Taaleri

Extensive report

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Inderes corporate customer

This report is a summary translation of the report "Pääomien allokointi ratkaisee paljon" published on 1/17/2025 at 8:34 am EET

Capital allocation matters a lot

Taaleri's focus in the next few years will be on the ramp-up of private equity funds and bioindustry balance sheet investments. The Group's performance, however, is still heavily reliant on non-recurring fees, but the profitability of continuing operations should also improve gradually as new fund launches and assets under management (AUM) grow. The valuation of the share is clearly below the Group's sum-of-the-parts, so we consider the expected return attractive despite the weak earnings growth outlook for the next few years. However, we believe the release of value requires the general risk appetite in the market to return in the absence of clear short-term earnings growth drivers. We lower our target price to EUR 9.0 per share (was 9.5) and reiterate our Accumulate recommendation.

Alternative investment products and insurance operations

Taaleri is a private equity fund house focusing on alternative asset classes, whose key product areas are renewable energy and bioindustry funds. The Group also includes the insurance company Garantia. In addition to funds and insurance, Taaleri carries out significant investment activities from its balance sheet. The company's investor story has evolved in recent years, and in history M&A transactions in particular have played an important role. The latest major transaction was seen in 2021 when Taaleri sold its Wealth Management business to Aktia. After the transaction, the company changed its strategy significantly, focusing on alternative investment products and impact investment. In its latest strategy update, Taaleri took a step toward a more investment company-like business model, as it intends to allocate significant capital to industrial-size bioindustry investments in the next few years. As a result, the role of balance sheet investments will increase further, which has also raised the company's risk profile. Profit distribution will also be at more modest levels than before in the next few years due to increasing balance sheet investments.

Non-recurring fees play a significant role in the result in the next few years

In the coming years, the stable development of Taaleri's operating businesses is, in our forecasts, supported by income (capital gains and investments) that are considered one-off. We expect the profitability of private equity funds to gradually improve along with the growth in AUM, but the timing and amount of non-recurring fees will sway annual earnings somewhat. At the same time, the difficulties in the fundraising market slow down AUM growth, but we consider the challenges mainly temporary. We also consider it very possible that the company will accelerate the growth of Private equity funds with acquisitions. The first results of the success of bioindustry investments will have to wait until closer to the turn of the decade. We expect Garantia to return to stable growth along with the rest of the market as the housing market slowly picks up.

Stock valuation is low compared to the value of the business operations

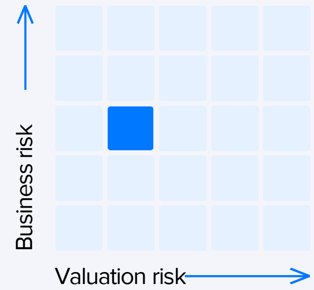
In this analysis, we focus on the sum of the parts, as it is the best way to consider the value of different parts of Taaleri and the different profiles of the businesses. The value based on our sum of the parts is around EUR 10 per share which is clearly above the current share price level. The majority of the value is still generated by the insurance company Garantia, while the remainder is effectively split between the energy fund business and balance sheet investments. The stock is moderately priced, which is reflected in our positive recommendation. A bolder view could also be justified, but considering the expected return, we see the timeframe, which may well stretch to several years, as challenging as the general equity market sentiment affects investors' risk appetite. However, the value released over a slightly longer horizon also constitutes an attractive annual expected return. While waiting for this, a healthy dividend yield (6-7%) provides solid ground for investors.

