming two to three years

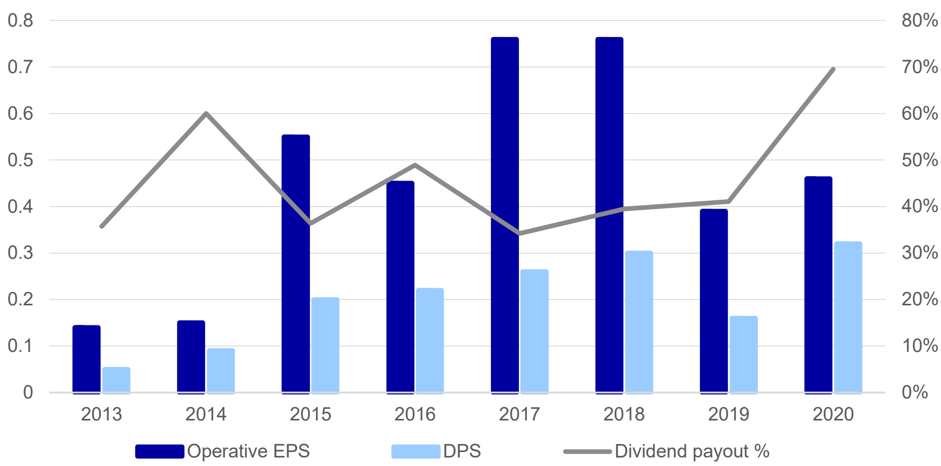
In addition to Inderes, other non-strategic investments include an ~18% ownership in Fellow Bank (after the merger with EVLI's banking business, intended to be carried out in full during H1 2022), Ficolo, Rauma Marine Construction and Oima. The company is preparing to exit its non-strategic investments within the next two to three years.

Taaleri aims for a dividend payout ratio above 50%

The company has a dividend payout target of at least 50% of net profits. In addition, following the divestment of its wealth management arm and the dismantling of the RaVa conglomerate status, the company aims to increase the efficiency of its balance sheet, most likely through extraordinary dividends or return of capital.

Taaleri targets a dividend payout ratio above 50%

OPERATIVE EPS, DIVIDEND AND PAYOUT, 2013-20 (EUR AND %)



Source: Company data

New CEO is taking the helm

Taaleri announced in October 2021 a change of CEO. Robin Lindahl was CEO of Taaleri from 2019 until his resignation on 25 October 2021. The new CEO, Peter Ramsay, started at the beginning of December 2021. Mr Ramsay was a board member of Taaleri from March 2021 until October 2021, resigning after the nomination to become CEO. Karri Haaparinne, co-founder and former deputy CEO of Taaleri, had been acting as interim CEO until Mr Ramsay took the helm.

Management and board of directors

Management team

Source: LinkedIn

CEO - Peter Ramsay (as of 1 December 2021)
Joined Taaleri: December 2021

Born: 1967

Education: Msc (Econ.)

Selected background: Veikko Laine Oy, CIO and CFO 2014-21; FIM Varainhoito, CIO 2013-14; FIM Plc, CEO 2011-13; Avenir Fund Management, founder and CEO 2000-11

Source: Company photo

CFO – Minna Smedsten
Joined Taaleri: 2013

Born: 1976

Education: Msc (Econ.)

Selected background: Taaleri Plc, CFO 2013-present; GreenStream Network Plc, CFO 2009-13; Kaupthing Bank Finland, CFO 2005-08; Norvestia Plc, IR & Finance Manager 2000-04; Tuokko Deloitte & Touche, Auditor 1999-2000

Source: Company photo

General Counsel – Janne Koikkalainen
Joined Taaleri: 2007

Born: 1971

Education: LL.M

Selected background: Taaleri Plc, Head of Legal 2007-present; Mandatum Private Bank / Sampo Pankki Plc, Senior Advisor 2006-07; Skandia Life Assurance Company Limited, Finnish Branch, Legal Manager 2001-06; Mutual Insurance Company Tapiola, Claims Lawyer, 1999-2001

Source: Company photo

Garantia CEO – Titta Elomaa
Joined Taaleri: 2015

Born: 1967

Education: Msc (Econ.)

Selected background: Garantia Insurance Company Ltd, CEO 2019-present; various positions in Garantia since 2002; Mobile Technology firms, Financial Consultant 2000-02; Metra Corporation (Wärtsilä Corporation), Portfolio Manager, Assistant Treasury Manager 1994-2000; Erik Selin Bankers Ltd, Derivatives Broker, 1992-94; Finnish Option Broker Ltd, Broker 1988-92

Source: Company photo

Director, Renewable Energy – Kai Rintala

Joined Taaleri: 2016

Born: 1975

Education: PhD, Construction Management

Selected background: Taaleri Energia Ltd, Managing Director 2016-present; KPMG, Helsinki, Finland, Director, Infrastructure and Projects Group 2010-16; KPMG London, various positions within with Infrastructure and Projects Group 2005-10; University of Cape Town, South Africa, postdoctoral researcher, 2004-05; University College London, United Kingdom, Assistant, 2002-04

Source: Company photo

Director, Real Estate – Essi Sten

Joined Taaleri: 2020

Born: 1973

Education: Master of Laws, Executive Master of Business Administration

Selected background: Taaleri Oyj, Head of Real Estate Business 2020-present; Hemfosa Fastigheter AB, Country Manager, Finland 2019-20; PATRIZIA AG, Country Manager, Finland 2016-19; Certeum Oy, Director, Property Development 2014-15; Sponda Oyj, Director, Real Estate Funds 2009-14; AVARA Suomi Oy, Vice President, Real Estate Investment 2006-09; AVARA Suomi Oy, various positions 2003-09; DIVIDUM Oy, Legal Counsel 1999-2003

Source: Company photo

Director, Bioindustry – Tero Saarno

Joined Taaleri: 2021

Born: 1981

Education: M.Sc. (Tech) Energy Technology, B.Sc. Geothermal Engineering

Selected background: Taaleri Oyj, Director, Bioindustry 2021-present; St1, Production Director 2014-20; Flow Energy Experts, Entrepreneur 2017-present; Fundacon, Project Director, 2013-15; Jyväskylän Energia-yhtiöt (currently Alva-Yhtiöt), Production Director 2009-13; Enprima / ÅF Consult (currently AFRY), various roles, e.g. project engineer and commissioning manager, 2004-09

Source: Company photo

Head of Communications and IR – Siri Markula

Joined Taaleri: December 2021

Born: 1972

Education: M.Sc. Soc.

Selected background: Taaleri Plc, Head of Communications and IR 2021-present; Hill&Knowlton Strategies, Account Director, 2018-21; Pihlajalinna Plc, Head of Communications and IR 2016-18; Talentum Plc, Communications Manager 2015-16; Federation of Finnish Enterprises, Communications Officer 2014-15; Helsingin Sanomat, News Editor 2004-13; Helsingin Sanomat, Journalist 2000-04

Board of directors

TAALERI: BOARD OF DIRECTORS

Name	Title	Born	Board member since
Juhani Elomaa	Chairman of the board	1960	2019
Juha Laaksonen	Deputy chairman	1952	2013
Elina Björklund	Member of the board	1970	2019
Petri Castén	Member of the board	1962	2020
Hanna Maria Sievinen	Member of the board	1972	2016
Tuomas Syrjänen	Member of the board	1976	2017

Source: Company data

Ownership structure

Taaleri has one share class with 28.3m shares outstanding. The company held 45,000 own shares at the end of Q3 2021. The main shareholder, Veikko Laine Oy, has 11.46% of the shares, while the top 10 shareholders held 48.2% of the total shares as of 30 November. We note that board member and co-founder Juhani Elomaa holds 1.8m shares (6.3% of the company).

Taaleri's board of directors has the AGM's approval to repurchase up to 2m shares, corresponding to 7.05% of all shares. In addition, the AGM has authorised the board of directors to decide on a share issue of up to 2.5m shares, corresponding to 8.82% of all Taaleri shares.

TAALERI: TOP 20 SHAREHOLDERS AS OF 30 NOVEMBER

	Shareholders	Shares	% of shares
1	Veikko Laine Oy	3,248,582	11.5
2	Oy Hermitage Ab	2,920,308	10.3
3	Elomaa Juhani	1,793,690	6.3
4	Vakuutusosakeyhtiö Henki-Fennia	1,526,765	5.4
5	Haaparinne Karri Erik	1,453,223	5.1
6	Swiss Life Luxembourg S.A.	925,014	3.3
7	Mathur Ranjit	513,000	1.8
8	Lampinen Petri Juhani	500,257	1.8
9	AC Invest Five B.V.	464,792	1.6
10	Lehto Vesa Matti	330,000	1.2
11	Kaski Olli Ensio	327,222	1.2
12	Neva-Aho Ronnie Juhani	320,051	1.1
13	Merenlahti Mikko Henrik	300,000	1.1
14	Lombard International Assurance S.A	291,828	1.0
15	Ruusunen Sami Juha-Pekka	273,000	1.0
16	Pekkala Pekka Juhani	272,923	1.0
17	Heinonen Jyrki Antero	270,000	1.0
18	Hirvonen Tomi Harri Olavi	267,060	0.9
19	Kinnunen Arto Lauri	260,693	0.9
20	Koskelainen Jaana Katariina	217,424	0.8
	20 largest shareholders total	**16,475,832**	**58.1**
	Nominee registered	**964,484**	**3.4**
	Others	**10,910,304**	**38.5**
	Total	**28,350,620**	**100.0**

Source: Company data

Fund overview

Currently, Taaleri has four renewable energy funds and nine real estate funds. In addition, the company has two managed accounts, one renewable energy account and two real estate account. The company has a long track record in renewable energy funds, with AuM of EUR 1.1bn at the end of Q3 2021. In real estate funds, the company had AuM of EUR 0.8bn at the end of Q3 2021, In addition, Taaleri is currently preparing its first Bioindustry fund, which, together with renewable energy, we view as an interesting option for future growth. Total AuM at the end of Q3 2021 was EUR 2.1bn. Implicitly, Taaleri is targeting AuM of at least EUR 3.5bn at the end of 2025 from renewable energy, real estate and bioindustry, based on its EUR 2bn AuM target for renewable energy, EUR 1bn for real estate and EUR 0.5bn for bioindustry. In addition, the company aims to scale up its infrastructure AuM.

Renewable energy funds

Taaleri manages its renewable energy funds through Taaleri Energia. At the end of Q3 2021, the company had EUR 1.1bn in AuM, split between four of its own funds, one co-investment fund, one feeder fund and one managed account.

RENEWABLE ENERGY FUNDS

Renewable energy	Founded	Product	AuM Q3E	Stage
Taaleri SolarWind II	2019	Private equity fund	355	Investing period
Taaleri Wind Fund II Ky	2014	Private equity fund	330	Invested
Taaleri Wind Fund III Ky	2016	Private equity fund	60	Invested
Taaleri SolarWind I Ky	2016	Private equity fund	180	Invested
Taaleri SolarWind II Feeder Fund Ky	2019	Feeder fund	60	Investing period
Taaleri Wind Fund IV Ky	2019	Co-investment fund	80	Investing period
Managed accounts	2019-	Managed accounts	65	Invested
Renewable energy TOTAL, EURm			**1130**	

Source: Company data and Nordea estimates

Wind power

Currently, Taaleri has two active wind power funds (Wind Power II-III).

TAALERI'S WIND FARM

Source: Company data

Wind Power II (launched in 2014) accumulated EUR 84m in investment commitments and built eight wind farms in Finland with 186 MW total production capacity. Portfolio construction was launched in December 2014 and ended in June 2016. We estimate closing/exit in 2023-24, with substantial carry potential.

Wind Power III (launched in 2016) accumulated EUR 45m investment commitments and built 11 wind turbines with 33 MW total production capacity. We estimate closing/exit with carry potential in 2023-24.

Taaleri refinanced Wind II and III in October 2021 with estimated EUR 20m carry potential in the current market environment.

WIND POWER INVESTMENTS

Location	Country	Completion	Turbines	Output, MW
Kirkkokallio	Finland	Q3 2014	9	21
Nyby (exited)	Finland	2014	8	19
Myllykangas (exited)	Finland	2014-15	22	54
Kytölä	Finland	Q4 2015	6	20
Pajukoski	Finland	Q4 2015	7	23
Kantti	Finland	Q3 2016	8	24
Limakko	Finland	Q4 2016	9	27
Kooninkallio	Finland	Q2 2016	9	27
Kivivaara-Peuravaara	Finland	Q4 2017	30	90
TOTAL			108	305

Source: Company data and Nordea

SolarWind

Taaleri has two active SolarWind funds. SolarWind II exceeded its target size and was closed at the end of Q2 2021.

SolarWind I (launched in 2017) accumulated EUR 87m in investment commitments and started to build a portfolio at the end of 2017 by acquiring a minority interest (30%) in a 158 MW wind farm in Serbia. The latest investment was in a 14.4MW wind farm in Sweden at the end of 2019. In total, the fund has made four international wind and solar investments.

SolarWind II (launched in 2019) was first closed in July 2019 with EUR 220m in commitments. Simultaneously, Taaleri increased the SolarWind II fund target size to EUR 300m. The company held a second closing in February 2020, with approximately EUR 275m in commitments. The final close was in June 2021 with EUR 354m in total commitments. The fund is expected to finance approximately 850 MW of renewable energy capacity while it has currently invested in projects with 764 MW of production capacity. The latest investment was in a 50 MW solar farm in Spain announced on 15 November.

SOLARWIND INVESTMENTS

SolarWind I	Country	Completion	What	Output, MW
Cibuk	Serbia	Q2 2019	57 turbines	158
Baynona	Jordan	Q1 2021	740,000 solar panels	200
Slageryd	Sweden	Q3 2020	6 turbines	23
Målajord	Sweden	Q3 2021	3 turbines	14
TOTAL			**66 turbines and 740,000 solar panels**	**396**
SolarWind II				
Oltava	Finland	Q1 2021	19 turbines	91
Haram	Norway	Q3 2021	8 turbines	34
Escalade	USA	Q4 2021	65 turbines	336
Mlawa and Grajewo	Poland	Q4 2021	24 turbines	51
Isoneva	Finland	Q4 2022	21 turbines	126
Murtotuuli	Finland	Q4 2022	21 turbines	126
Niebla	Spain	Q3 2022	Solar panels	50
TOTAL			**158 turbines**	**814**
SolarWind I-II TOTAL				**1210**

Source: Company data and Nordea estimates

Other private asset management funds

Real estate funds

Currently, the company has nine real estate funds, plus managed accounts. Total AuM at the end of Q3 2021 was EUR 0.8bn, with multiple funds in the exit phase.

The company sold its Housing Fund VI, consisting of nine residential properties in the Helsinki metropolitan area, at the beginning of July for a EUR 145m consideration, with almost 2x MOIC. In addition, at the end of Q2, Taaleri sold its Linnainmaankulma property in Pori. Linnainmaankulma was a closed fund founded in 2011. It managed commercial property and 110 parking spaces in the centre of Pori.

Taaleri expanded its offering to external management mandates in conjunction with the divestment of its wealth management arm. Aktia Fund management outsourced the management of Aktia Commercial Properties and Aktia Life Insurance real estate assets to Taaleri. In addition, companies agreed that Taaleri continues to act as the external portfolio manager of Aktia Residential Fund+ (previously Taaleri Real Estate special investment fund).

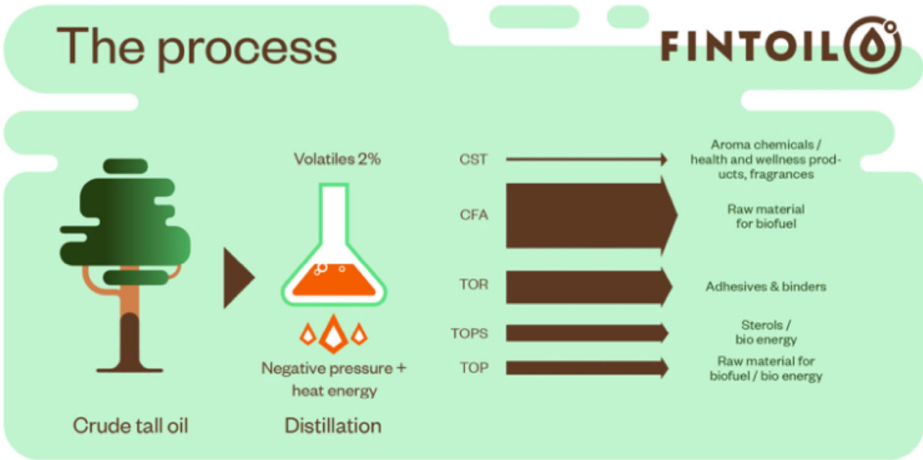
Taaleri will continue to manage the sold Housing VI portfolio under an external mandate.

Bioindustry

Taaleri is currently planning to launch its first bioindustry fund. The company has made investments in Fintoil's biorefinery project in Hamina and Joensuun Biohiili, a brownfield factory that produces bio coal. However, these two investments are co-investments and will most likely not be sold to the upcoming Bio I fund.

Fintoil's biorefinery capacity is expected to be 200,000 tons of refined crude tall oil (CTO) for the production of renewable second-generation diesel. Raw material for the biorefinery is a by-product of the kraft pulp process and CTO is classified as a sustainable feedstock for advanced biofuels under the EU's Renewable Energy Directive (RED II). Delivery of the products should begin in autumn 2022 and the company will become the world's fourth-largest crude tall oil refiner with a market share of approximately 10%. Total investment will exceed EUR 100m, with a production process from Neste Engineering Solutions. Given the influence of Neste, we think the company has agreed feedstock deliveries with Neste. Taaleri holds a 24.2% ownership stake in Fintoil.

FINTOIL BIOREFINERY PROCESS MAP AND END PRODUCTS



Source: Fintoil

Joensuun Biohiili is a EUR 15m project in which the company aims to replace coal in energy production and later focus on so-called value-added products. The facility is expected to be operational in 2022 with a capacity of 60,000 tons. The facility uses approximately 250,000 m^3 of small-diameter stem and wood chips and bark annually. The aim is to build a cluster around the Joensuu bio coal plant. The BlackGreen bio coal programme led by the Natural Resources Institute of Finland is expected to run until early 2023.

Tracegrow

Taaleri has made a EUR 2m investment in Tracegrow, a Finnish company that produces organically certified fertiliser from used batteries. Tracegrow intends to use the proceeds from the private placement to build a second production line in Kärsämäki, Finland. The company's fertiliser products are based on the separation of metals from used recycled alkaline batteries and, potentially in the future, also from industrial side streams. The investment could be a precursor to Taaleri's first bioindustry fund to finance Tracegrow's future plant investments.

OTHER PRIVATE ASSET MANAGEMENT FUNDS

Other private asset management	Founded	Product	AuM Q3E	Stage
Taaleri Real Estate Development Fund Ky	2015	Private equity fund	60	Invested
Taaleri Linnainmaankulma Ky	2011	Private equity fund	0	Exited
Taaleri Forest Fund III Ky	2014	Private equity fund	36	Invested
Taaleri Daycare Properties Ky	2019	Private equity fund	50	Investing period
Taaleri Housing Fund IV Ky	2010	Private equity fund	4	Invested
Taaleri Multifunctional Properties Ky	2018	Private equity fund	58	Investing period
Taaleri Property Fund I Ky	2015	Private equity fund	52	Invested
Taaleri Property Fund II Ky	2016	Private equity fund	50	Invested
Taaleri Rental Home Ky	2016	Private equity fund	80	Investing period
Managed accounts	2021-	Managed accounts	388	Invested
Real estate TOTAL			**778**	
Taaleri Biorefinery Ky	2020	Co-investment	42	Investing period
Bioindustry TOTAL			**42**	
Other funds TOTAL			**160**	
Other private asset management TOTAL			**980**	

Source: Company data and Nordea estimates

Infrastructure funds

The infrastructure team was transferred to Taaleri from Aktia in conjunction with the divestment of the wealth management arm of Taaleri. Currently, Taaleri has one infrastructure fund that invests in local and regional infrastructure projects. Infra I is currently in a fundraising and investment phase and aims to rapidly increase its infrastructure business in the coming years.