Recommendation

Accumulate
(was Accumulate)

EUR 9.00
(was EUR 9.50)

Share price:
7.72



Key figures

	2023	2024e	2025e	2026e
Revenue	65.6	63.9	70.0	62.7
growth-%	4%	-3%	10%	-10%
EBIT adj.	31.9	32.0	38.2	29.6
EBIT-% adj.	48.6 %	50.0 %	54.5 %	47.3 %
Net Income	22.9	23.3	28.0	22.3
EPS (adj.)	0.81	0.82	0.97	0.77
P/E (adj.)	11.1	9.4	7.9	10.0
P/B	1.2	1.1	1.0	1.0
Dividend yield-%	11.1 %	6.4 %	7.6 %	6.1 %
EV/EBIT (adj.)	7.3	7.1	5.4	7.2
EV/EBITDA	7.2	6.9	5.3	7.1
EV/S	3.6	3.6	2.9	3.4

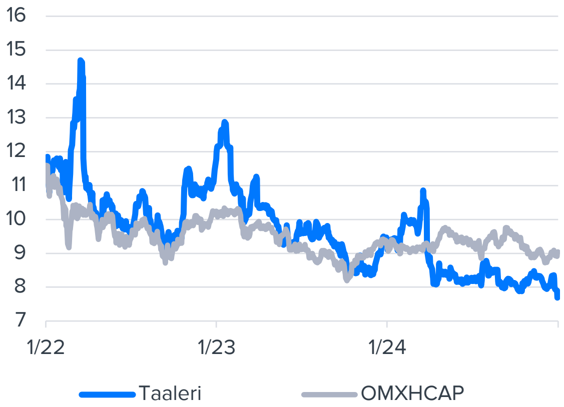
Source: Inderes

Guidance

(Unchanged)

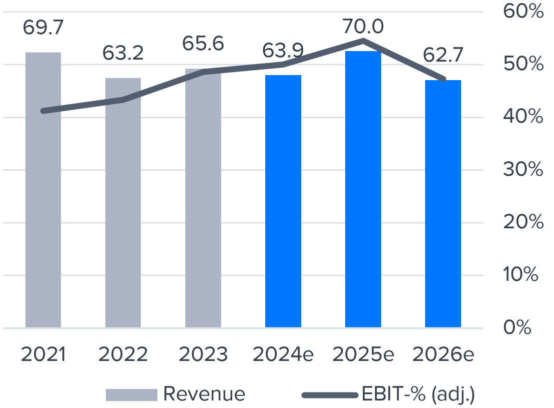
No guidance

Share price



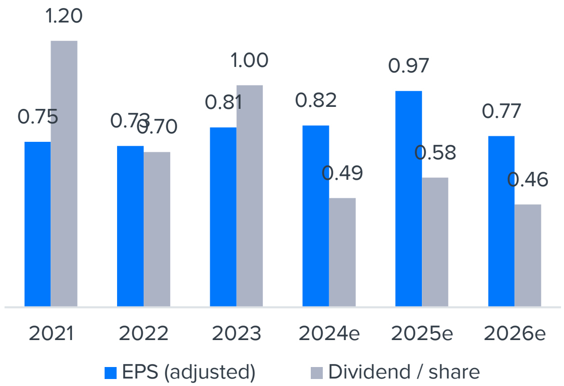
Source: Millistream Market Data AB

Revenue and EBIT-%



Source: Inderes

EPS and dividend



Source: Inderes

Value drivers

- Scaling of Energia
- Ramping up Other private equity funds
- Garantia's profitable growth
- Balance sheet bioindustry investments
- M&A transactions
- Performance fees for funds

Risk factors

- Success in fund investments
- Success of bioindustry investments
- Success of ramping up Other private equity funds
- Scalability of costs and improving cost-efficiency
- Garantia's guarantee risks

Valuation	2024e	2025e	2026e
Share price	7.72	7.72	7.72
Number of shares, millions	28.5	28.7	28.9
Market cap	220	220	220
EV	227	206	215
P/E (adj.)	9.4	7.9	10.0
P/E	9.4	7.9	10.0
P/B	1.1	1.0	1.0
P/S	3.4	3.1	3.5
EV/Sales	3.6	2.9	3.4
EV/EBITDA	6.9	5.3	7.1
EV/EBIT (adj.)	7.1	5.4	7.2
Payout ratio (%)	60.0 %	60.0 %	60.0 %
Dividend yield-%	6.4 %	7.6 %	6.1 %

Source: Inderes

Contents

Taaleri in brief

Taaleri is a Nordic private equity fund company that focuses on renewable energy and other alternative investments.