Other funds

In addition to traditional funds, Taaleri's other funds include old non-strategic funds (e.g., Africa I-II, Telakka and other co-investments).

New fund pipeline

Taaleri is currently in a transformational period. The SolarWind II flagship renewable energy fund was closed in June with EUR 354m in commitments. We think it will take until mid-2023 for Taaleri to launch SolarWind III. In renewable energy, the company targets AuM of EUR 2bn in 2025, which should be attainable if SolarWind III is twice the size of SolarWind II. In addition, we believe the company has good possibilities to gain management of divested fund investments, which would support AuM growth and create stability in earnings.

SOLARWIND FUNDS' POTENTIAL PIPELINE AND COMMITTED CAPITAL POTENTIAL

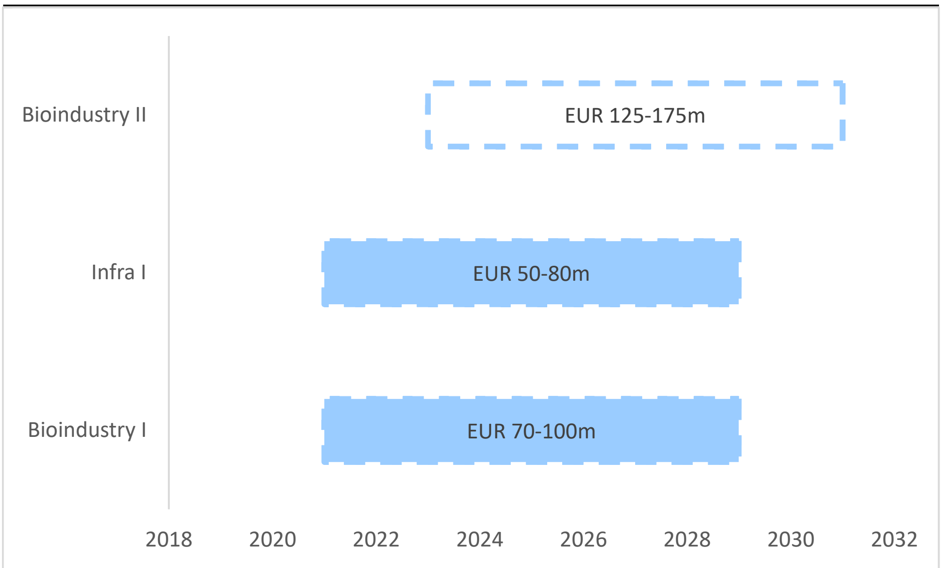
Source: Nordea estimates

Taaleri has historically run relatively small real estate funds but is now focusing on building its scale and vintage model. Taaleri's new closed-end Housing fund VIII is currently in the launch phase with a build-to-rent strategy. The company will scale up its core funds in 2021-22, while it has plans to launch new scalable investment products in 2023 and gain access to new capital through new separate mandates. In our view, the key focus is on scaling up its funds and gaining traction for new offerings from 2023 onwards.

In real estate, Taaleri is targeting AuM of EUR 1bn in 2025, which we find challenging. We note the low visibility of the real estate fund pipeline. We think the target requires a successful Housing fund VIII launch, an increased mandate and a supportive market environment.

The Bioindustry and Infra funds are ramping up in 2021-22, while a large part of the current real estate funds are in the investment phase. We think the new bioindustry fund could attract wide interest and collect EUR 70-100m in commitments, while the company targets AuM of EUR 500m by 2025. We believe the target is attainable, assuming the first fund ramps up rapidly before the start of the next fund, possibly in 2023-24.

BIOINDUSTRY AND INFRA FUND PIPELINE AND COMMITTED CAPITAL POTENTIAL



Source: Nordea estimates

Exit pipeline and carry potential

Taaleri is aiming to exit its non-strategic investments within the next two or three years. In Q4 2021, Taaleri will recognise approximately EUR 3-4m in income from exits or listings of the group's investments. In addition, the company will exit multiple funds in the coming years. There is substantial carry potential in Wind Fund II and III (Taaleri has indicated EUR 20m), while we expect modest carry potential from SolarWind I. However, we expect SolarWind I carry in 2024, at the earliest.

Housing Fund VI will produce sizeable carry (approximately EUR 3.9m) in Q4 2021 following the sale of the fund portfolio with almost 2x MOIC. The Forest fund should be in carry and we expect exit in 2023-24. We do not have high expectations for other funds in private asset management, while the company is clearly aiming to increase the scale of its funds.

Garantia overview

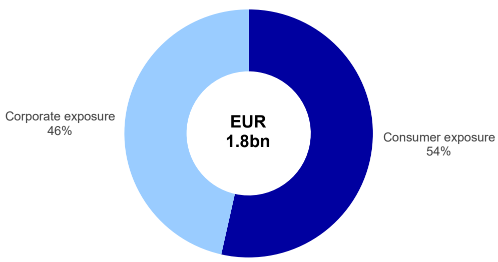
Garantia was incorporated in 1993 by the Finnish Centre for Pensions and Finnish mutual pension insurance companies. Taaleri (formerly known as Taaleritehdas) acquired Garantia in 2015. Garantia is an independent non-life insurance company specialising in guarantee services. The company has a broad and diversified distribution network consisting of bancassurance partnerships, online distribution channels and direct relationships. Products include mortgages, pensions and bank loan guarantees. In 2020, Garantia had guarantee insurance exposure amounting to EUR 1.8bn, with EUR 19m of gross premiums written. For the past five years, Garantia's average combined ratio has been 50.5%, while it was 37.8% in 2020. Garantia reported operating profit of EUR 10m in 2020 and it paid the whole amount as dividends to Taaleri.

Garantia has a balanced exposure by product group

Non-life insurance company with balanced insurance exposure

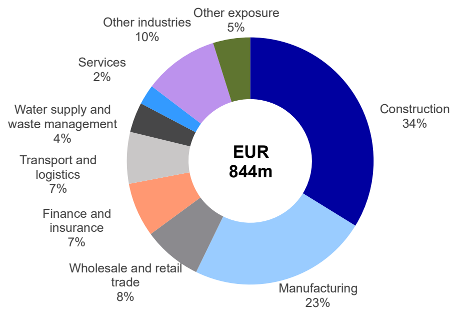
Garantia is a specialised non-life credit and guarantee insurance company with around twenty employees. The company operates solely in Finland. The company had guarantee insurance exposure amounting to EUR 1.8bn in 2020, of which ~54% was consumer exposure and ~46% corporate exposure. The biggest industry exposure in 2020 was to construction (16% of total exposure), followed by manufacturing (11%).

EXPOSURE BY PRODUCT GROUP IN 2020



Source: Company data

CORPORATE EXPOSURE IN 2020



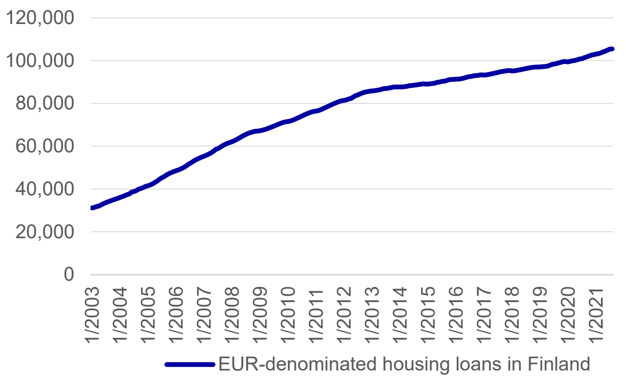
Source: Company data

Consumer exposure relates mainly to mortgage guarantees...

Stable mortgage loan market driving operations

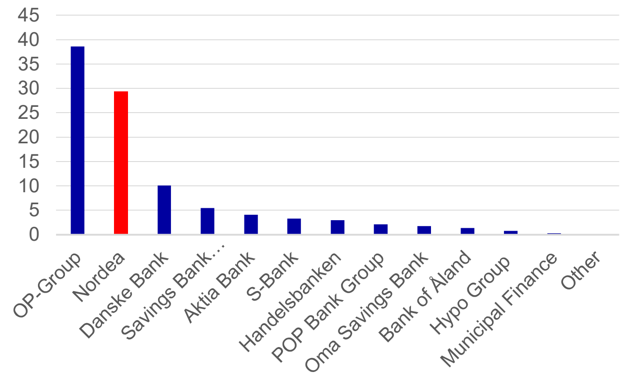
Garantia's consumer exposure includes residential mortgage guarantees and rental guarantees, of which mortgage guarantees make up the majority. Hence, the Finnish housing market is the key driver of the less volatile consumer exposure. Garantia reached an agreement with OP Financial Group in 2020 under which all of the largest banks except Nordea collaborate with Garantia on mortgage loans. As the OP Financial Group agreement came into force in October 2020, we think the full effect of the deal will be visible from 2023 onwards. At the end of June 2021, OP Financial Group was the market leader in the Finnish mortgage loan market with a 39% market share, followed by Nordea with a 29% market share (source: The Bank of Finland).

EUR-DENOMINATED HOUSING LOANS TO FINNISH HOUSEHOLDS, 2003-JUNE 2021 (EURm)



Source: The Bank of Finland

HOUSING LOANS TO HOUSEHOLDS IN FINLAND, MARKET SHARES OF FINNISH CREDIT INSTITUTIONS, JUNE 2021 (%)



Source: The Bank of Finland

...while the company has reduced its construction market exposure

Garantia made a strategic choice to reduce its corporate exposure to the construction market in 2019 and it ceased underwriting new commercial bonds for construction sector customers on 1 January 2020. In Q3 2021, corporate exposure was 37%, with construction market exposure at 28.8%. Construction exposure as a share of corporate exposure was clearly below the year-end 2020 figure (35.4%) and we think Garantia is continuing to reduce its exposure to the sector. We think it will reach its desired level during 2022. In 2019, construction made up 48% of the corporate portfolio exposure.

EUR 234m of bond guarantees since 2013

Garantia has two outstanding multi-issuer bonds with a notional amount of EUR 122m

In addition to consumer and corporate loan guarantees, Garantia has made four multi-issuer bond guarantees since 2013 with a total of EUR 234m in proceeds to Finnish issuers. Currently, two bonds are outstanding with a five-year maturity (multi-issuer bond III and IV) and with a EUR 122m combined notional amount. These bonds mature in 2023-24 and, although the company is, according to its updated strategy, concentrating on more diversified portfolios, we find it plausible that the company could issue new multi-issuer bonds when the old bonds mature.

FOUR MULTI-ISSUER BONDS SINCE 2013

Multi-issuer bond I (2013)	
Notional, EURm	42
Interest rate	2.25%
Maturity	5
Guarantee amount	100%
Issuers	6

Multi-issuer bond II (2014)	
Notional, EURm	70
Interest rate	1.85%
Maturity	5
Guarantee amount	100%
Issuers	9

Multi-issuer bond III (2018)	
Notional, EURm	82
Interest rate	1.375%
Maturity	5
Guarantee amount	100%
Issuers	8

Multi-issuer bond IV (2019)	
Notional, EURm	40
Interest rate	0.75%
Maturity	5
Guarantee amount	100%
Issuers	3

Source: Company data and Nordea

Leasing and rent guarantee market still immature

Garantia offers leasing and rent guarantees to consumers and corporations

In addition to mortgage and corporate guarantees, Garantia offers leasing and rent guarantees. While these markets are still immature, we view the market potential as good given the increasing demand for rental apartments and the increasing popularity of residential property investments among Finnish citizens.

Garantia currently (as of 8 November) uses the following pricing in its guarantees for landlords in its Takaamo and Securent businesses (see table below).

SECURENT PRICING MODEL

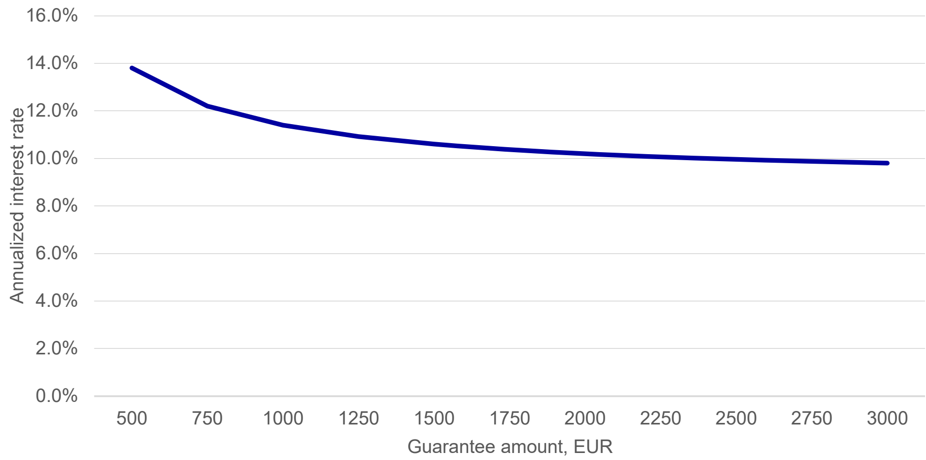
Guarantee amount	Monthly payment	% of guarantee
EUR 700	9.9	1.4%
EUR 1500	17.8	1.2%
EUR 3000	25.5	0.8%

Source: Company data

In Takaamo, Garantia collects payment of EUR 2 and 0.75% of the guarantee amount monthly. In addition, the opening cost for credit is EUR 49 per account.

Compelling interest rates with rent guarantees

TAKAAMO: IMPLIED ANNUALISED INTEREST RATE WITH DIFFERENT GUARANTEE AMOUNTS



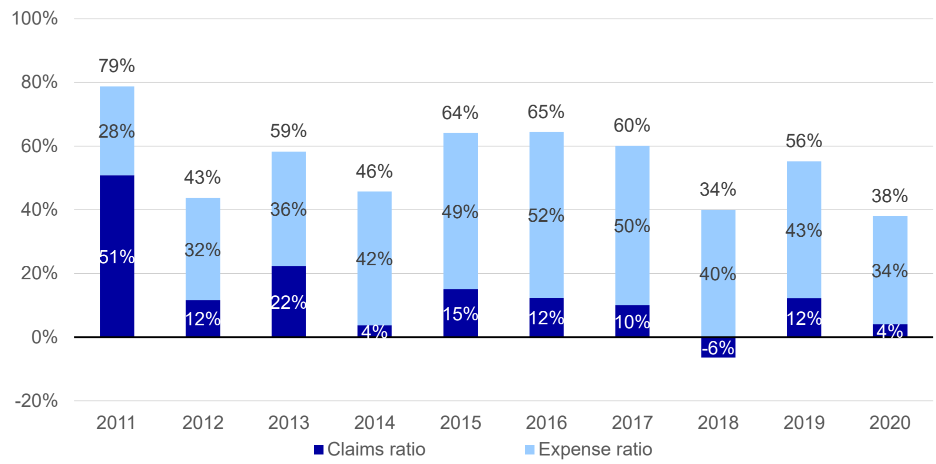
Source: Company data and Nordea

Low claims ratio has kept the combined ratio strong

Strong combined ratio with decreasing fixed cost level

Taaleri has owned Garantia since 2015. For the past ten years, the combined ratio has been on average 52%, driven by a low claims ratio (ten-year average of 13.6%). Garantia's main exposure relates to consumer and corporate, where it guarantees part of the loan amount. Garantia will book claims only if the related party (e.g. mortgage bank) books loan losses, i.e. Garantia has an agreement with the bank, rather than directly with the end customer. As there is no personal bankruptcy in Finland, mortgage banks do not traditionally make large loan losses on mortgages. Hence, the main claims risks for Garantia relate to corporate exposure.

COMBINED RATIO, 2011-20

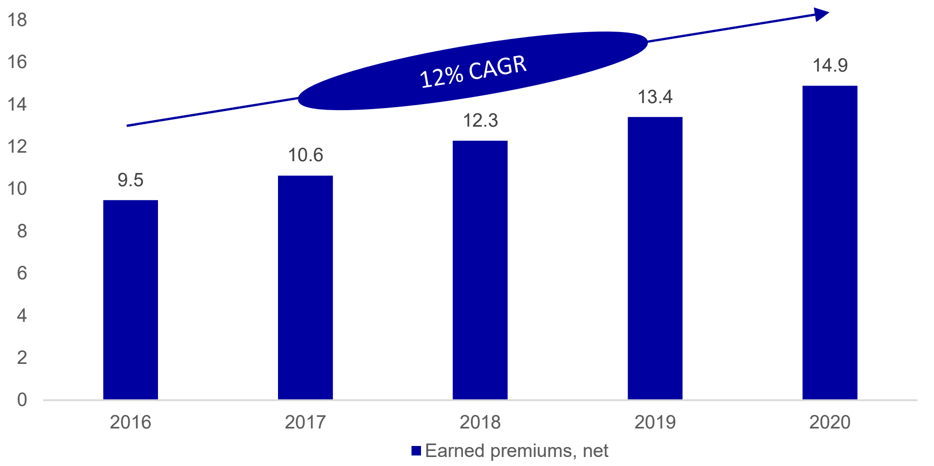


Source: Company data

Garantia's expense ratio has developed favourably since Taaleri acquired Garantia in 2015. We think 2020 was partly supported by temporary cost savings, while it appears that the underlying expense ratio has been developing favourably with increasing earned premiums (12% CAGR in 2016-20).

12% earned premiums CAGR in 2016-20

EARNED PREMIUMS DEVELOPMENT, 2016-20 (EURm)

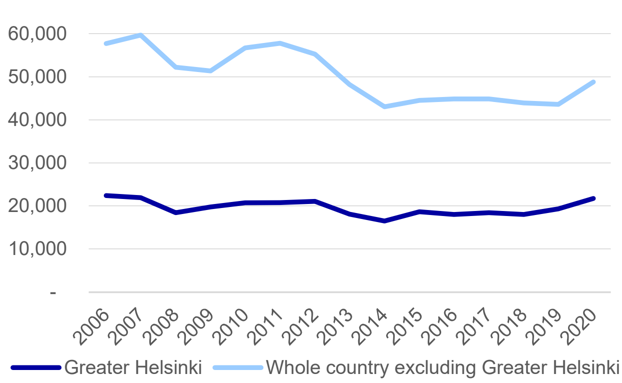


Source: Company data and Nordea

Favourable housing market supporting earned premiums development

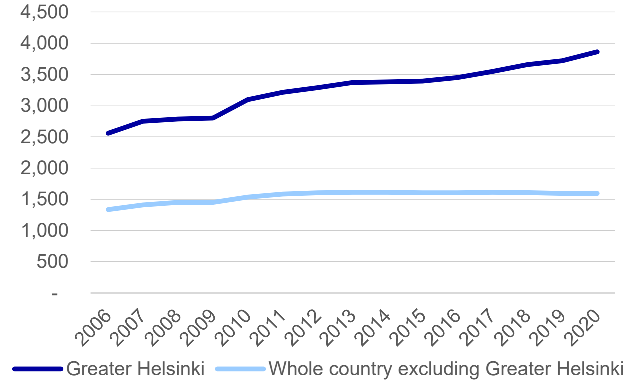
We believe that the main driver behind the earned premiums development is a favourable housing market. Housing transactions increased in 2020, while the price per m^2 has been more stable during the past 15 years. We note a positive development in the Helsinki metropolitan area, while the rest of Finland has been more stable. Although Garantia operates nationwide, we think the company is focusing on increasing its exposure especially in more densely populated areas (Helsinki metropolitan area, Tampere and Turku).