2007
Year of establishment

2013/2016
Listing on First North/main list of Nasdaq Helsinki

65.6 MEUR
Revenue 2023

31.9 MEUR (49% of revenue)
EBIT 2023

2.6 BNEUR
Assets under management at the end of 2023

118
Personnel (FTE) at the end of 2023

Active M&A
(2013-2015)

Listed on the First North marketplace 4/2013.

Acquisition of Finsilva in 6/2014.

Acquisition of Garantia in 3/2015.

Strong growth in the private equity fund business.

Sale of a part of Finsilva 4/2015.

Sale of Lainaamo to Fellow Finance, Taaleri as minority stakeholder 5/2015.

Energia established
(2016-2020)

To the main list of Nasdaq Helsinki 4/2016.

Sale of the remaining Finsilva holding 3/2016.

Founding the Energia business in 2016 and ramping it up.

Garantia's strong operational development.

RaVa group regulations cause problems with capital requirements.

Chronic profitability challenges in the Wealth Management business.

Focus on private equity funds
(2021-2023)

Sale of the Wealth Management business to Aktia in 2021.

With the new strategy, Taaleri becomes a product house that focuses on renewable energy and alternative investment products.

Profit distribution is abundant when excess capital is released from the balance sheet.

Garantia's strong growth, supported by good demand for mortgage guarantees.

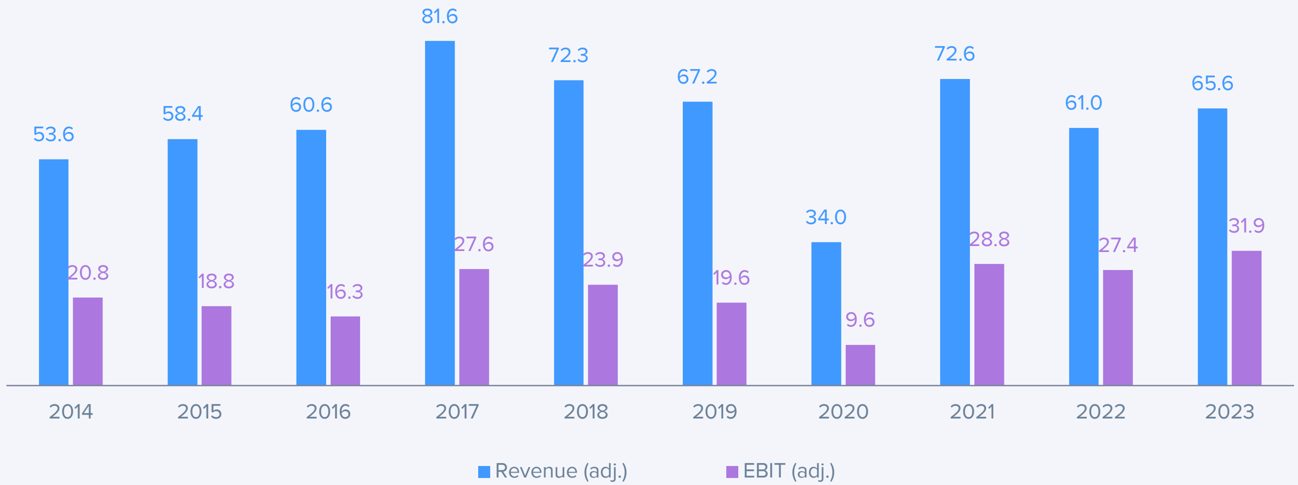
Investments and growth
(2024-2026)

Thanks to the latest SolarWind 3 fund, Energia's profitability rises to a reasonably good level.