NUMBER OF TRANSACTIONS IN FINLAND WITH OLD DWELLINGS, 2006-20



Source: Statistics Finland and Nordea

PRICE PER SQUARE METRE DEVELOPMENT FOR OLD DWELLINGS IN FINLAND (EUR/M²)

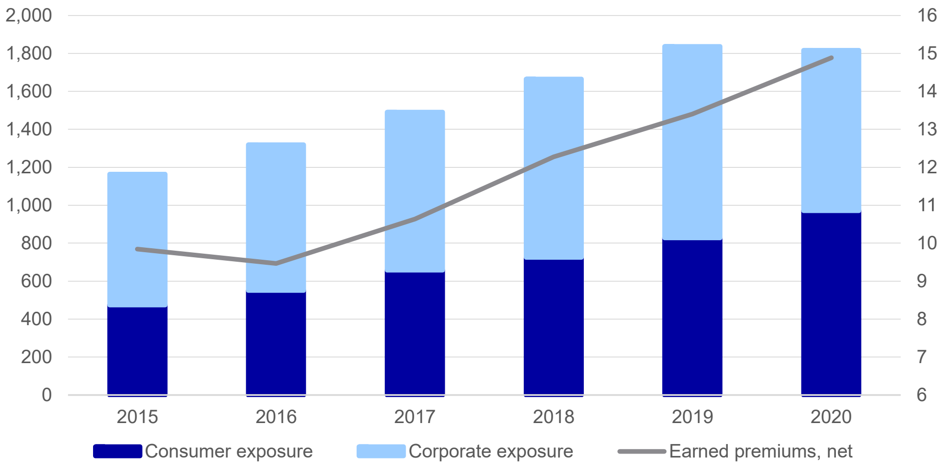


Source: Statistics Finland and Nordea

In addition, the agreement with the OP Financial Group came into force in October 2020. We think the full effect of the deal will be visible from 2023 onwards. In Q2 2020, Garantia's exposure towards consumers was 47%, while it was 63% in Q3 2021. In particular, the company has reduced its exposure to the construction sector, while a positive housing market development combined with ramping up the OP Financial Group collaboration has driven growth in consumer guarantees.

Consumer exposure has increased clearly in 2015-20

GUARANTEE INSURANCE PORTFOLIO SPLIT BY BUSINESS LINE AND EARNED PREMIUMS (RHS) IN 2015-20 (EURm)



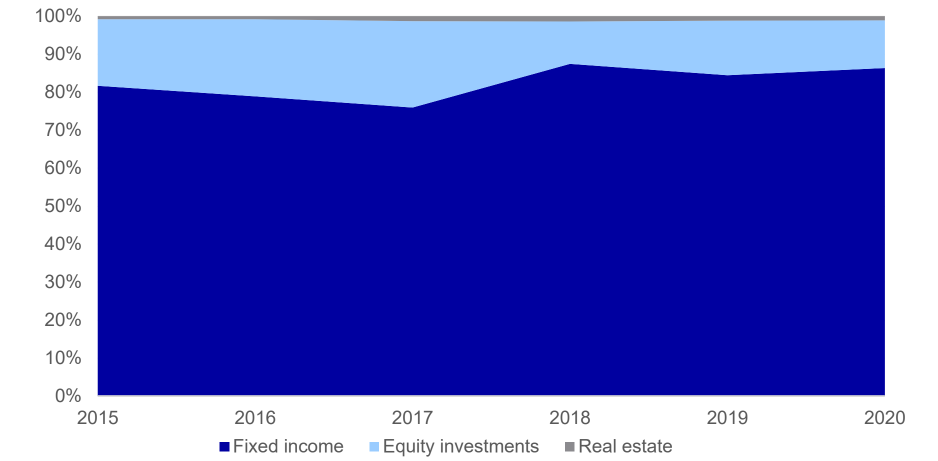
Source: Company data

EUR 160m investment portfolio

At the end of 2020, Garantia had an EUR 160m investment portfolio with roughly 86% of the investments in fixed income (mainly investments in the bonds of Finnish and Nordic companies and credit institutions with strong creditworthiness). At the end of 2020, the proportion of investment grade fixed income was 66.5% (54.5% in 2019) while the modified duration of bond investments was 3.5 years (3.3 in 2019).

EUR 160m investment portfolio mainly in fixed assets

GARANTIA'S INVESTMENT PORTFOLIO SPLIT, 2015-20



Source: Company data and Nordea

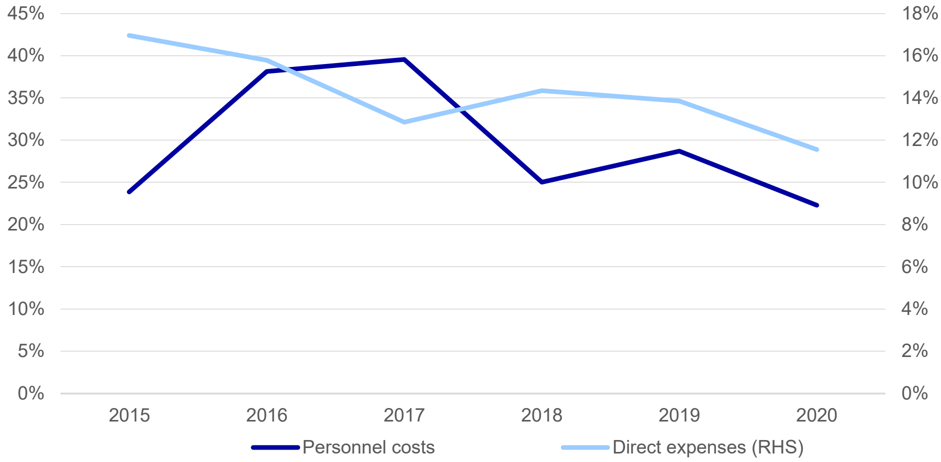
Operational costs have been trimmed

For Garantia, the biggest cost item is personnel costs. The company has been able to reduce its personnel costs in relation to earned premiums from 38.1% in 2016 to 22.3% in 2020. In addition, in 2021 YTD, personnel costs in relation to earned premiums have been reduced further to 20.4%.

The relative level of direct expenses to earned premiums has been trending down. In 2016, Garantia's direct expenses in relation to earned premiums was 15.8%, while in 2020 the expense ratio was 11.6%. In 2021 YTD (January-September), direct expenses were 9.9% of earned premiums.

Operational costs on a declining trend

OPERATIONAL COSTS IN RELATION TO NET EARNED PREMIUMS, 2015-20 (%)



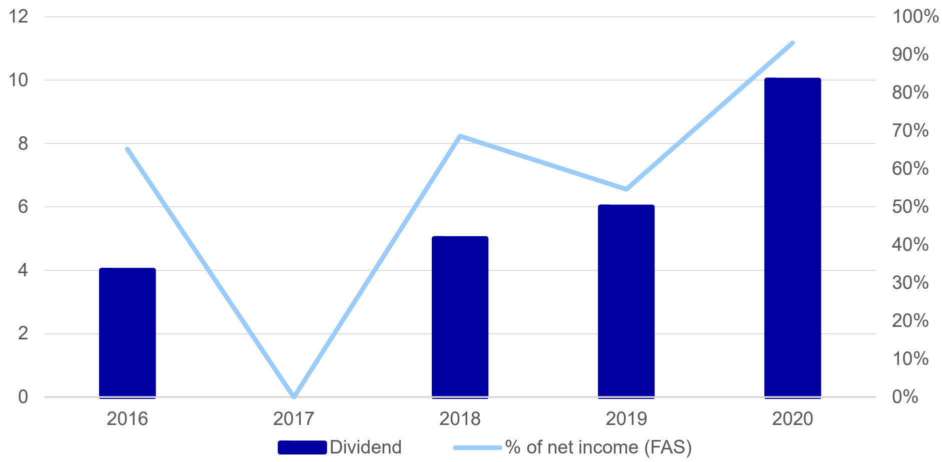
Source: Company data and Nordea

Good dividend stream with the help of a solid solvency ratio

Garantia has high solvency – solid dividend stream to Taaleri

In 2020, Garantia's solvency ratio was 229% and the company paid EUR 10m in dividends to Taaleri. Given the strong solvency ratio, we think Garantia could in principle distribute all of its profits to Taaleri and we think the company has also indicated this to its credit rating agency. The company has a credit rating from Standard & Poor's with a stable outlook (updated in October 2021). Garantia will only distribute dividends or capital returns to the extent that this does not put the A- credit rating or the company's internally set solvency targets at risk.

GARANTIA'S DIVIDEND HISTORY, 2016-20 (EURm AND %)



Source: Company data

Market overview

In this section, we examine the market outlook for Taaleri's main funds. The company's private equity funds mainly invest in renewable energy, real estate and bioindustry. The majority of the assets are allocated to wind and solar, which represented EUR 1,130m at the end of Q3 2021 (53% share of AuM). The real estate portfolio was the second-largest sector with a 37% share of AuM, while bioindustry (2%) and others (8%) play a minor role. Green megamarket trends support growth, especially in the renewables sector.

General overview

The green transition is supporting growth especially in wind power production

The market outlook for the renewable energy sector (especially wind and solar power generation) is affected by several factors. Pressure for more ecological systems, global warming and climate change have been the main drivers affecting the latest determined targets in "Fit for 55" package, introduced by the European Commission. On a general level, the legislative proposal presented in July 2021 aims to enhance the existing plan to reduce greenhouse gas emissions by 55% by 2030 compared to year 1990. The package also includes the Commission's proposal to increase the share of renewable energy in EU's energy mix to 40% by 2030.

From a broader perspective, wind and solar power markets are supported by the constitutional framework and targets, which have a meaningful impact on the green transition and demand for wind and solar power generation in the future. As shown in the graph below, the European Union's forecast electricity production mix suggests significant changes in electricity generation. We note the growing trend in wind (both onshore and offshore) and solar power generation. According to WindEurope's forecast, wind and solar power generation will represent around 70% of Europe's electricity mix by 2050.

The trend for the share of electricity of the total energy market also looks promising, as renewable sources keep taking a bigger part of the electricity mix. According to WindEurope, electricity currently accounts for only 25% of the total energy consumed by industry, transport and buildings. However, the EC states that electricity should cover at least 30% of the final energy demand in these sectors by 2030, and at least 57% by 2050. This would indicate total electricity production more than doubling from the current 2,760 TWh to 6,800 TWh by 2050, as illustrated in the graph below.

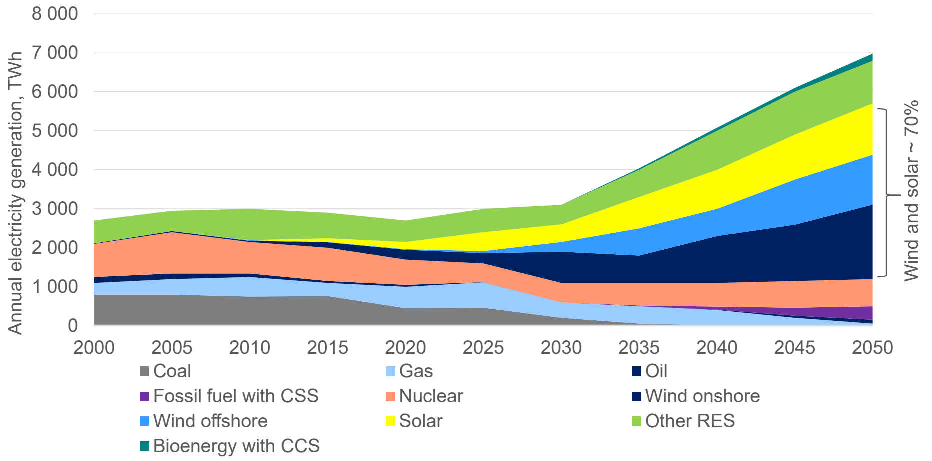
Wind energy production is expected to be the main source of electricity from 2030, supplying 25% of the EU's electricity needs. In the long term, total renewable electricity generation is estimated to cover at least 81% of all electricity production by 2050, according to the European Commission's scenarios.

Market trends for renewable sources look promising also in the US. In July 2021, the US Energy Department published a report stating that solar power should produce almost 50% of the electricity in the US by 2050. The target is thus rather aggressive, as solar stands for only around 4% of electricity production today. The 50% target would require annual installed capacity to double during the next four years, and then to double again by 2030. The announced target underscores the Biden administration's efforts to tackle the climate crisis rapidly by increasing access to renewable energy sources throughout the nation, which we estimate to have significant impact especially on demand for solar energy. In addition to the solar target, the US Energy Department estimates that wind and solar combined will produce 75% of the electricity by 2035, and 90% by 2050.

Thus, we note that the market outlook for Taaleri's wind and solar development projects is favourable both in the short- and long term.

The forecast for Europe's electricity mix relies heavily on developing wind power

EUROPE'S ELECTRICITY MIX TO YEAR 2050 (ANNUAL ELECTRICITY GENERATION, TWh)

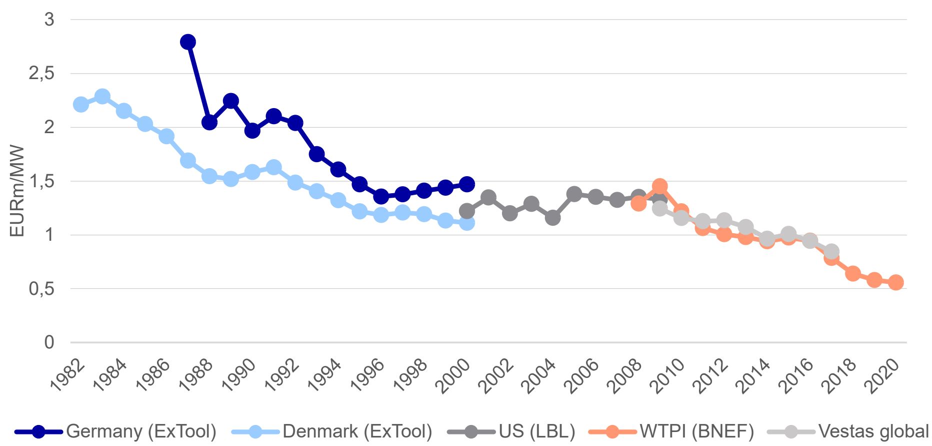


Source: WindEurope based on European Commission Impact Assessment, COVID MIX scenario, 2020

Focusing on the cost per installed MW, the cost for wind power installations has dived from around 2.0 EURm/MW in the late 1980s to as low as almost 0.5 EURm/MW. The drop in wind turbine prices have been substantial as wind power installations has been growing at the same time. From the 1980s to early 2000, the cost reduction was mainly driven by economies of scale and accelerating growth in turbine capacity and size. Respectively, from early 2000 to 2020, the cost has dropped amid fierce competition, leading to price pressures in auctions.

Competition and accelerating turbine-capacity growth have gradually pushed down the wind turbine cost to 0.5 EURm/ MW

WIND TURBINE PRICES (EURm/MW, REAL PRICES), 1982-20



Source: Bloomberg NEF (NEO 2019), Lawrence Berkeley National Laboratory (LBL),ExTool study (Neij et al. 2003),Vestas company data

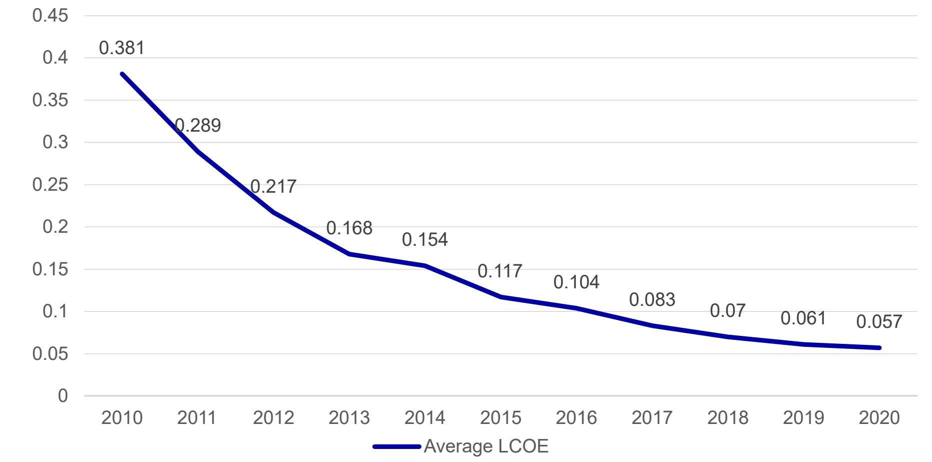
For solar power, measured in the levelised cost of energy (LCOE), the trend has been similar. LCOE is a measure of the lifetime costs of solar divided by the total amount of energy production.

The graph below captures the decreasing cost trend regarding utility-scale solar photovoltaics (PV) on a global level. The cost of utility-scale solar PV electricity fell by 85% during 2010-20, from 0.381 USD/kWh to 0.057 USD/kWh. Even though this cost reduction was already substantial, it is set to continue, as the LCOE for solar fell by 7% in 2020, according to IRENA. Furthermore, the US Department of Energy has set a new cost target of 0.03 USD/kWh to be achieved by 2030, which supports the persisting trend of falling costs. Thus, we note that the cost trend suggests a favourable market outlook for utility-scale PV investments.

At present, Taaleri has acquired a 30% stake in a 200 MW utility-scale solar power project located in Jordan and a 100% stake in a 50 MW solar project located in southern Spain.

The levelised cost of solar PV electricity has decreased by around 85% in the past decade

GLOBAL WEIGHTED AVERAGE LCOE OF UTILITY-SCALE PV PLANTS IN CONSTANT CURRENCIES, 2010-20 (LCOE, USD/KWH)



Source: IRENA Renewable Cost Database

Wind energy market overview

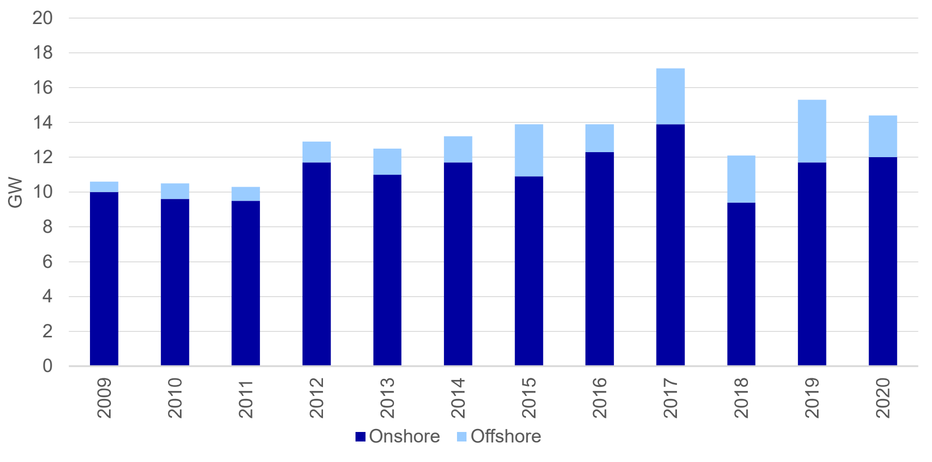
The most recent market growth forecasts and European legislation suggest that wind energy is expected to trend upward, both short- and long term.

Reaching the Fit to 55 policy targets would require installation of 30 GW of new wind farm production a year up until 2030. This is one of the major accelerators in the expansion of wind energy and for the wind market outlook. The graph below shows that the annual level of wind power installations was around 10-15 GW in 2009-20. To conclude, the 2030 target indicates more than two times more annual installations compared to the current level.

According to WindEurope, legislative packages will trigger additional demand in the wind power sector, and this in has an impact on energy-intensive companies taking new steps in the green transition.

New wind power installations would need to more than double to achieve the EU's energy transition targets

NEW WIND POWER INSTALLATIONS IN EUROPE 2009-20 (GW)

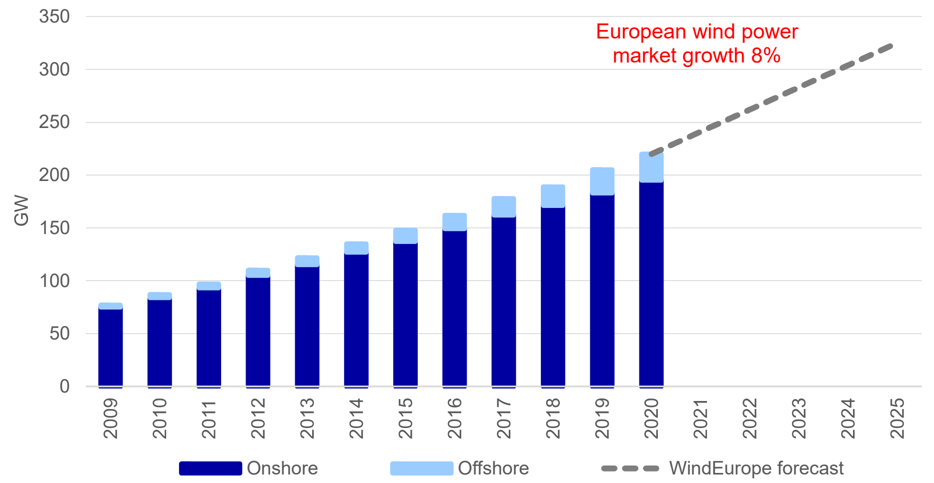


Source: WindEurope

Looking beyond the historically installed capacity, total annual growth in the wind market is estimated to follow a trend of around 8%. WindEurope's estimates regarding the short-term market growth are based on both a 'realistic' scenario and low-case scenario that captures possible deficiencies regarding strategic execution of wind power installations. Due to technological development and the swift reduction in cost/ MW in the past years, investments in wind power should increase rapidly in the coming years. WindEurope expects Europe to have an average installation rate of 21 GW in 2021-25 in its realistic scenario, while its low scenario points to an average installation rate of 16 GW in 2021-25.

Estimated annual growth of 8% in European wind power capacity

TOTAL 2020 WIND POWER CAPACITY IN EUROPE AND SHORT-TERM GROWTH FORECAST (GW)



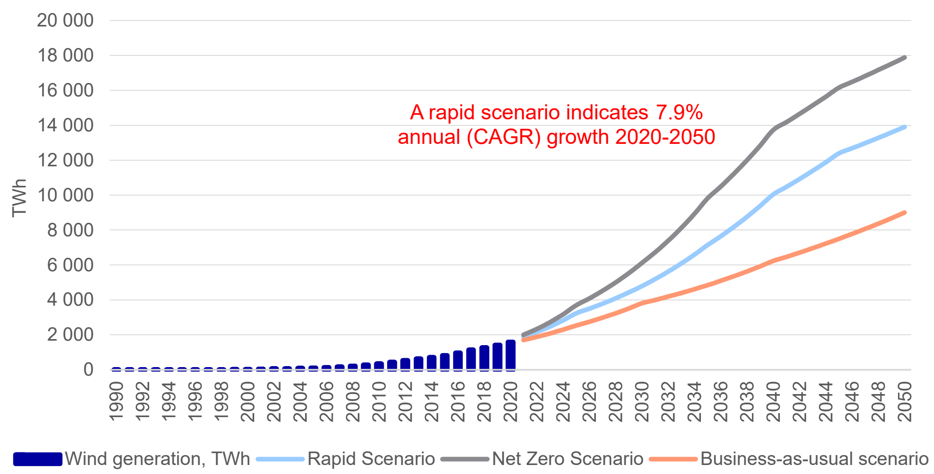
Source: WindEurope

BP has compiled three alternative scenarios representing annual wind power generation on a global level. The business-as-usual scenario assumes that technologies, government policies and social preferences keep evolving as they have until now, with global wind power generation reaching 9,000 TWh by 2050. The rapid-growth scenario is based on a series of policy measures that have a positive impact on carbon emission rights prices and would thus accelerate wind power generation to 14,000 TWh by 2050. Finally, the net-zero scenario builds on the rapid-growth scenario, adding meaningful changes also in social behaviour and preferences. This scenario suggests global wind power generation growing to 18,000 TWh by 2050.

The fundamental conclusion is that wind power is trending strongly upward in every scenario and that the market outlook remains promising regarding European market growth, but also global market growth. Despite the strong market outlook, wind power still only generated around 5% of the total global electricity production in 2019, according to IEA.

Global wind market growth is also driven by policies advocating green energy transition

LONG-TERM GLOBAL WIND POWER GENERATION OUTLOOK (TWH)

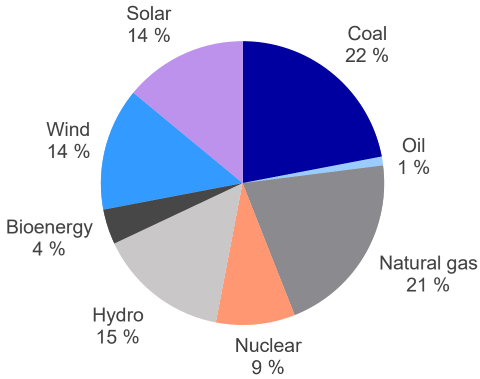


Source: BP Statistical Review 2021, BP Energy Outlook 2020

Wind power is predicted to become one of the main global sources of electricity generation by 2040

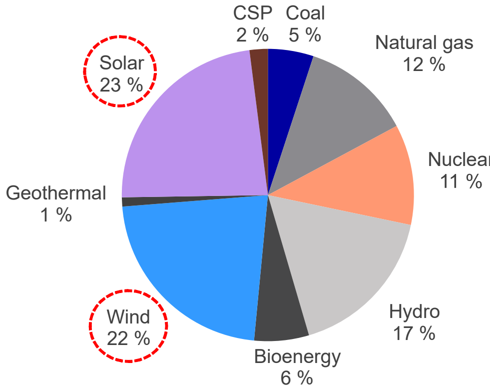
The International Energy Agency's two different forecasts summarise the expected development of wind and solar power markets, summing up electricity transition on a global level. The left-hand graph corresponds to BP's business-as-usual scenario and suggests that wind and solar power generation would stand for 28% of total global electricity production by 2040. The graph on the right illustrates a sustainable-development scenario aligned with the Paris agreement. It indicates that wind and solar would generate 45% of total electricity production by 2040. The growth expectations in both scenarios are very strong, since wind power accounted for only 5% of global electric generation in 2019 and solar power for a mere 2%.

GLOBAL ELECTRICITY GENERATION BY SOURCE IN 2040 – CURRENT-POLICY SCENARIO



Source: IEA, World Energy Outlook

GLOBAL ELECTRICITY GENERATION BY SOURCE IN 2040 – SUSTAINABLE-DEVELOPMENT SCENARIO



Source: IEA, World Energy Outlook

EU Taxonomy supports investments in wind and solar

In April 2021, the European Commission adopted a comprehensive package of measures to direct capital flows towards sustainable investments through constitution. The measures include the EU Taxonomy Climate Delegated Act, which aims to enhance sustainable investments by classifying investments based on their "green contribution". Consequently, the Climate Delegated Act aims to improve the quality of corporates' information on sustainability, so that investors would have better protection from greenwashing, but also to incentivise companies towards renewable solutions.

From a general perspective, wind and solar power easily fall under 'green revenues' according to the EU Taxonomy. We expect the EU Taxonomy to support growth in both wind and solar markets in Europe.

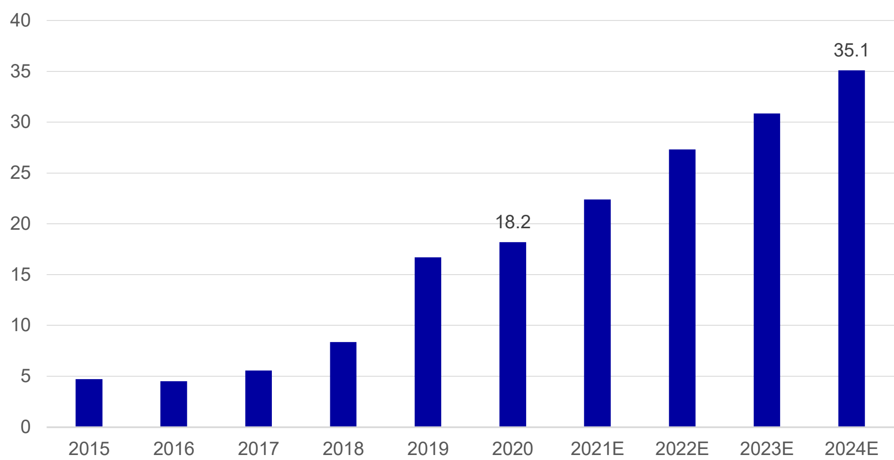
Solar energy market overview

Market megatrends support the outlook for the development of solar power generation, on top of the expected electricity transition described above. In addition, there is no indication that the drivers for growth in the energy markets are easing up. According to WindSolar Europe, the persistent cost reduction for solar power is accelerating commissions also in an unsubsidised environment, as corporates opt for solar for their power usage. The lower cost has also enabled success in cost-based energy tenders, especially in Germany.

According to SolarPower, Europe's target for 40% renewable energy by 2030 corresponds to 660 GW of solar power installed by 2030 (~136 GW in 2020). On an annual level, it would require installations of ~58 GW. This means that annual installations should triple compared to 2020 in order to reach the current renewable energy source targets. The expected pace of solar power installation growth in the near future is relatively similar to the expected rapid installation volume growth in wind power. It stands as an indication of increasing demand in renewable sources.

The European Commission's renewables target suggests more than doubling the annual solar installation volume by 2030

EUROPEAN ANNUAL INSTALLATIONS IN SOLAR POWER CAPACITY (GW)



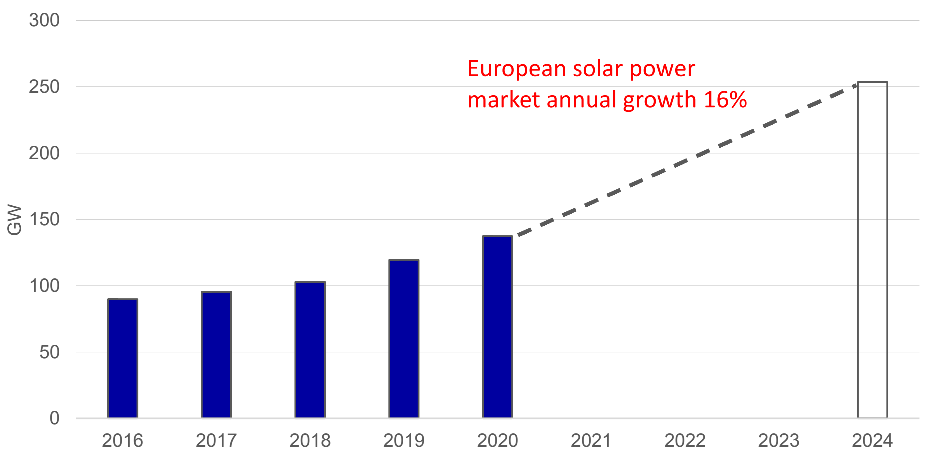
Source: SolarPower Europe, EU Market Outlook for Solar Power 2020 – 2024

Solar markets are expected see around 16% annual growth in the short term, according to SolarPower Europe. The medium-scenario forecast is based on the most likely development given the current status of the markets. The development in the next two years is expected to be slightly more aggressive compared to expected 2023-24 growth. This is mainly explained by the markets 'catching up', as installations were delayed due to COVID-19 and are seen moderating in 2023-24 following the higher rate in the next two years.

In the long term, the drivers for solar market growth are expected to even gain pace, as solar's cost is seen dropping in the future.

Medium-scenario CAGR of 16% for the solar power market in Europe

TOTAL 2020 SOLAR POWER CAPACITY IN EUROPE AND GROWTH FORECAST (GW)



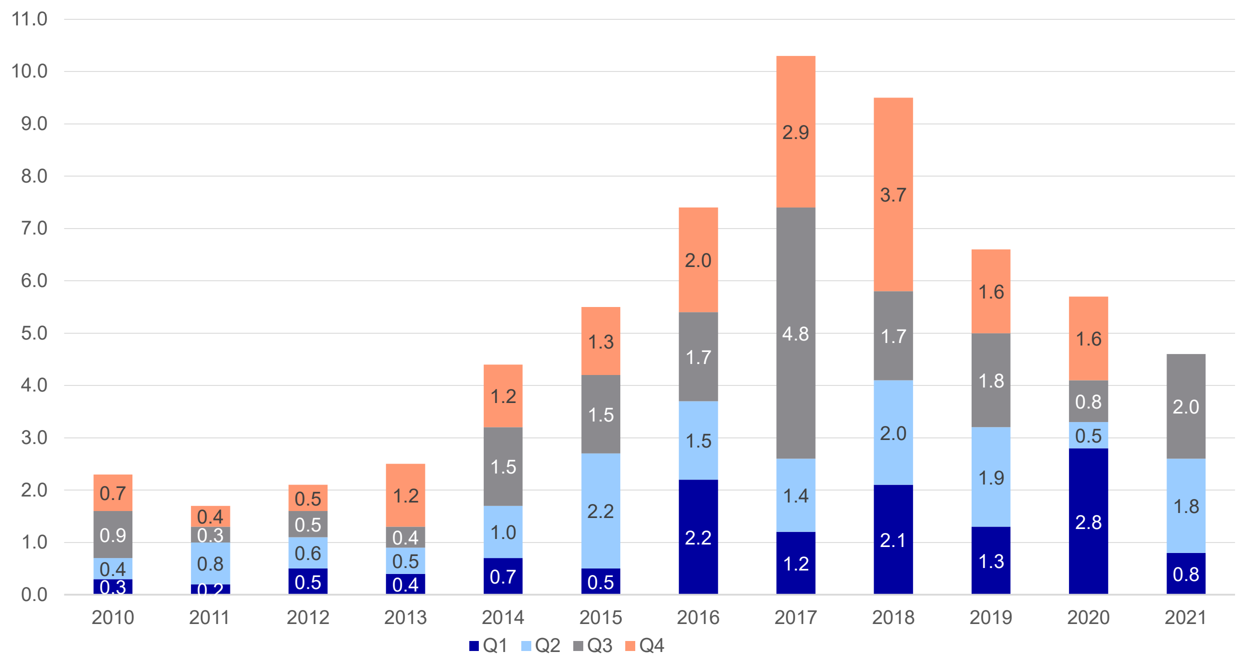
Source: SolarPower Europe, EU Market Outlook for Solar Power 2020 – 2024

Real estate market overview

Activity in the Finnish property transaction market picked up after a slow Q1 – Nordic investors remain active

According to KTI (KTI Market Review, Autumn 2021), the Finnish property market remains active, with the total transaction value reaching EUR 4.7bn in the first nine months of 2021, up by roughly EUR 0.5bn y/y. Market activity picked up significantly from the slow start in Q1. The pandemic slowed down the activity of international property investors in particular, but during the first nine months of 2021, international investors accounted for approximately 53% of the total transaction volume, albeit with a heavy tilt towards Nordic investors, who accounted for two-thirds of the international investors' transaction value.

TRANSACTION VOLUME IN THE FINNISH PROPERTY MARKET (EURbn)

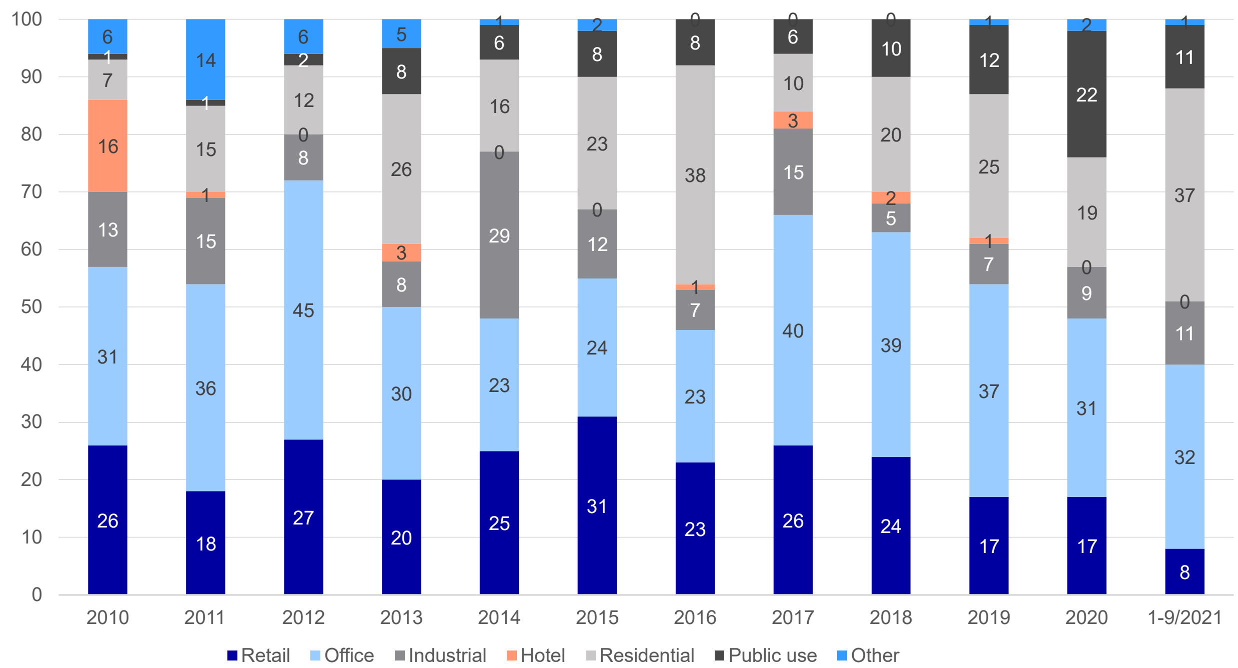


Source: KTI and Nordea

Residential was the most active segment during the first nine months of 2021

Historically, retail and office transactions have dominated the Finnish property transaction market, but during the first nine months in 2021, the residential segment became the largest sector, accounting for 37% of the total transaction value. Offices was the second-most active segment, accounting for 32% of the transaction value in the same period, while the activity in retail declined and remains low.

SHARE OF TRANSACTION VOLUME BY PROPERTY SECTOR (%)

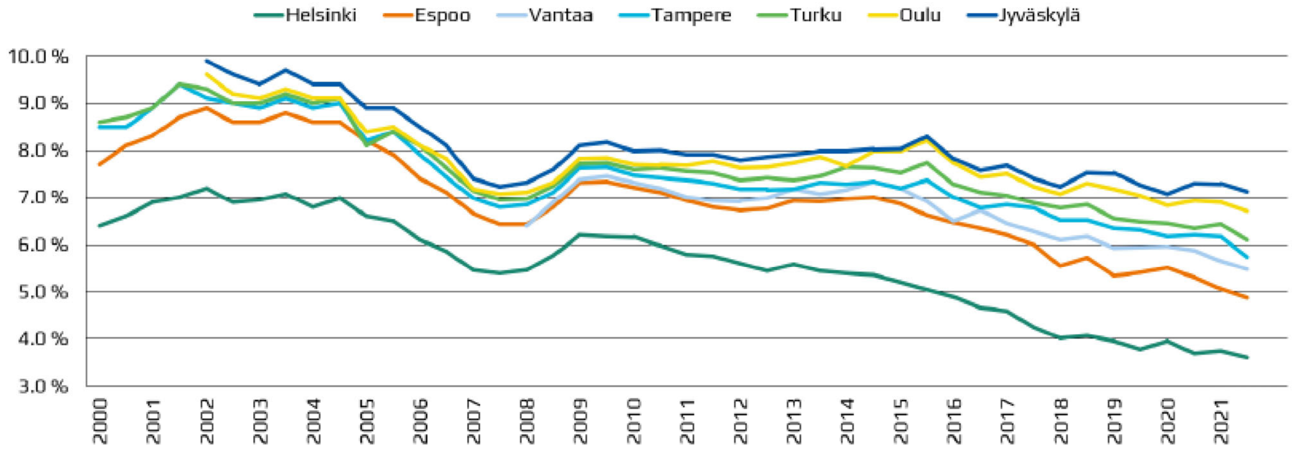


Source: KTI and Nordea

Yields for prime offices have declined to record-low level; 3.6% in Helsinki CBD

In the RAKLI-KTI Commercial Property barometer conducted in October 2021, a new record low of 3.6% was quoted for the yield for a prime office property in the Helsinki Central Business District (CBD). Office yields in other large cities also decreased significantly from last spring, and in, for example, Tampere, the yield stood at 5.7%.