The result of Other private equity funds still depends on investment income. Growth is sought from new fund products. In addition, Taaleri is actively seeking acquisition targets to accelerate growth, especially in real estate.

With the strategy update, the business takes a step towards becoming an investment company. In the future, own balance sheet investments in bioindustry will be a key part of the business.

Garantia continues to operate independently and enables the growth of the investment portfolio with stable dividend payments.



Source: Inderes / Taaleri

Company description and business model

Taaleri is a private equity fund house focusing on renewable energy and alternative asset classes, established in 2007. The group also includes the insurance company Garantia. In addition to funds and insurance operations, Taaleri carries out investment activities from its balance sheet.

Taaleri Plc

REPORTING SEGMENTS

Private equity funds	Garantia	Other
Renewable Energy	Mortgage guarantees	Balance-sheet investments and Group Functions
Other private equity funds	Corporate guarantees	Taaleri Kapitaali

Taaleri's business consist of two operating segments: Private equity funds and the insurance company Garantia. The Other segment includes the Group's non-strategic investments and Taaleri Kapitaali, which provides advisory services. The company's fund business relies heavily on renewable energy and sustainable development. In addition, the company's core business includes balance sheet investments, which will play a larger role than before, as Taaleri, in line with its updated strategy, will invest substantial capital in the coming years, especially in bioindustry investments.

In the Private equity fund business, Taaleri's AUM at the end of 2023 was 2.6 BNEUR. Most of this (~1.7 BNEUR) was invested in the company's renewable energy funds.

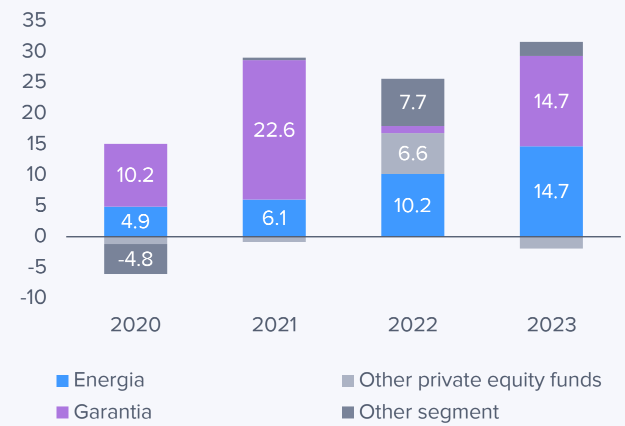
The client base of Private equity funds consists mainly of large institutional investors. The distribution of fund products to the retail investor segment is arranged through Taaleri's partner Aktia.

The most important single product of the guarantor Garantia is mortgage guarantees. The business is highly scalable, and the segment's share of the Group's operating profit has been significant in recent years.

TAALERI

Largest shareholders 11/2024	%
Veikko Laine Oy	11.52%
Hermitage Oy Ab	10.36%
Elomaa Juhani	5.96%
Haaparinne Karri Erik	5.14%
Insurance company Fennia Life	4.58%
Swiss Life Luxembourg S.A.	1.83%
Lampinen Petri Juhani	1.43%
Ahlström Invest B.V	1.42%
Neva-Aho Ronnie Juhani	1.06%
Lehto Vesa Matti	1.06%
10 largest shareholders in total	**44.37%**

EBIT by segment (MEUR)



The most notable M&A transactions in Taaleri's history

M&A transaction	Year	Brief description of the transaction	Effect
Finsilva	2015-2016 & 2022	*Taaleri acquired 39.5% of Finsilva for 65 MEUR during the summer. The shares were sold to Dasos' equity fund and Etera in 2015-2016. In 2022, Taaleri recorded an earnout of +6 MEUR.*	*The total return of the transaction was excellent, > 35 MEUR.*
GARANTIA	2015	*Acquisition of Garantia for a favorable price of 60 MEUR (P/E 8x and P/B 0.7x).*	*Taaleri made a write-up of 27 MEUR to Garantia and the value of the company has increased significantly under Taaleri's ownership. Garantia has paid 78 MEUR in dividends to Taaleri in 2015-2023. The deal has been excellent for Taaleri.*
FELLOW FINANCE	2015 & 2018 & 2022	*Taaleri acquired 38.4% of Fellow Finance in 2015 and increased the holding to 45.7% in 2018. In 2022, Fellow Finance merged with Evli Bank and changed its name to Fellow Bank.*	*The development has been weak since the IPO, but the investment was good for Taaleri, as Taaleri sold a significant share of its holding in connection with the IPO. However, due to the share price decline, the return on investment has clearly decreased over the years.*
TAALERI	2016	*Acquisition of minority holdings (25%) of Taaleri's Private equity funds business for 12 MEUR (EV 48 MEUR).*	*The deal price was in line with the low 2015 EV/EBIT ratio of 7x, which was considerably below Taaleri's own valuation.*
TAALERI VARAINHOITO	2021	*Taaleri sold its Wealth Management business that had faced chronic profitability challenges to Aktia for a debt-free price of 120 MEUR, which changed the business structure considerably. After the deal, Taaleri updated its strategy and virtually became a product house that focuses on private equity funds.*	*Given the weak performance of Wealth Management, the deal price was good, so we consider the transaction successful for Taaleri. We are skeptical that Taaleri could have brought out the full earnings potential on their own.*

Private equity funds 1/7

Private equity funds form the core of the strategy

Taaleri's Private equity fund business is completely focused on alternative investments. The company focuses on so-called "impact investments", which in addition to financial profit, aim to have a positive impact on the surrounding society (e.g., fighting climate change).

Taaleri has three investment areas: Renewable energy, Real estate and Bioindustry. In addition, the company has a mixed batch of old private equity funds that are no longer at the core of the company's strategy. As a result, these funds will disappear from the AUM over time. Even today, they only account for about 5% of the funds under management. Energy is by far the largest investment area. The majority of client assets are in closed-end alternative investment funds, which typically have an operating life of approximately 10 years.

In its reporting, Taaleri divides its fund business into Energia and Other private equity funds (Bio, Real estate and other funds). In addition, Taaleri reports returns from strategic investments related to private equity funds under Private equity funds. In practice, these are one-off investments (such as Texas' wind farm or Fintoil) or direct investments into the company's funds. The intention is not to sell these in the next few years, unlike the non-strategic investments, and Taaleri will continue to make similar investments in the future. We estimate that in the future, the company will place investment commitments in its own funds corresponding to 0-2% of the capital raised in the fund. In addition, we expect the company to make many direct investments, especially in biotech, in line with the current strategy.

Even though Energia and Other private equity funds are reported as one segment, we analyze them as separate businesses because they have very little synergy.

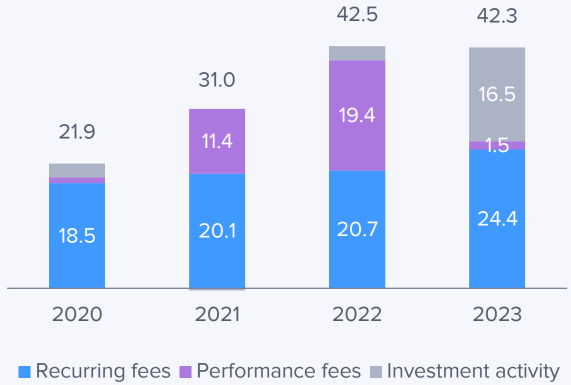
Non-recurring fees make up a large part of earnings

At the end of 2023, Taaleri's AUM amounted to approximately 2.6 BNEUR (Q3'24: 2.6 BNEUR), and recurring fees from these are approximately 24.4 MEUR. According to our calculations, the average fee level from AUM is a healthy approximately 1%. The fee levels of the company's own funds are higher than this, but the moderate pricing of investment mandates reduces company level figures.