PRIME OFFICE YIELDS IN MAJOR FINNISH CITIES



Source: RAKLI-KTI commercial property barometer

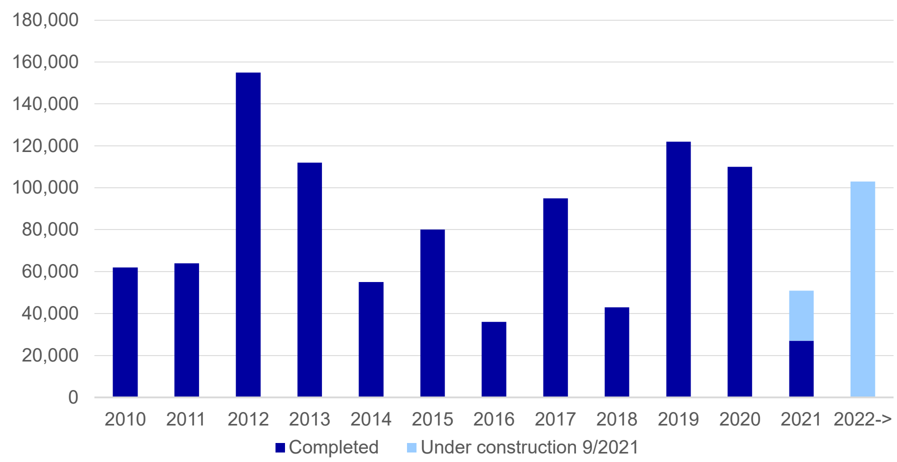
Polarisation between high- and low-quality office premises has accelerated further

In the Finnish office property market, even before the pandemic, there was a clear polarisation developing between higher- and lower-quality office space. After the pandemic, this trend is now further intensifying and accelerating. Prime locations and properties are of interest to increasingly selective users and investors, and the situation for lower-quality properties has worsened further.

Office vacancy rates remain high in the Helsinki region...

According to the Helsinki Research Forum, formed by real estate consulting companies KTI and RAKLI, the vacancy rate of the key office areas in the Helsinki metropolitan area was 12.6% in autumn 2021. The vacancy rate in the Helsinki CBD was around 11%, corresponding to more than 70,000 m^2 of vacant office space.

NEW OFFICE SPACE COMPLETED/UNDER CONSTRUCTION IN THE HELSINKI METROPOLITAN AREA, RENTABLE SPACE (m^2)



Source: KTI, RPT Byggfakta Oy and Nordea

...and at the same time, new office construction is at a high level

The pandemic has added new requirement criteria among office users. In addition to location, space-efficiency and environmental issues are coming more into focus. Therefore, new office space that accommodate the new preferences is actively being built despite the high vacancy rate. According to the KTI follow-up, 27,000 m^2 of new office space have been completed during the first three quarters of the year, and 127,000 m^2 were under construction at the end of Q3. In addition, several major projects are about to be launched in the near future. On the other hand, about 60,000 m^2 of office space have been removed this year due to demolitions and changes in use.

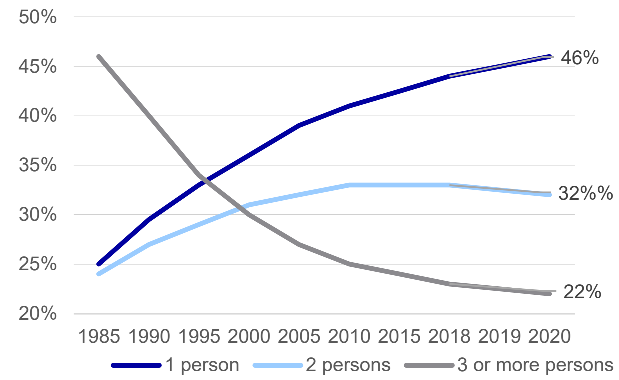
All market participants are increasing investments in residential properties...

In the Finnish residential property market, all investor types have increased their investments in residential properties. In recent years, foreign investors have invested actively in the Finnish rental housing market, and all domestic investor groups - institutions, real estate investment companies and funds - are also continuing to increase their housing investments.

...as the Finns increasingly choose to rent rather than own their apartments, and household sizes are getting smaller and smaller

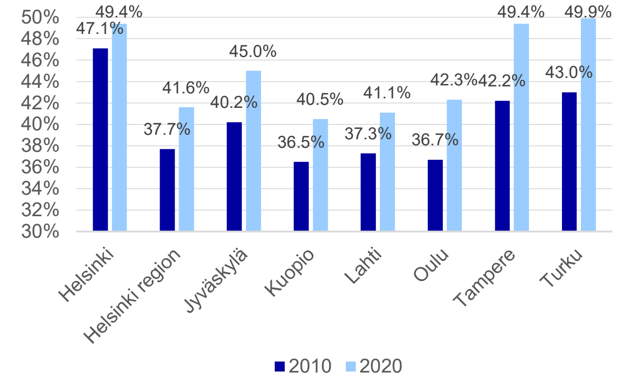
The popularity of living in rental apartments has increased significantly in Finland over the past ten years, especially for younger generations who are choosing to rent an apartment instead of owning one. Finns are forming families at an increasingly older age, which has led to rising demand for one-room apartments and studios. In larger cities, almost 50% of households live in rental apartments, and the share has risen continuously over the past ten years, as illustrated in the chart below on the right.

DEVELOPMENT OF HOUSEHOLD SIZES IN FINLAND, 1985-2020



Source: Statistics Finland and Nordea

HOUSEHOLDS LIVING IN RENTAL APARTMENTS, 2010-20

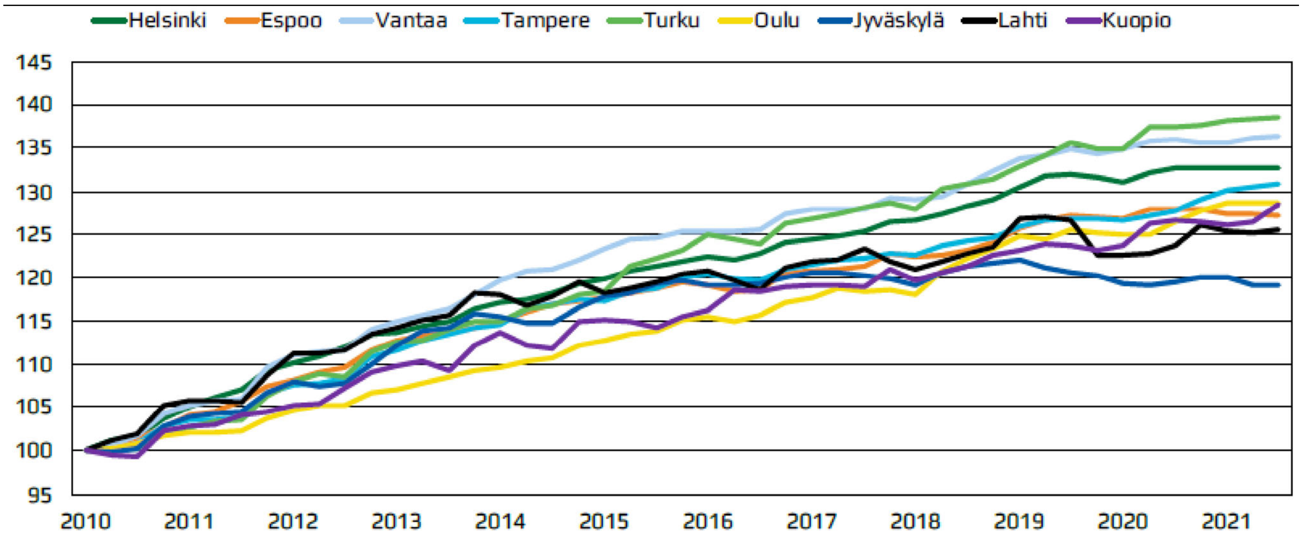


Source: Statistics Finland and Nordea

Supply of rental apartments has grown especially in the Helsinki region

The supply of rental apartments has grown rapidly, especially in the Helsinki region, with a record number of new properties being completed and with the pandemic having released short-term rental housing (e.g. Airbnb) for longer-term rental use. Over the past year, rents in Helsinki have remained unchanged. Over the last years, rents have grown most in Tampere, with annual increases of around 2.5-3%. In Turku, the rapid rise in rents in the previous years has slowed to around 1% per year. Rental growth has been stable in Oulu and Kuopio. In some cities, like Jyväskylä, supply has increased significantly, which has resulted in slight decreases in rental levels.

KTI RESIDENTIAL INDICES, MAJOR FINNISH CITIES – MARKET RENTS, NEW RENTAL AGREEMENTS, INDEX Q1 2010 = 100

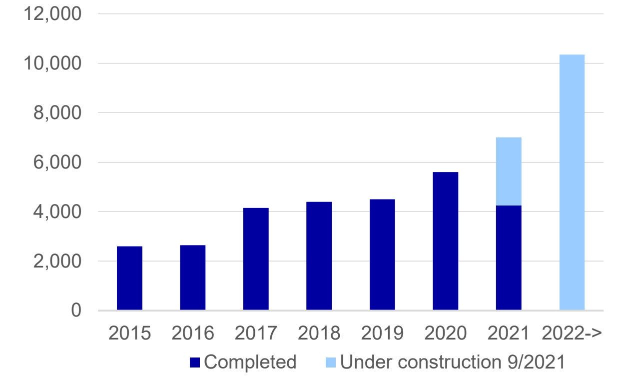


Source: KTI

At the end of Q3, there were over 13,000 rental apartments under construction in the Helsinki region...

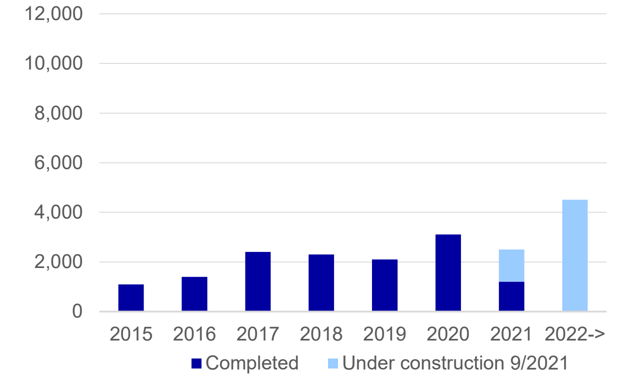
The supply of rental apartments has grown in recent years, driven by active new construction. At the end of Q3, according to the KTI construction project follow-up, there were as many as 13,100 rental apartments under construction in the Helsinki metropolitan area in properties intended for rental use, and the number of apartments to be completed in 2021 is higher than ever, around 7,000 apartments.

RENTAL RESIDENTIAL DWELLINGS COMPLETED/UNDER CONSTRUCTION, HELSINKI METROPOLITAN AREA



Source: KTI. RPT Byggfakta Oy and Nordea

RENTAL RESIDENTIAL DWELLINGS COMPLETED/UNDER CONSTRUCTION, OTHER MAJOR FINNISH CITIES[1]



1 Tampere, Turku, Oulu, Jyväskylä, Lahti and Kuopio regions
Source: KTI, RPT Byggfakta Oy and Nordea

...and newbuild activity is high in larger Finnish cities

The construction of rental housing is active also in the smaller municipalities in the Helsinki region, as well as in Tampere and Turku. The Confederation of Finnish Construction Industries (Rakennusteollisuus, RT) estimates that the total number of housing starts will increase to around 44,000 dwellings this year and will reach 40,000 starts in 2022.

Occupancy rates have declined to levels that have resulted in landlords offering different subsidies to potential tenants

According to KTI, the rapid growth in supply and the simultaneous decline in demand have raised occupancy issues on the agenda of residential investors as well. New, previously unknown phenomena have entered the housing rental market, such as rent-free periods, waivers of rental guarantees or other flexibility offered to tenants. According to KTI, the occupancy rate stood at just over 93% in Q3, compared to 95% in Q3 2020, and over 96% in 2019. Compared to the beginning of 2020, the number of empty apartments have, according to KTI, more than doubled in the Helsinki metropolitan area. In other large Finnish cities, vacancies were lower in Q3 2021 compared to the pre-pandemic level in early 2020. However, the market participants expect, according to the RAKLI Rental Residential barometer conducted in September, that rents will start to increase again once pandemic-related issues ease.

Bioindustry

The RED II directive is one of the key drivers impacting demand

The market outlook for bioindustry looks promising, as the green transition is accelerating growth. The European Commission published its "Clean Energy" initiative for all European countries in November 2016. As part of the legislative framework, it included adoption of the Renewable Energy Directive recasting (RED II) to meet new renewable sub-targets. The directive was approved in June 2018, when the target for the share of renewable energy sources was raised to 32% by 2030. More interestingly, RED II included a transport-specific sub-target stating that all member states must require fuel suppliers to supply a minimum share of 14% renewable energy of all energy consumed in road and rail transport by 2030.

The RED II directive has positive effects for bioindustry's European market outlook. Country-specific target milestones are to be followed up every second year, which should make the directive transparent and effective. From a general point of view, RED II is targeted to limit the share of biofuels made from unsustainable crops, and it is meant to support especially second-generation biofuels produced from materials defined in Part A of the Annex.

The 14% target is detailed specifically between advanced biofuels and so-called Annex IX Part B products, as illustrated in the graph below. Feedstock materials used in the production of biofuels is the main factor for the classification.

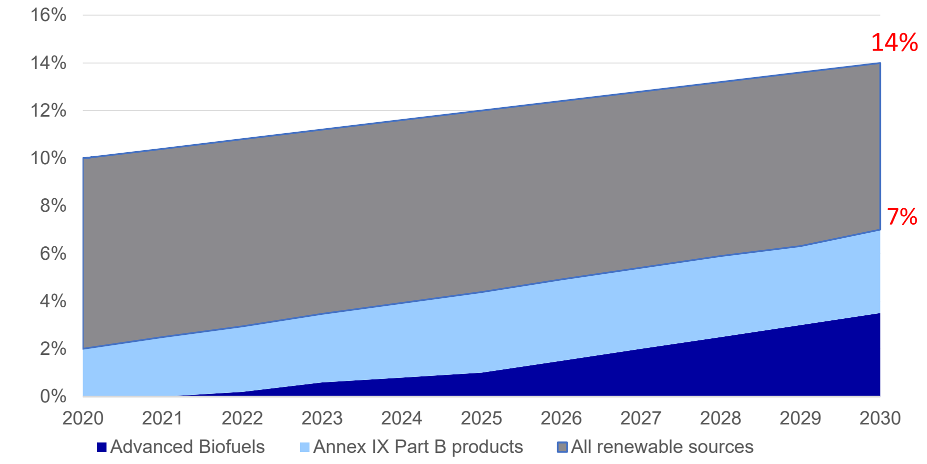
Advanced biofuels are defined as liquid or gaseous biofuels that are made from the feedstocks listed in Part A of Annex IX. For example, this list contains feedstocks such as tall oil, algae, biowaste and other non-food cellulosic materials. The target regarding advanced biofuels is: 0.2% of the 14% total target supplied in 2022, at least 1% in 2025, and at least 3.5% of the total renewable energy consumption in transport in 2030. It is important to note that the target of 3.5% is defined as a minimum contribution. This means that the level of 3.5% can be exceeded.

Accordingly, so-called Annex IX Part B products contain different sets of feedstocks from which the production of biofuels or biogas can be derived. It includes such feedstocks as used cooking oil and animal fats. This target is limitative (i.e. the share Part B products cannot exceed a certain limit), which indirectly supports development of advanced biofuels. Together, advanced biofuels and Annex IX part B products are set to reach a 7% level.

Lastly, sources classified as renewable include food-based biofuels, renewable electricity, electrofuels and recycled carbon fuels. In total, a minimum of 14% of road and rail energy consumption is to come from renewable sources.

The 14% renewable energy target supports growth in advanced biofuels

OBTAINED AND EXPECTED SHARE OF RENEWABLE ENERGY IN EUROPEAN TRANSPORT



Source: European Commission

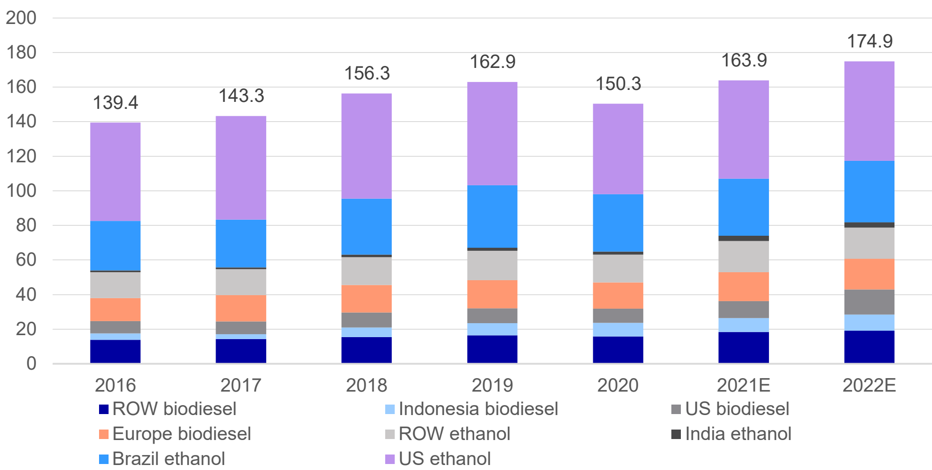
Biodiesel and ethanol represent the majority share of renewables in global energy demand for road transport, and from the global perspective of biofuel production, the trend has been positive during the past years, as seen in the graph below. North America was the biggest single market area in 2020. Even though the compound annual growth rate for 2016-22E is around 4%, historical average growth in biofuels production has been around 6% (in 2009-19), according to BP. Biodiesel production increased by 11% during 2009-19 due to significant capacity expansion.

Precedence Research estimates the global biofuels market will grow at a CAGR of 8.3% during 2021-30. The growing global demand for environment-friendly fuel in road transports, more ambitious targets to lower GHG emissions and increasing awareness about the use of renewables are the key drivers for the positive market trend.

At present, Taaleri has two bioindustry investment/development projects in Finland, but it is actively screening more opportunities to invest in the sector.

4% CAGR in biofuel production in 2016-22E

GLOBAL BIOFUEL PRODUCTION BY FUEL TYPE, 2016-22E (BILLION LITRES PER YEAR)



Source: IEA

The EU Taxonomy is set to support bioindustry projects

In addition to biofuel, we think the company has made promising bioindustry-related starts in areas such as circular economy, textiles and materials. These starts should get support from the EU Taxonomy. Taaleri has made investments in biorefining, bio coal and organically certified fertilisers (made from used batteries). In addition, we note that Spinnova is offering its technology to be used in joint ventures.

The EU is currently working on four objectives

The EU is actively working on its Taxonomy and is currently working on the next four environmental objectives: water, circularity, pollution and biodiversity.

On 3 August, the Platform on Sustainable Finance (PSF) published a draft report on the preliminary recommendations for technical screening criteria of the remaining four environmental objectives of the EU Taxonomy. These objectives are: 1) Water, 2) Circular Economy, 3) Pollution, and 4) Biodiversity. These complement the two previously published objectives (climate mitigation and adaptation).

The climate mitigation Taxonomy was calibrated against the Paris Agreement and a well-below 2-degree world. Similarly, the four environmental objectives are based on agreed and specific targets in their own areas. Below we report some extracts from the Taxonomy that define the targets pursued by the four objectives.

<u>Objective 3 – The sustainable use and protection of water and marine resources</u>

This objective aims to ensure at least a 'good' status for all water bodies

The aim of this objective is to ensure at least good status for all water bodies by 2027, and good environmental status for marine waters as soon as possible; and to prevent the deterioration of bodies of water that already have good status or marine waters that are already in a good environmental status.

The protection of water bodies in Europe is primarily regulated by the Water Framework Directive (WFD), as well as by other more specific directives. A deadline for 2027 was set (EEA SOER 2020). Currently less than half of all water bodies are in a good status.

To distinguish between different qualities of water bodies, their status is defined in the WFD with reference to dimensions such as good ecological status and good chemical status.

<u>Objective 4 – The transition to a circular economy</u>

This objective aims to decouple economic growth from extraction of non-renewable resources

The aim of this objective is that by 2030 economic growth is decoupled from extraction of non-renewable resources and depletion of the stock of renewable resources is reversed, and by 2050 economic activity is largely decoupled from resource extraction, through environmental design for a circular economy to eliminate waste and pollution, keep materials and products in use at their highest value, and to regenerate ecosystems.