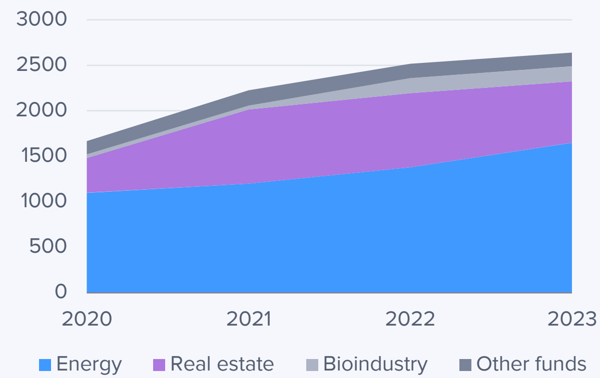
Typically for private equity funds, the share of non-recurring fees is significant and non-recurring fees commonly lag behind until the end of a fund's life cycle. The non-recurring fees of private equity funds consist mainly of the funds' performance fees and investment income that Taaleri records from strategic balance sheet investments. In 2023, Taaleri recorded performance fees of 1.5 MEUR and investment income of 13.5 MEUR. Most of the investment income came from the sale of the renewable energy project portfolio to the company's newest solar wind fund (SolarWind 3).

Within the segment, profitability varies considerably between asset classes. Energia's business that is based on recurring fees is already clearly profitable with current volumes, but the loss-making of Other private equity funds still depresses the entire segment's figures. However, the operating profit of private equity funds has been quite high in recent years, purely thanks to significant non-recurring fees.

Fee distribution (MEUR)



AUM development* (MEUR)



** Adjusted for AUM of the divested Wealth Management business*

Private equity funds 2/7

Own sales mechanism is under construction

We estimate that Taaleri's own distribution power is currently limited, as the Group's own sales mechanism is only in the construction phase. Most fund sales are thus handled by investment areas' teams. Aktia also plays an essential role in the distribution of new funds, as the bank is responsible for Taaleri's sales, especially to small institutions and private customers in Finland. The strategic cooperation agreement was signed when Taaleri's Wealth Management business was sold to Aktia in 2021. Based on this, Aktia received the exclusive right to distribute Taaleri's funds to private investors in Finland.

The cooperation did not start as expected, which has been reflected especially in the modest new sales of the real estate business focused on domestic customers. Recently, however, the cooperation has gained momentum, as Aktia's sales volumes were already quite substantial in the most recent fund launches (Bioindustry 1 and SolarWind 3). For example, in the first closure of SolarWind 3, Aktia accounted for more than half of sales. This gave the first glimpse of the potential of the cooperation.

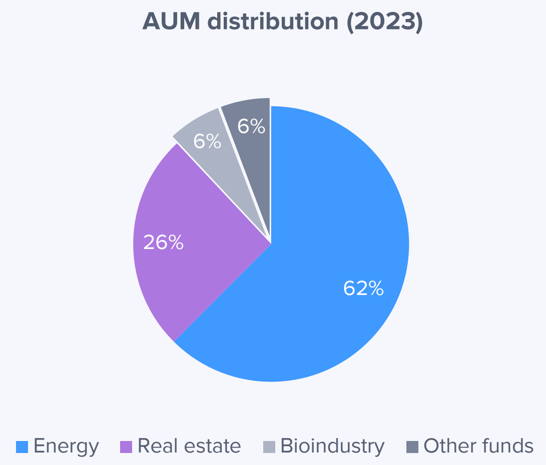
However, Taaleri has also started building its own sales operations. Although this is still in its early stages, we believe the direction is correct. Even though Energia's sales have worked quite well without a group-level sales organization, the need for own distribution will be greater in the future as the customer base is still being expanded and fund sizes are increased from the current level.

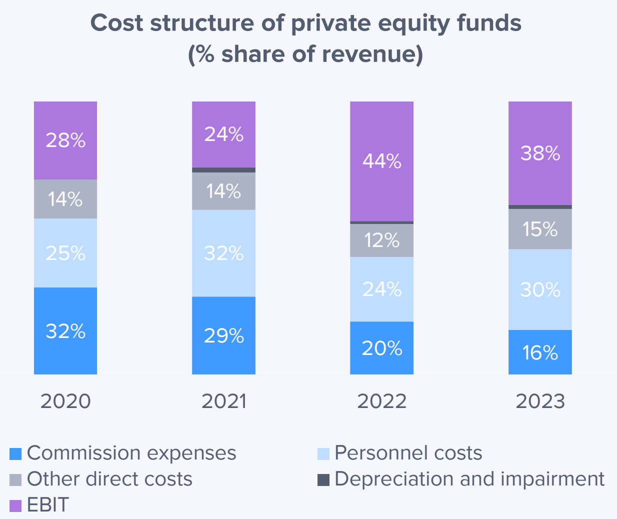
The main target group for Energia is large domestic and international institutional customers (so-called Tier 1 and Tier 2). We estimate that roughly half of new sales in Energia come from outside Finland. In our view, international customers are the most important source of fund growth. The main customer base of Other private equity funds, on the other hand, is smaller domestic institutions and private individuals, where Taaleri is highly dependent on Aktia. Also, in the case of Other private equity funds, Taaleri aims to increase the share of international customers and own distribution. In addition to Aktia, Taaleri uses advisors to sell SolarWind 3, especially in Asia. The company has also spoken of other possible distribution partnerships, e.g., in connection with its strategy update.

Management fees do not fluctuate with the market

After the divestment of the Wealth Management business, Taaleri has no traditional fund capital. As a result, management fees fluctuate only very moderately with the values of the funds. However, the company is not immune to cycles, but the cyclical nature of the asset management market is reflected in Taaleri's business, primarily through new sales and non-recurring fees (performance fees and income from investment operations). For example, the slowdown in new sales that plagued the entire alternative market was also reflected in Taaleri's sales figures, as the fundraising processes for both Energia and Bioindustry's newest funds have progressed slower than we expected.

If the weak market situation is prolonged, Taaleri's performance fees would also be affected if the prices obtained from funds in the exit phase were lower than anticipated.





Private equity funds 3/7

Renewable energy

The key player of Private equity funds

Taaleri Energia is a Finnish renewable energy project developer and fund manager with one of the largest investment teams in Europe focusing on wind and solar energy. Taaleri Energia's projects are located all over the world, and, e.g., the target markets for the latest solar wind fund include the Baltic countries, Poland, Southeast Europe, Spain, and Texas.

Demand for wind and solar power is especially driven by the need for cleaner energy solutions. The share of renewable energy in European electricity production is expected to grow rapidly also over the next decades, which requires a large amount of private capital, e.g., in the form of funds. We consider Taaleri's strengths to be particularly its project development expertise and extensive project development portfolio, which enables fast fund ramp-up. In addition, these provide credibility during the marketing phase of the fund.

Taaleri established the renewable energy investment area in 2016. Taaleri Energia develops, builds, funds and operates global energy projects. Its focus is purely on renewable energy, especially solar and wind power and it employed 46 people in 2023. In addition to energy production, Taaleri Energia's funds invest in electricity storage plants. Taaleri owns 76.2% of Energia, while the key personnel owns the rest. The ownership structure is typical for an alternative fund manager.

The most recent fund turned the business profitable

Energia's revenue was 35.4 MEUR in 2023, of which over 50% consisted of recurring management fees. The remainder consisted of investment income.