This ambition builds on a reduction of the EU27 material footprint (RME) by 50% by 2030 and by 75% by 2050 (compared to a 2015 baseline of 14 tonnes/capita) and raising the circular material use rate of all materials to increase the average to at least 25% by 2030, by increasing the durability, repairability, upgradability, reusability or recyclability of products, and by remanufacturing, preparing for reuse and recycling of used materials and products; and on cultivating 25% of total agricultural land and production forestry by 2030, and 100% by 2050, using regenerative production methods, such as agroecology and silvopasture.

<u>Objective 5 – Pollution prevention and control</u>

This objective aims to identify all pollution sources, sinks and pathways to human activities by 2030

The aim of this objective is that by 2030, pollution sources, sinks and pathways due to human activities have been fully identified and measures have been applied that prevent and eliminate pollution across air, water, soil, living organisms and food resources. By 2030, the production and use of substances, materials and products is safe and Taxonomy-aligned.

- Substances of concern have been substituted and their production and use have been minimised, as far as possible. Where substances of concern are still being used, their use, presence in products and articles and quantities is tracked to ensure adequate risk management throughout their life cycle.

- The sub-group of the most harmful substances (including ozone-depleting substances) are phased out from products for consumer or professional use, except when their use has been proven to be essential for society.

Legacy pollution is safely remediated and pollutants are destroyed or irreversibly transformed into safe materials. By 2030, pollution resulting from heat, noise, light and vibration has been identified and reduced to prevent, or if prevention is not practicable, minimise any adverse impact on human health and the environment.

The EU aims to reduce pollution at source

This is translated into key 2030 targets to speed up reducing pollution at source. These targets include:

- improving air quality to reduce the number of premature deaths caused by air pollution by 55%;
- improving water quality by reducing waste, plastic litter at sea (by 50%) and microplastics released into the environment (by 30%);
- improving soil quality by reducing nutrient losses and use of chemical pesticides by 50%;
- reducing by 25% the EU ecosystems where air pollution threatens biodiversity;
- reducing the share of people chronically disturbed by transport noise by 30%, and
- significantly reducing waste generation and by 50% residual municipal waste.

<u>Objective 6 – The protection and restoration of biodiversity and ecosystems</u>

The ambition should be that, "by 2050 all of the world's ecosystems are restored, resilient, and adequately protected. The world should commit to the biodiversity net gain principle to give nature back more than it takes. As part of this, the world should commit to no human-induced extinction of species."

The overall ambition is to ensure by 2030 no deterioration in conservation trends and status of all protected habitats and species and to ensure that at least 30% of species and habitats not currently in favourable status are in that category or show a strong positive trend. Moreover, the forthcoming EU Nature Restoration Plan aims to "bring diverse and resilient nature back to all landscapes and ecosystems. This means reducing pressures on habitats and species" and ensuring all management and use of ecosystems is environmentally sustainable and all ecosystems are in a good ecological condition.

Strategy and long-term financial targets

Taaleri renewed its strategy in conjunction with the divestment of its wealth management arm. Strategic priorities for 2021-23 include a clear sustainability theme with focus on scaling its business model. In addition, the company aims to improve its reach by expanding its sales and distribution of private equity funds. Following the dismantling of Taaleri's financial and insurance conglomerate status, the company has excess capital, and it aims to raise the efficiency of its capital, most likely leading to high capital distributions to its shareholders. Taaleri has long-term financial targets for growth in recurring revenues (at least 15%), operating profit (at least 25%) and return on equity (at least 15%). The company's targets to reach EUR 3bn in assets under management (AuM) in 2023.

Four strategic priorities for 2021-23

Taaleri seeks growth from private equity funds focusing on renewable energy and other alternative investments. Taaleri aims to be a Nordic forerunner in alternative investments focusing on sustainability.

The strategy for 2021-23 builds on four strategic priorities:

1. **Focus on environmental and societal impact and renewable energy** – Taaleri is developing and expanding private equity funds that seek not only economic returns but also measurable benefits for the environment and society. The company aims to create, among other things, wind and solar power, biofuels and real estate
2. **Aim to scale up its business** – Taaleri aims to increase the average size of its funds and other assets under management. In Garantia, the company aims to continue promoting a strategy based on a scalable business model, risk pooling and an extensive distribution network
3. **Expanding the sales and distribution of its private equity funds** – The company has partnered with Aktia Bank, adding a significant distribution channel for its products. Taaleri aims to strengthen its own sales to major institutional clients and international investors. In addition, the company is seeking new international distribution channels.
4. **Capital and balance sheet optimisation** – Taaleri aims to increase its capital efficiency and distribute capital to its shareholders in excess of capital needed for growth investments or capital requirements.

The 2021-23 strategic priorities are supported by Taaleri's expertise and experience in private equity funds focusing on alternative investments. Pillars for the strategy include a diverse offering across multiple asset classes in renewables and sectors benefitting the environment and society, an integrated way of working, and end-to-end expertise with capabilities to develop, build, manage and exit investments.

Long-term financial targets and dividend policy

Taaleri has set long-term financial targets for growth in recurring revenues, operating profit and return on equity. These long-term financial targets are shown in the table below.

In addition, Taaleri's dividend policy is to distribute at least 50% of the profit and the capital that it does not need for growth investments or to fulfil its solvency targets.

Dividend payout will be boosted by excess capital distributions in 2021-23

LONG-TERM FINANCIAL TARGETS AND DIVIDEND POLICY

	2020PF	2021E	2022E	2023E	Target
Growth in recurring revenues	n.a.	6%	2%	18%	at least 15%
Operating profit margin *	23%	39%	37%	47%	at least 25%
Return on equity	10%	71%	7%	12%	at least 15%
Dividend payout	287%	25%	172%	98%	at least 50% of FY profit

Note: *)based on segment reporting

Source: Company data and Nordea estimates

We model a 9% recurring revenue CAGR for 2020PF-23E

We model only 2% growth in recurring revenue for 2021, as we expect higher claims in Garantia, lower fees from other divisions and slow growth in renewable energy's recurring revenues as there are no new closings in the pipeline. We note that Taaleri's recurring revenue has been boosted in 2021 by the closing of SolarWind II and exceptionally low claims ratios in Garantia. For 2020PF-23E, we model a 9% recurring revenue CAGR.

Operating profit should scale up nicely...

We expect operating profit margin to scale up nicely, especially in 2023 due to potential first closing of SolarWind III.

...while the company will likely distribute excess capital in 2021-23

Following the divestment of its wealth management arm, Taaleri has an overcapitalised balance sheet. We expect the company to pay extraordinary dividends in 2021-23 and we forecast total DPS of EUR 0.90-1.16 in 2021-23.

EUR 3bn AuM target by 2023

Taaleri targets EUR 3bn AuM by 2023...

In addition to long-term financial targets, Taaleri has a EUR 3bn AuM (gross asset value) target by 2023. In addition, the renewable energy, real estate and bioindustry sectors have defined specific AuM targets to reach by 2025.

...while segments have AuM targets for 2025

- **Renewable energy** targets above EUR 2bn in AuM (net asset value) by 2025. We think this is achievable under the assumption that SolarWind III will have first closing at around year-end 2023. Given the EUR 354m commitments in SolarWind II, we think the company is aiming to double the size of its next flagship fund.
- **Real estate** targets EUR 1bn AuM (gross-assets-value) by 2025. Although the company is currently ramping up its Housing VIII fund, we find the EUR 1bn target more challenging than renewable energy's target.
- **Bioindustry** targets EUR 500m AuM (gross asset value) by 2025. Given the early phase of the bioindustry segment, we need proof of concept from the first fund that is about to be launched by year-end 2021. Taaleri has a solid track record from its renewable energy funds, which we believe it can utilise when ramping up the bioindustry fund portfolio. However, in order to achieve the EUR 500m AuM target, we think the company has to excel with the investments of its bioindustry fund.

2021 financial guidance

Taaleri issued financial guidance for 2021 on 1 December.

The company expects a very strong Q4, due in particular to performance fees and income recognition of investments. Taaleri expects that the income of continuing operations for 2021 will be EUR 65-70m (EUR 40m in 2020) and the operating profit of continuing operations will be approximately EUR 25-30m (EUR 9.1m in 2020). The final figures will be affected by Garantia's investment income in particular, which in turn has been affected by the development of the stock and fixed income markets during December.

During the current quarter, Taaleri will recognize income from the sale of Taaleri Housing Fund VI in the summer (net performance fee approximately EUR 3.9m) and the Taaleri Wind II fund due to its refinancing in October (net performance fee approximately EUR 4.8m), for example. In addition, the company will recognise income from exits or listings of the group's investments (approximately EUR 3-4m).

We model EUR 65.7m income from continuing operations and EUR 26.3m in operating profit from continuing operations.

Detailed estimates

For Taaleri, we model a 9% recurring revenue CAGR for 2020PF-23, while the company has a financial target of at least 15% growth. As there are only small fund closings in 2022 and we expect claims to increase in Garantia, we model only 2% recurring revenue growth in 2022. However, we model the first closing of SolarWind III in 2023, which should boost Private Asset Management recurring revenue. Thus, we model 19% recurring revenue growth in 2023. Currently, Taaleri is in a transformation period and Garantia is the main contributor to underlying profitability. In addition, Taaleri's operating profit will get support from meaningful carry bookings and investment gains from the closing of multiple funds. The company had EUR ~28m of non-strategic investments (at the end of Q3) that will be divested in 2021-24. In addition, we note high excess capital that the company should start to offload through dividends and capital returns.

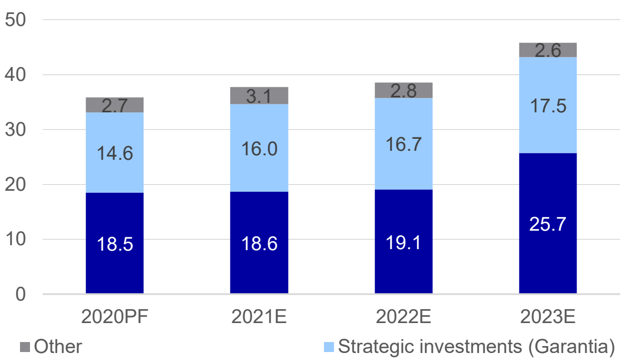
We expect recurring revenue growth to increase in 2023

Given the ramp-up phase of the private equity funds, we expect recurring revenue growth to increase in 2023. The company aims to have the first closings of its first Bioindustry and Infra funds in 2022, although we note the relatively small size of these funds. In addition, the first closing for Housing VIII is likely around year-end, which should support recurring revenue growth in 2022. Taaleri has benefitted from the closing of its latest flagship fund, SolarWind II, in 2020-21, with the final closing in June.

We expect a 9% recurring revenue CAGR in 2020PF-23 and a 17% total income CAGR for 2020PF-23

Based on segment reporting, we model a 9% recurring revenue CAGR for 2020PF-23, with recurring revenue up 5% y/y in 2021E, up 2% in 2022E and up 19% in 2023E. For 2020PF-23, we model a 12% recurring revenue CAGR for private asset management, a 6% CAGR for Garantia and -1% for the Other segment. However, based on segment reporting, we model a 17% total income CAGR for 2020PF-23, driven by carry and investment gains as the company is exiting its non-strategic investment in 2021-24.

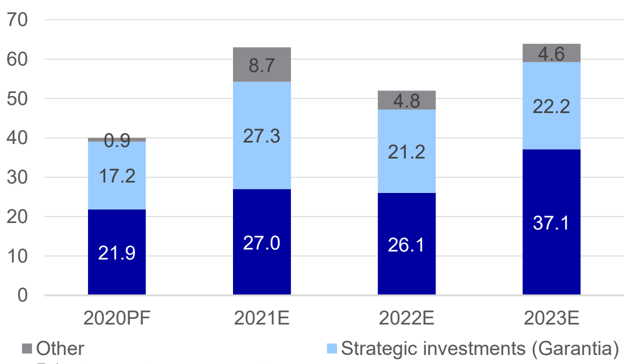
RECURRING REVENUE SPLIT, 2020PF-23E (EURm)



Note: Based on segment reporting

Source: Company data and Nordea estimates

TOTAL INCOME SPLIT, 2020PF-23E (EURm)



Note: Based on segment reporting

Source: Company data and Nordea estimates

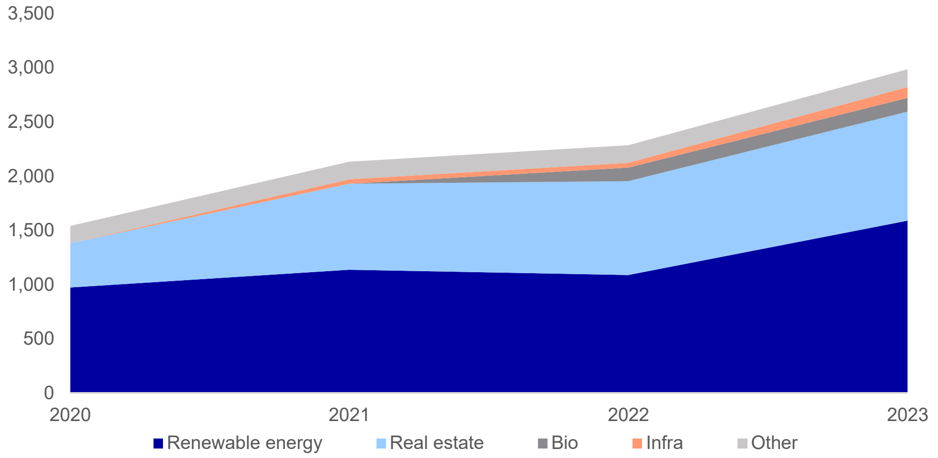
Next AuM boost in 2023

We expect SolarWind III to boost AuM significantly in 2023

After the final closing of SolarWind II, we expect the next clear boost to AuM in 2023. The company is already preparing its next SolarWind fund and will be able to start raising funds when SolarWind II has invested 75% of its commitments. Hence, we expect the first closing to happen in 2023. In addition, we expect Housing VIII, Bio I and Infra I to boost AuM development from 2022 onwards.

We expect AuM development to pick up pace in 2023

AUM DEVELOPMENT, 2020-23E (EURm)



Source: Company data and Nordea estimates

Private asset management

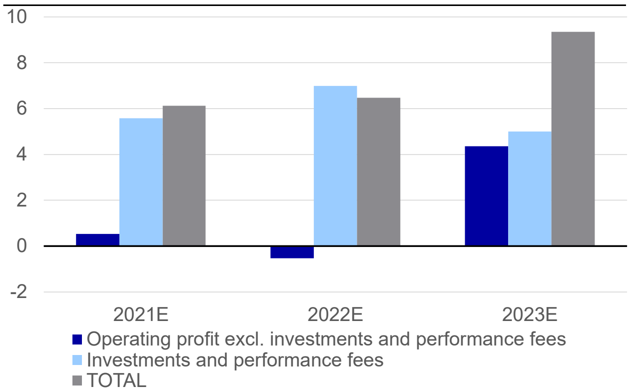
Operating profit should be boosted by exits and carry

Carry and investment gains should boost earnings in 2021-23

Although renewable energy will be the key growth driver for Taaleri, we expect substantial carry from other private asset management in 2021-23. Taaleri has exited Housing VI with EUR 145m and the company will book carry in Q4 2021. Taaleri has indicated an approximate net performance fee of EUR 3.9m from the exit. In addition, we expect the company to exit the Forest III fund in 2023 with substantial potential for carry (we model around EUR 5m). In renewable energy, the company rearranged its financing for Wind II and III and is able to return a significant portion of invested capital to investors. Under the current conditions, Taaleri expects it will book around EUR 20m carry from Wind II-III. In addition, the company is starting to amortise performance fees to its results. The company has indicated an approximate net performance fee of EUR 4.8m due to refinancing to be booked in Q4 2021. We expect around EUR 5m annual carry bookings from Wind II-III in 2023-24 and final exit in 2024. We believe the company will make annual carry bookings in latter part of each financial year (i.e., H2 in 2022 and in 2023). In addition, we expect the company to divest its balance sheet investment in Texas with a EUR 2m investment gain in 2022.

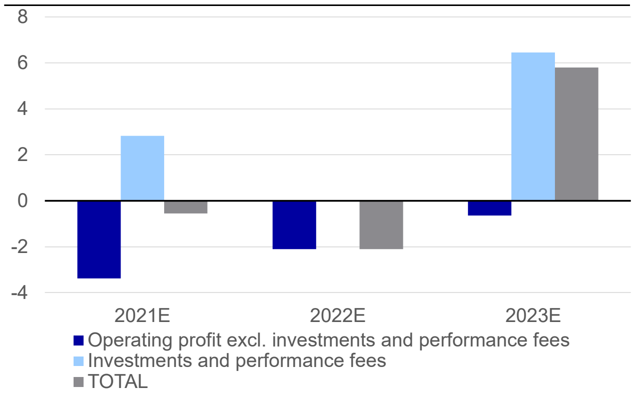
We expect Taaleri to launch the Bio I fund in Q1 2022 and Infra I fund in H1 2022. However, both products are new for Taaleri and hence we expect EUR 75m of commitments in Bio I in 2022 and EUR 50m of commitments in Infra I in 2023. We see higher potential within Bio funds as the company can utilise its know-how within renewable energy funds more efficiently, in our view.

RENEWABLE ENERGY: OPERATING PROFIT SPLIT, 2021E-23E (EURm)



Source: Nordea estimates

OTHER PRIVATE ASSET MANAGEMENT: OPERATING PROFIT SPLIT, 2021E-23E



Source: Nordea estimates

We expect around EUR 200m in commitments to SolarWind III, with first closing in 2023

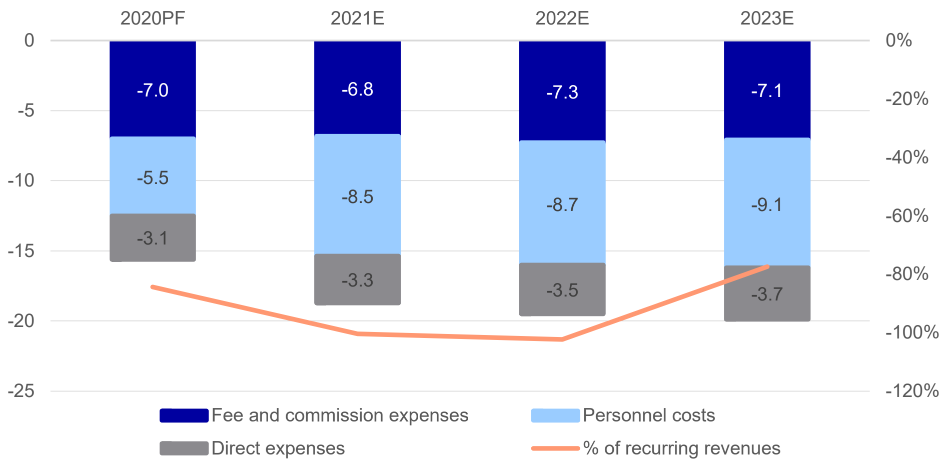
We model the first closing of SolarWind III in 2023, with EUR 200m in commitments. We note that our assumption might be on the conservative side as SolarWind II made first closing with EUR 220m of commitments back in 2019. We expect the company to target at least EUR 600m in commitments from its new flagship fund, while these could be visible in 2024. Hence, our 2023 estimates do not capture the full earnings potential of renewable energy. In addition, the company has clearly achieved a vintage model in its renewable energy business, which could boost recurring revenue growth well beyond the next flagship fund. However, we remain slightly cautious to extrapolate success due to increasing competition, although we note Taaleri's know-how within renewable energy.

Costs in place, scale effect starting to materialise in 2023

Taaleri has invested in its resources and has teams in place. The main question is whether the company can increase the size of its funds to achieve benefits of scale. We believe renewable energy and bioindustry have good potential, while we remain slightly cautious over real estate and infra due to a tough competitive environment. In addition, we note that the success with fundraising correlates with Aktia's performance on selling Taaleri's funds. Taaleri is ramping up its institutional sales, while smaller clients are, to our understanding, served through the Aktia cooperation.

In relation to recurring revenue, we model operational costs will decrease from 100% in 2021 to 77% in 2023 as we believe the company has incurred most of the required costs ahead of the ramp-up of the funds.

PRIVATE ASSET MANAGEMENT OPERATIONAL COST SPLIT, 2020PF-23E (EURm AND %)



Source: Company data and Nordea estimates

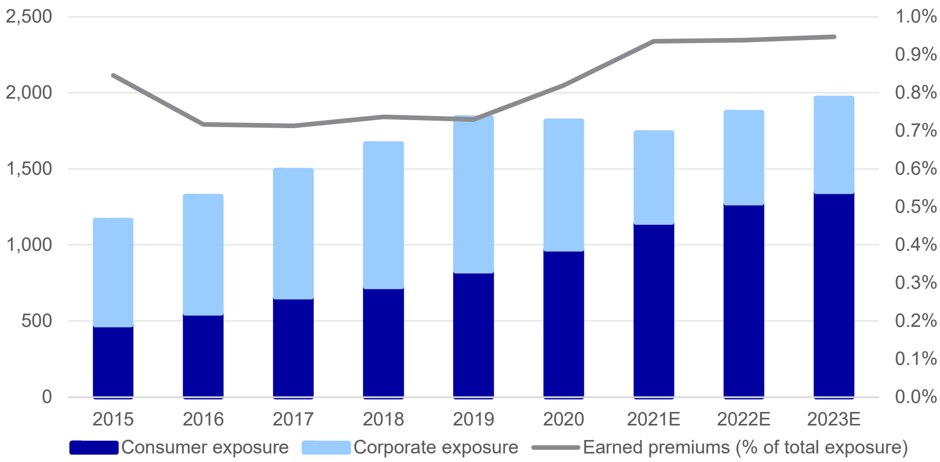
Strategic investments (Garantia)

Consumer exposure growth driving growth

In Garantia, we expect 6% recurring revenue growth in 2020-23. In line with its strategy, the company has been reducing its exposure to corporates, and especially the construction sector. A deal with OP-Group should boost consumer exposure growth, at least in 2022. We expect guaranty insurance exposure to increase at a 3% CAGR in 2020-23, while the mix should improve with increasing consumer exposure. We expect a 12% CAGR for consumer exposure for 2020-23, while we expect a -10% CAGR for corporate exposure.

We expect a 12% CAGR in consumer exposure in 2020-23

GUARANTY INSURANCE EXPOSURE SPLIT, 2015-23E (EURm AND %)

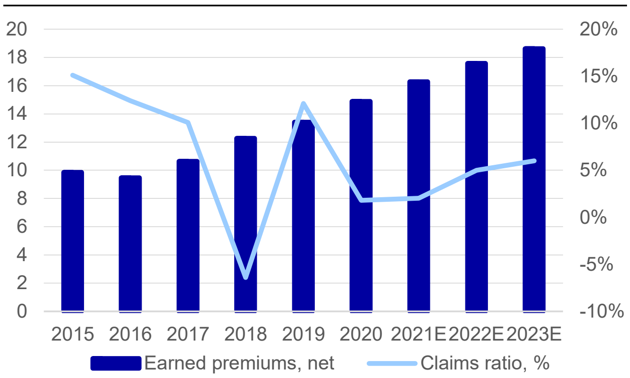


Source: Company data and Nordea estimates

We forecast an 8% CAGR in earned premiums

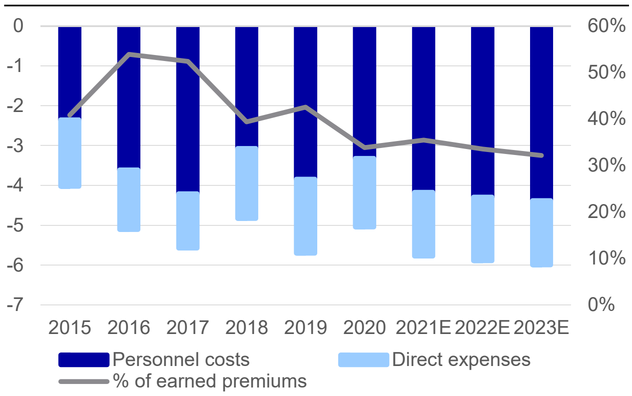
We model an 8% CAGR for earned premiums in 2020-23, while we simultaneously model an increase in claims incurred. Claims have been clearly below the historical average in 2020-21, but we expect this to normalise somewhat. However, we believe the company has streamlined its operations and could leverage increasing consumer exposure. We model a slight decrease in direct expenses in 2020-23, while we expect personnel costs to increase at a 10% CAGR in 2020-23. However, we model only a 2% personnel cost CAGR in 2021-23, as 2020 personnel costs were most likely down due to pandemic-related cost savings. Given the strategic decision to decrease corporate exposure and Finnish legislation related to personal bankruptcies, we do not expect the claims ratio to increase above 10% of earned premiums.

GARANTIA: EARNED PREMIUMS AND CLAIMS RATIO (EURm AND %)



Source: Company data and Nordea estimates

GARANTIA: OPERATIONAL COST SPLIT AND SHARE OF EARNED PREMIUMS, 2015-23E (EURm and %)

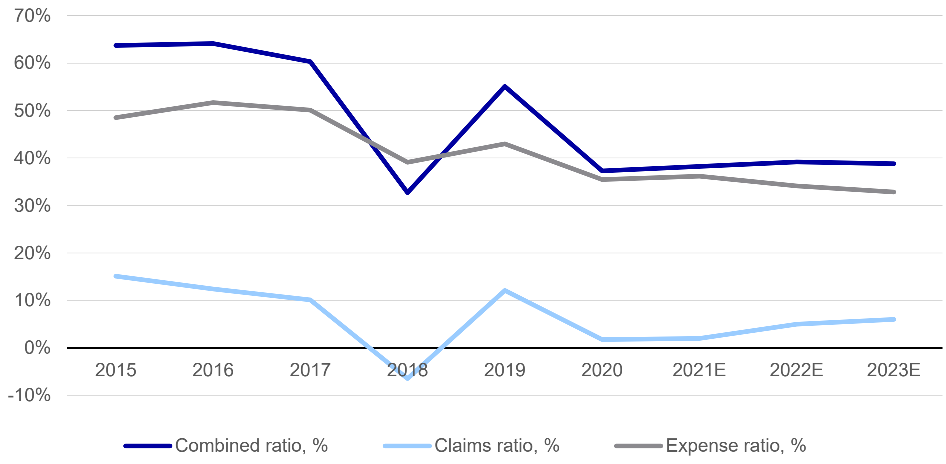


Source: Company data and Nordea estimates

Average combined ratio of 39% for 2021E-23E

As we expect Garantia's low claims ratio and low fixed costs to continue, we model a 38.2-39.2% combined ratio for 2021-23. The average combined ratio for 2015-20 was 52.2%, and 37.3% in 2020. We believe benefits of scale are becoming apparent.

COMBINED RATIO, 2015-23E



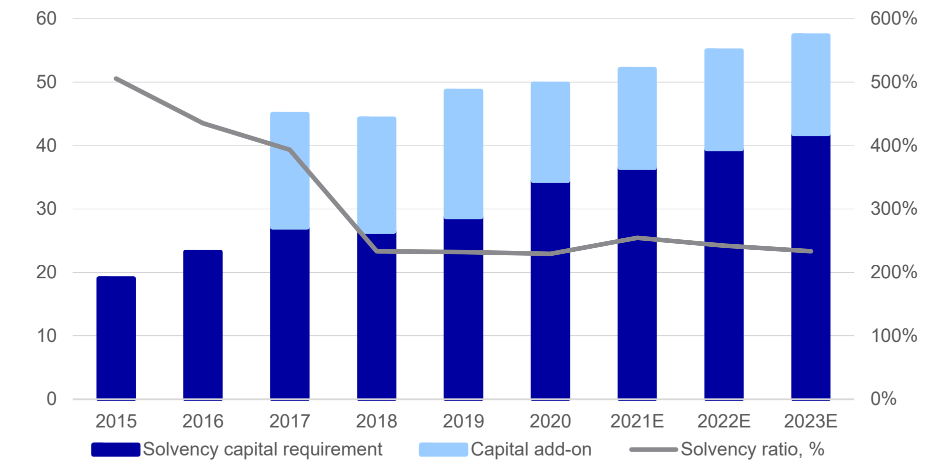
Source: Company data and Nordea estimates

Solvency remains high

Garantia has a solid solvency rate and we do expect this to change. We believe the company could distribute all of its profits to Taaleri, although we take a slightly more conservative stance in our estimates due to potential business development needs and buffers. In 2020, Garantia distributed a EUR 10m dividend to Taaleri and we model a EUR 1m annual increase in 2021-23. On average, we model a 91% dividend distribution in 2021-23.

Based on our forecast and assumptions about solvency capital requirements, Garantia's solvency rate should remain above 230% in 2021-23. In 2021, we model a 252% solvency rate. Hence, to maintain solvency at 200%, and taking into consideration the EUR 52m total capital requirement, the company could distribute some EUR 27m of capital to Taaleri. However, we believe, Garantia will maintain a higher solvency rate to maintain a buffer in case of less favourable market conditions. Garantia has not disclosed a preferred solvency rate, while we expect this to be around 200%.

SOLVENCY RATE AND CAPITAL REQUIREMENT (EURm AND %)



Source: Company data and Nordea estimates

Aktia shareholdings

After divesting its wealth management arm, Taaleri has a 1.4% ownership stake in Aktia. The company will record fair value changes and dividend income in its strategic investments segment. We model EUR 0.5-0.7m dividends in 2022-23.

Other

Taaleri has its non-strategic investment and corporate functions are reported in the Other segment. As of Q3 2021, the company had EUR 27.5m of non-strategic investments and we expect these to be divested in 2021-24. In Q3 2021, EUR 12.4m of these investments were in real estate and EUR 15m in other investments. The five largest non-strategic investments had a EUR 22.5m book value at the end of Q3 2021. These investments have project-specific exit plans.

We model a EUR 5.6m investment gain for 2021 and EUR 2m for 2022-23. In Q4 2021, Taaleri will recognize EUR 3-4m income from exits or listings of group's investments (we model EUR 3.5m). We note that the company booked its shareholding in the publicly listed company Inderes at the IPO price of EUR 25, while the share was trading at EUR 39.6 on 30 November.

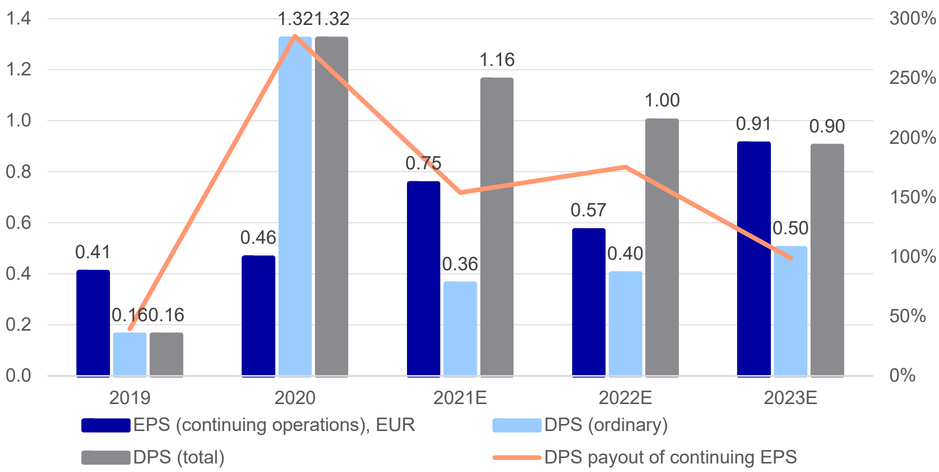
Corporate functions costs expected to decline after divestment

We believe costs will decline significantly after the divestment of the wealth management arm, while the company could reduce its direct expenses further in areas such as IT. In addition, given that the company has only a EUR 15m Tier-2 loan in gross debt, interest costs will decline substantially. We model EUR 1.2m financial expenses for 2022-23. We forecast personnel expenses will decline from EUR 4.5m in 2020PF to EUR 3.5-4.0m in 2021-23. In addition, we model EUR 2.2m in direct expenses in the Other segment in 2022-23, following EUR 2.6m in 2021E. We model EUR 4.6-8.7m in total income and EUR 0.1-3.3m operating profit for the Other segment in 2021-23, driven by exits in non-strategic investments.

EPS, dividends and M&A

Taaleri recorded a EUR 111m tax-free gain from divestment of its wealth management arm to Aktia. Despite an extra dividend and capital return, Taaleri's balance sheet remains heavily overcapitalised versus business development needs. We expect the company to offload its balance sheet to investors with a EUR 0.9-1.16 DPS in 2021-23. Despite high dividend payout assumptions, the company should have around EUR 50m cash in hand by 2023. Hence, we believe the company could scale up its balance sheet investments (unlikely, in our view) or acquire businesses or client bases. We believe the company will maintain an adequate cash position to support M&A, although we do not currently see any clear targets.

EARNINGS PER SHARE AND DIVIDEND PER SHARE (EUR AND %)



Source: Company data and Nordea estimates

DETAILED ESTIMATES BASED ON SEGMENT REPORTING

Segment reporting, EURm	Q120	Q220	Q320	Q40 PF	Q121	Q221	Q321	Q421E	2019	2020PF	2021E	2022E	2023E
Income													
Recurring revenues													
Private asset management	4.6	4.1	4.6	5.3	4.2	5.6	4.8	3.9		18.5	18.6	19.1	25.7
Renewable energy	3.5	3.2	3.5	4.1	3.2	4.3	3.6	3.3		14.3	14.3	13.1	18.0
Other private asset management	1.1	1.0	1.1	1.1	1.0	1.3	1.3	0.7		4.2	4.3	6.0	7.7
Strategic investments (Garantia)	3.3	3.6	3.9	3.8	3.6	4.6	3.9	3.9		14.6	16.0	16.7	17.5
Other	0.6	1.0	0.4	0.7	1.1	1.0	0.5	0.6		2.7	3.1	2.8	2.6
TOTAL	8.4	8.8	8.8	9.8	8.9	11.2	9.2	8.4	55.3	35.8	37.7	38.6	45.8
Recurring revenues growth y/y													
Private asset management					-8%	37%	6%	-25%			1%	2%	35%
Renewable energy					-8%	36%	2%	-21%			0%	-9%	38%
Other private asset management					-5%	41%	20%	-40%			2%	39%	29%
Strategic investments (Garantia)					9%	25%	0%	4%			9%	5%	5%
Other					88%	-6%	24%	-19%			15%	-10%	-7%
TOTAL					6%	27%	4%	-14%		-35%	5%	2%	19%
Total income													
Private asset management	5.5	4.1	5.4	6.9	5.2	5.3	4.3	12.2		21.9	27.0	26.1	37.1
Renewable energy	4.4	3.2	4.3	5.5	4.0	4.3	3.6	8.1		17.4	19.9	20.1	23.0
Other private asset management	1.1	1.0	1.1	1.4	1.2	1.0	0.7	4.2		4.5	7.1	6.0	14.1
Strategic investments (Garantia)	-4.1	7.7	6.1	7.5	7.0	7.3	6.6	6.4		17.2	27.3	21.2	22.2
Other	-2.1	1.2	0.7	1.2	1.5	1.7	1.4	4.1		0.9	8.7	4.8	4.6
TOTAL	4.6	17.1	17.6	22.6	18.8	19.7	16.6	35.0	67.2	39.9	63.0	52.0	63.9
Income growth y/y													
Private asset management					-5%	29%	-20%	76%			23%	-4%	42%
Renewable energy					-9%	36%	-17%	46%			15%	1%	15%
Other private asset management					10%	6%	-30%	197%			58%	-16%	137%
Strategic investments (Garantia)					-270%	-6%	7%	-15%			59%	-22%	5%
Other					-169%	50%	103%	251%			869%	-45%	-4%
TOTAL					n.m.	15%	-5%	55%			58%	-17%	23%
Operating profit													
Private asset management	1.4	-0.2	0.5	1.9	-0.1	-0.7	-0.8	7.1		3.7	5.6	4.4	15.2
Renewable energy	1.6	0.2	0.8	2.3	0.3	0.4	0.4	5.0		4.9	6.1	6.5	9.4
Other private asset management	-0.2	-0.3	-0.3	-0.4	-0.4	-1.1	-1.2	2.1		-1.2	-0.6	-2.1	5.8
Strategic investments (Garantia)	-5.7	6.5	4.6	4.8	5.4	5.8	4.5	3.8		10.2	19.6	14.0	14.9
Other	-3.2	-0.5	-0.1	-1.0	-0.2	-0.7	0.8	3.4		-4.8	3.3	0.5	0.1
TOTAL	-7.5	5.9	5.0	5.8	5.1	4.4	4.6	14.3		9.1	28.4	18.9	30.2
Operating profit margin													
Private asset management	25.5%	-3.7%	10.2%	27.6%	-1.7%	-12.2%	-18.0%	57.9%		16.9%	20.6%	16.8%	40.8%
Renewable energy	37.0%	4.8%	19.0%	41.6%	7.4%	10.2%	11.7%	61.6%		28.2%	30.7%	32.2%	40.6%
Other private asset management	-21.6%	-31.2%	-26.1%	-27.8%	-32.4%	-106%	-163%	50.7%		-26.7%	-7.8%	-35.4%	41.1%
Strategic investments (Garantia)	n.m.	85.0%	74.4%	64.4%	76.9%	80.0%	69.0%	59.7%		59.4%	71.8%	66.0%	67.3%
Other	n.m.	-45.1%	-19.6%	-84.0%	-14.2%	-43.2%	58.1%	83.5%		-538%	37.8%	11.3%	2.2%
TOTAL	n.m.	34.3%	28.2%	25.6%	27.2%	22.5%	27.6%	41.0%		22.7%	45.1%	36.3%	47.2%
Operating profit excluding investments and performance fees													
Private asset management	0.5	-0.2	-0.3	0.2	-1.0	-0.3	-0.2	-1.2		0.3	-2.8	-2.6	3.7
Renewable energy	0.7	0.2	0.0	0.9	-0.5	0.4	0.4	0.2		1.8	0.5	-0.5	4.4
Other private asset management	-0.2	-0.3	-0.3	-0.7	-0.5	-0.8	-0.7	-1.4		-1.5	-3.4	-2.1	-0.6
Strategic investments (Garantia)	1.7	2.5	2.4	1.1	2.0	3.1	1.9	1.3		7.7	8.3	9.5	10.3
Other	-0.5	-0.7	-0.5	-1.4	-0.6	-1.5	-0.1	-0.1		-3.0	-2.3	-1.5	-1.9
TOTAL	1.7	1.7	1.6	0.0	0.4	1.2	1.5	0.0		4.9	3.1	5.4	12.1

Source: Company data and Nordea estimates

DETAILED ESTIMATES BASED ON IFRS-REPORTING

IFRS reporting, EURm	Q120	Q220	Q320	Q40 PF	Q121	Q221	Q321	Q421E	2019	2020	2021E	2022E	2023E
Total income	-2.2	12.1	10.3	13.8	12.1	17.0	13.2	23.3	67.2	69.4	65.7	55.8	67.5
growth y/y					-646%	41%	29%	69%		3%	-5%	-15%	21%
Costs	-5.9	-6.4	-6.6	-8.5	-7.4	-14.3	-8.6	-9.0	-50.7	-51.9	-39.3	-36.8	-37.2
growth y/y					26%	122%	31%	6%	255%	2%	-24%	-6%	1%
Operating profit	-8.1	5.7	3.6	5.3	4.7	2.7	4.6	14.3	16.5	17.5	26.3	19.0	30.3
margin %	365%	47%	36%	39%	39%	16%	35%	61%	24%	25%	40%	34%	45%
Taxes	-0.2	-0.6	-1.1	-0.5	-1.0	-0.4	-1.4	-2.1	-5.0	-4.4	-5.0	-2.8	-4.5
Profit (continuing operations)	-8.3	5.1	2.6	4.8	3.7	2.3	3.2	12.2	11.5	13.1	21.3	16.1	25.7
Profit (discontinued operations)	2.7	2.0	2.2	2.2	3.2	111.7	0.0	0.0	0.0	0.0	114.9	0.0	0.0
Profit for the period	-5.7	7.1	4.7	7.0	6.8	114.1	3.2	12.2	11.5	13.1	136.2	16.1	25.7
EPS (continuing operations), EUR	-0.29	0.18	0.09	0.17	0.13	0.08	0.11	0.43	0.41	0.46	0.75	0.57	0.91
EPS, EUR	-0.20	0.25	0.17	0.25	0.24	4.03	0.11	0.43	0.39	0.46	4.82	0.57	0.91
DPS (ordinary)									0.16	1.32	0.36	0.40	0.50
DPS (extra)											0.80	0.60	0.40
DPS (total)									0.16	1.32	1.16	1.00	0.90

Source: Company data and Nordea estimates

Valuation

We calculate an SOTP-derived fair value range of EUR 11.9-13.9 per Taaleri share. We use peer group multiples to value Taaleri's private equity business. In addition, due to the solid and stable outlook for Garantia, we use a dividend discount model to value the guarantee insurance part of Taaleri. We derive two different peer groups, one for renewable energy and another for private asset management.

SOTP valuation yields EUR 11.9-13.9 fair value range

We think an SOTP valuation is most relevant for Taaleri. However, we use different valuation methods for the company's asset management business and Garantia due to their different characteristics. We believe peer multiples are the logical means of valuing the company's private asset management business, despite it being in a ramp-up phase, while we are inclined to use a dividend discount model to value Garantia due to its stable business model and fairly stable dividend outlook.

We do not believe a traditional DCF-based valuation is well suited for Taaleri due to its high dependency on unannounced funds.

We derive two different peer groups for Taaleri: one for renewable energy and another for other private asset management. Although there are multiple Finnish peers for Taaleri, we are hesitant to use a broad peer group due to insufficient coverage of these names. Hence, our peer group for other private asset management consists of four companies. For renewable energy, we use a broader peer group of European asset managers and companies exposed to renewable energy infrastructure. Our peer group for renewable energy consists of nine European companies.

RENEWABLE ENERGY PEER GROUP

		Price	Mcap	Net Debt	EV/EBIT			P/E			Div yield %	
Renewable energy peers	**Country**	**Local**	**EURm**	**2020**	**2021E**	**2022E**	**2023E**	**2021E**	**2022E**	**2023E**	**2021E**	**2022E**
Ox2 Ab (Publ)	Sweden	57.8	1,543	-267	48.4	29.4	15.1	67.5	45.5	23.2	0.0 %	0.0 %
Abo Wind Ag	Germany	55.6	513	27	20.6	17.7	16.0	31.5	26.3	23.4	0.9 %	1.0 %
Capman Oyj	Ireland	2.9	453	26	10.5	10.7	10.3	12.5	13.1	12.8	5.2 %	5.5 %
Eqt Ab	Sweden	530.4	51,238	193	56.8	49.4	39.2	60.4	53.6	42.1	0.7 %	0.9 %
Acciona Sa	UK	159.5	8,763	6184	20.7	18.2	16.0	24.9	20.5	18.1	2.5 %	2.7 %
Energiekontor Ag	UK	75.8	1,071	290	24.6	17.5	14.4	39.6	25.8	21.0	1.1 %	1.1 %
Eolus Vind Ab (Publ)	UK	139.2	322	-52	24.8	9.5	4.6	31.3	19.1	7.8	1.0 %	2.0 %
Pne Ag	UK	7.9	604	404	167.9	56.8	34.7			70.6	0.5 %	0.5 %
Scatec Asa	Norway	157.7	2,450	1583	20.3	17.3	16.1	56.5	45.3	39.6	1.0 %	1.2 %
Median			1,071	193	24.6	17.7	16.0	35.6	26.0	23.2	1.0 %	1.1 %
Average			7,440	932	43.8	25.2	18.5	40.5	31.1	28.7	1.4 %	1.7 %
Nordea												
Taaleri Oyj	Finland	11.5	327	32	8.6	14.0	9.2	2.4	20.0	12.6	10.1 %	8.7 %
Discount/premium					-65%	-21%	-43%	-93%	-23%	-46%	886%	724%

Note: share prices as of 1 December

Source: Refinitiv and Nordea estimates

OTHER PRIVATE ASSET MANAGEMENT PEERS

		Price	Mcap	Net Debt	EV/EBIT			P/E			Div yield %	
Finnish peers	**Country**	**Local**	**EURm**	**2020**	**2021E**	**2022E**	**2023E**	**2021E**	**2022E**	**2023E**	**2021E**	**2022E**
Capman Oyj	Finland	2.9	453	26	10.5	10.7	10.3	12.5	13.1	12.8	5.2 %	5.5 %
Eq Oyj	Finland	25.8	1,024	1	22.0	22.3	19.2	27.4	28.2	24.2	3.8 %	3.8 %
Eab Group Oyj	Finland	3.0	41	6	15.6	11.7	6.7	21.4	12.2	8.1	3.2 %	4.5 %
Aktia Bank Abp	Finland	12.1	877					12.7	10.5	9.9	4.4 %	5.6 %
Median			**665**	**6**	**15.6**	**11.7**	**10.3**	**17.0**	**12.7**	**11.3**	**4.1 %**	**5.0 %**
Average			599	11	16.0	14.9	12.0	18.5	16.0	13.7	4.2 %	4.9 %
Nordea												
Taaleri Oyj	**Finland**	**11.5**	**327**	**32**	**8.6**	**14.0**	**9.2**	**2.4**	**20.0**	**12.6**	**10.1 %**	**8.7 %**
Discount/premium					-45%	20%	-11%	-86%	58%	11%	145%	73%

Note: share prices as of 1 December

Source: Refinitiv and Nordea estimates

As mentioned, we use different peer groups for renewable energy and other private asset management. In addition, we assign lower multiples for performance fees.

Based on our 2023 EBIT estimate for renewable energy excluding performance fees (EUR 5.7m) and accepted valuation multiples of 13-16x, we derive a fair value range of EUR 58-72m for renewable energy. In addition, we derive a fair value range of EUR 16-24m for expected performance fees from renewable energy. Our valuation takes into account the minority share of renewable energy (21%). In total, our fair value range for renewable energy is EUR 74-96m.

Given 2023E EBIT of EUR 0.9m (excluding performance fees) and EUR 5.4m of performance fees for other private asset management, we derive a fair value range of EUR 27-40m for other private asset management. We assign accepted valuation multiples of 6-8x for other private asset management and 4-6x for performance fees.

In principle, we believe Garantia could pay all of its annual profits to Taaleri. We model an annual EUR 1m increase in dividends from Garantia to Taaleri (EUR 10m in 2020) until 2025, after which we expect a 0-2% annual dividend increase for terminal value. We use a 9.65% cost of equity as a discount factor. Based on this approach, we arrive at a fair value range of EUR 147-175m for Garantia.

We also deduct group costs and add investments at book value (as of Q3 2021), Aktia shares (0.97m) at current market value (EUR 12.2 as of 30 November), 2022E net cash (EUR 42m) and 2021E dividends (EUR 37m) to derive our equity fair value range of EUR 338-394m for Taaleri. As there are 28.3 million shares outstanding, we derive a fair value range of EUR 11.9-13.9 per Taaleri share.

SOTP VALUATION FOR TAALERI (EURm AND EUR)

Based on 2023E estimates	**Share**	**Sales**	**EBIT**	**Valuation method**	**EV Range**
Private asset management		**37.1**	**17.1**	**EV/EBIT 6x - 8x**	**102 - 136**
Renewable energy (excl. performance fees)	81%	23.0	5.7	EV/EBIT 13x - 16x	58 - 72
Performance fees	81%		5.0	EV/EBIT 4x - 6x	16 - 24
Other private asset management (ex. performance fees)	100%	14.1	0.9	EV/EBIT 6x - 8x	6 - 7
Performance fees	100%		5.4	EV/EBIT 4x - 6x	22 - 33
Strategic investments (Garantia)	**100%**	**22.2**	**16.1**	**DDM**	**147 - 175**
Other excl. investment operations	**100%**	**4.6**	**-3.7**	**EV/EBIT 7.9x - 9.6x**	**-29 to -36**
Investments	100%		2.0	Book value Q3 21	27
TOTAL			**31.4**	**EV/EBIT 7.9x - 9.6x**	**247 - 303**
Aktia shares				As of 30 Nov 2021	12
Net cash 2022E					42
2021E dividends					37
Equity value					338 - 394
Number of shares (m)					28.3
Equity per share, EUR					**11.9 - 13.9**

Source: Nordea estimates

We note that Taaleri's full earnings potential should be visible after 2023, while we are slightly hesitant to push our valuation approach beyond 2023 due to uncertainties related to fund sizes and the ramping up of the current funds.

Main risks

Below, we list the main risk factors we find relevant for Taaleri. The purpose of this is not to provide a comprehensive list of all of the risks that the company may be subject to, but instead to highlight those that we find most relevant. The main risks we identify relate to the overall economic situation, as this will have implications both for the funds and for Garantia.

General economy

A slowdown in economic activity could hamper Taaleri's performance

Taaleri has benefitted from a favourable macroeconomic environment, which combined with low interest rates has supported housing prices and hence Garantia's business. In addition, demand for alternative investments has fared well in the positive market environment. In the case of economic slowdown, both Garantia's and fund companies' performance could be negatively affected. Changes in the market environment could affect the company's ability to raise fund commitments, and a slowing transaction market could hinder Taaleri's ability to make new investments and exit assets.

Housing market

A cooling of the housing market could affect the real estate operations negatively

The recent positive development in the Finnish housing market has benefitted Garantia through high housing market activity, while Taaleri's housing funds have benefitted from lower yield requirements. If the housing transaction market were to cool down, Taaleri's operations in Garantia and real estate funds could be negatively affected.

Interest rates

Low interest rates have supported alternative investments

Low interest rates have supported Taaleri's business through low financing costs and easy funding access. If interest rates were to rise, the availability of funding could become more difficult. In addition, higher interest rates could hamper the valuation of investments and the project pipeline.

Key personnel

Key personnel are important for customer relationships

As a financial player, key personnel play a crucial role in Taaleri's customer relationships. If any key personnel were to leave the company, there could be a risk of customer outflow from Taaleri's funds.

Sales channels

Cooperation with Aktia plays a crucial role for Taaleri

Taaleri cooperates with Aktia on sales of its funds. In order to reach targeted fund sizes, the recently announced cooperation plays a crucial role. In addition, Taaleri is ramping up its institutional sales channel. If the company is not able to ramp up its institutional sales channel or fails in its cooperation with Aktia, the funds' performance could be negatively affected through lower AuM.

Investments

Overall economic activity could affect investment values

Taaleri has close to EUR 30m of non-strategic investments that it aims to divest. The market value of these investments could vary greatly depending on the general economic situation.

Potential M&A

If not executed well, M&A activity may increase costs

After divesting its wealth management arm, Taaleri has an overcapitalised balance sheet. M&A could increase costs temporarily, or even longer term in a worst-case scenario if acquisitions were to fail or integration is executed poorly. Hence, it is important for the company to maintain good cost control and clear M&A execution plans so as not to hamper earnings.

Competitive environment

A tightening competitive environment could hamper Taaleri's growth prospects

If the competitive environment regarding alternative investments were to intensify, it could hamper Taaleri's growth and earnings through lower management fees and hinder the company's ability to find investments.

Reported numbers and forecasts

INCOME STATEMENT					
EURm	**2019**	**2020**	**2021E**	**2022E**	**2023E**
Total revenue	67	69	66	56	68
Revenue growth	n.a.	3.3%	-5.4%	-15.0%	21.0%
of which organic	n.a.	n.a.	n.a.	n.a.	n.a.
of which FX	n.a.	n.a.	n.a.	n.a.	n.a.
EBITDA	23	24	32	21	32
Depreciation and impairments PPE	-3	-3	-1	-1	-1
of which leased assets	0	0	0	0	0
EBITA	n.a.	n.a.	n.a.	n.a.	n.a.
Amortisation and impairments	0	0	0	0	0
EBIT	21	21	32	20	32
of which associates	0	0	-1	-1	-1
Associates excluded from EBIT	0	0	0	0	0
Net financials	-3	-3	-2	-1	-1
of which lease interest	0	0	0	0	0
Changes in value, net	-1	0	-3	0	0
Pre-tax profit	**17**	**18**	**26**	**19**	**30**
Reported taxes	-5	-4	-5	-3	-5
Net profit from continued operations	12	13	21	16	26
Discontinued operations	0	0	115	0	0
Minority interests	0	0	0	0	0
Net profit to equity	12	13	136	16	26
EPS, EUR	**0.41**	**0.46**	**4.82**	**0.57**	**0.91**
DPS, EUR	0.16	1.32	1.16	1.00	0.90
of which ordinary	0.16	1.32	0.36	0.40	0.50
of which extraordinary	0.00	0.00	0.80	0.60	0.40
Profit margin in percent					
EBITDA	34.8%	34.0%	49.4%	37.7%	47.9%
EBITA	n.a.	n.a.	n.a.	n.a.	n.a.
EBIT	30.8%	30.3%	48.1%	36.2%	46.7%
Adjusted earnings					
EBITDA (adj)	23	24	32	21	32
EBITA (adj)	n.a.	n.a.	n.a.	n.a.	n.a.
EBIT (adj)	21	21	32	20	32
EPS (adj, EUR)	0.41	0.46	4.82	0.57	0.91
Adjusted profit margins in percent					
EBITDA (adj)	34.8%	34.0%	49.4%	37.7%	47.9%
EBITA (adj)	n.a.	n.a.	n.a.	n.a.	n.a.
EBIT (adj)	30.8%	30.3%	48.1%	36.2%	46.7%
Performance metrics					
CAGR last 5 years					
Net revenue	n.a.	n.a.	n.a.	n.a.	n.a.
EBITDA	n.a.	n.a.	n.a.	n.a.	n.a.
EBIT	n.a.	n.a.	n.a.	n.a.	n.a.
EPS	n.a.	n.a.	n.a.	n.a.	n.a.
DPS	n.m.	n.m.	n.m.	n.m.	n.m.
Average last 5 years					
Average EBIT margin	n.a.	n.a.	n.a.	n.a.	38.4%
Average EBITDA margin	n.a.	n.a.	n.a.	n.a.	40.7%

VALUATION RATIOS - ADJUSTED EARNINGS					
EURm	**2019**	**2020**	**2021E**	**2022E**	**2023E**
P/E (adj)	20.5	17.7	2.2	18.8	11.8
EV/EBITDA (adj)	11.8	11.1	7.8	12.5	8.3
EV/EBITA (adj)	n.a.	n.a.	n.a.	n.a.	n.a.
EV/EBIT (adj)	13.4	12.4	8.0	13.0	8.5

VALUATION RATIOS - REPORTED EARNINGS					
EURm	**2019**	**2020**	**2021E**	**2022E**	**2023E**
P/E	20.5	17.7	2.2	18.8	11.8
EV/Sales	4.1	3.8	3.8	4.7	4.0
EV/EBITDA	11.8	11.1	7.8	12.5	8.3
EV/EBITA	n.a.	n.a.	n.a.	n.a.	n.a.
EV/EBIT	13.4	12.4	8.0	13.0	8.5
Dividend yield (ord.)	1.9%	16.3%	3.3%	3.7%	4.6%
FCF yield	-1.2%	0.0%	3.0%	6.5%	6.9%
FCF Yield bef A&D, lease adj	3.0%	0.0%	2.6%	5.8%	7.7%
Payout ratio	38.9%	287.1%	24.1%	174.3%	98.6%

Source: Company data and Nordea estimates

BALANCE SHEET

EURm	2019	2020	2021E	2022E	2023E
Intangible assets	7	7	7	7	7
of which R&D	0	0	0	0	0
of which other intangibles	1	2	2	2	2
of which goodwill	5	5	5	5	5
Tangible assets	4	3	5	7	6
of which leased assets	0	0	0	0	0
Shares associates	16	31	39	36	38
Interest bearing assets	0	0	0	0	0
Deferred tax assets	2	2	2	2	2
Other non-IB non-current assets	155	162	163	165	167
Other non-current assets	18	14	14	14	14
Total non-current assets	202	219	231	231	234
Inventory	0	0	0	0	0
Accounts receivable	23	11	11	9	11
Short-term leased assets	0	0	0	0	0
Other current assets	0	0	0	0	0
Cash and bank	37	32	68	57	51
Total current assets	60	44	78	66	62
Assets held for sale	8	5	2	0	0
Total assets	**270**	**268**	**311**	**297**	**297**
Shareholders equity	126	132	243	228	227
Of which preferred stocks	0	0	0	0	0
Of which equity part of hybrid debt	0	0	0	0	0
Minority interest	0	1	1	1	1
Total Equity	126	133	244	229	228
Deferred tax	16	15	15	15	15
Long term interest bearing debt	76	n.a.	n.a.	n.a.	n.a.
Pension provisions	0	0	0	0	0
Other long-term provisions	32	35	35	36	36
Other long-term liabilities	20	20	3	3	3
Non-current lease debt	0	0	0	0	0
Convertible debt	0	0	0	0	0
Shareholder debt	0	0	0	0	0
Hybrid debt	0	0	0	0	0
Total non-current liabilities	144	135	68	68	69
Short-term provisions	0	0	0	0	0
Accounts payable	0	0	0	0	0
Current lease debt	0	0	0	0	0
Other current liabilities	0	0	0	0	0
Short term interest bearing debt	0	0	0	0	0
Total current liabilities	0	0	0	0	0
Liabilities for assets held for sale	0	0	0	0	0
Total liabilities and equity	**270**	**268**	**311**	**297**	**297**
Balance sheet and debt metrics					
Net debt	38	32	-53	-42	-36
of which lease debt	0	0	0	0	0
Working capital	23	11	11	9	11
Invested capital	225	230	241	240	245
Capital employed	201	198	258	243	242
ROE	18.5%	10.1%	72.8%	6.9%	11.4%
ROIC	7.4%	10.7%	6.7%	10.4%	10.7%
ROCE	20.6%	10.6%	13.8%	8.1%	13.0%
Net debt/EBITDA	1.6	1.4	-1.6	-2.0	-1.1
Interest coverage	n.m.	n.m.	n.m.	n.m.	n.m.
Equity ratio	46.6%	49.3%	77.9%	76.7%	76.5%
Net gearing	30.5%	24.4%	-21.9%	-18.4%	-16.1%

Source: Company data and Nordea estimates

CASH FLOW STATEMENT

EURm	2019	2020	2021E	2022E	2023E
EBITDA (adj) for associates	23	23	34	22	33
Paid taxes	-3	0	-5	-3	-5
Net financials	0	0	-2	-1	-1
Change in provisions	0	0	0	0	0
Change in other LT non-IB	-122	-1	-19	-1	-1
Cash flow to/from associates	0	0	0	0	0
Dividends paid to minorities	-1	0	0	0	0
Other adj to reconcile to cash flow	118	-23	0	0	0
Funds from operations (FFO)	**15**	**0**	**8**	**16**	**26**
Change in NWC	-7	0	1	2	-2
Cash flow from operations (CFO)	**9**	**0**	**8**	**18**	**24**
Capital expenditure	-2	0	0	0	0
Free cash flow before A&D	7	0	8	18	24
Proceeds from sale of assets	0	0	5	5	3
Acquisitions	-10	0	-4	-3	-6
Free cash flow	-3	0	9	20	21
Free cash flow bef A&D, lease adj	**7**	**0**	**8**	**18**	**24**
Dividends paid	-8	0	-37	-33	-28
Equity issues / buybacks	0	0	0	0	0
Net change in debt	14	0	-50	0	0
Other financing adjustments	0	0	114	2	2
Other non-cash adjustments	35	-5	0	0	0
Change in cash	37	-5	35	-11	-6
Cash flow metrics					
Capex/D&A	n.m.	n.m.	n.m.	n.m.	n.m.
Capex/Sales	n.m.	n.m.	n.m.	n.m.	n.m.
Key information					
Share price year end (/current)	8	8	11	11	11
Market cap.	277	263	221	203	183
Enterprise value	277	263	221	203	183
Diluted no. of shares, year-end (m)	28.3	28.3	28.3	28.3	28.3

Source: Company data and Nordea estimates

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Completion Date

02 Dec 2021, 20:57 CET

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