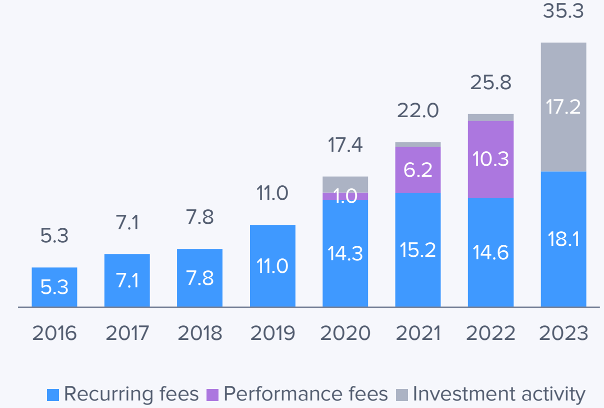
Energia recorded investment income from, e.g., project development and increases in the value of investments. We note that, typically for the industry, performance fees also play a significant role in earnings generation.

Currently, Energia manages five funds (SolarWind 1, SolarWind 2, SolarWind 3, Wind Power Fund 2 and Wind Power Fund 3). Two of these are in the exit phase. We estimate that there can be 3-4 active funds at the same time. In addition, Energia manages one wind farm mandate for an international group of investors. Its AUM totaled approximately 1.7 BNEUR at the end of Q3'24. The figure includes the assets generating fees, i.e., also the debt shares of old wind funds.

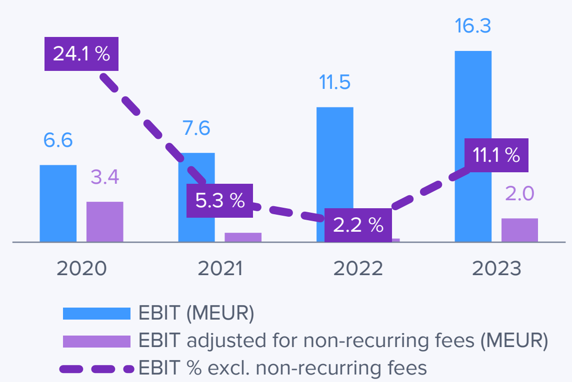
Since its inception, Energia has been in the ramp-up phase, and the profitability of the business based on recurring fees has been weak due to significant front-loaded investments. At the end of 2022, however, the company launched the long-awaited SolarWind 3 fund, which turned the segment's profitability based on recurring fees clearly profitable at the end of 2023.

With a clear profitability improvement, we estimate that Energia's EBIT margin based on recurring fees will be around 25% with the current fund portfolio. This level should increase further with the next solar wind fund if its size can be increased again from its predecessor. The estimate is based on the possibility of increasing the size of projects without significant personnel increases.

Energia's revenue development (MEUR)



Energia's profitability development



Non-recurring fees = Performance fees + investment income

Private equity funds 4/7

Energia's forecasts

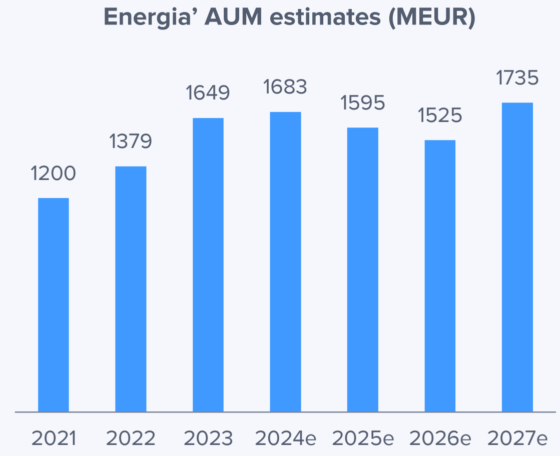
In the short term, fundraising for renewable energy funds has slowed markedly. This has also been partly influenced by the weakened return outlook as interest rates and construction costs have risen significantly in recent years. Therefore, we expect the size of the latest SolarWind 3 fund to eventually reach approximately 600 MEUR. This would mean that the fund would fall short of its 700 MEUR target size but would nevertheless grow excellently by over 80% compared to its predecessor. We expect the final closure of the fund to take place by next summer.

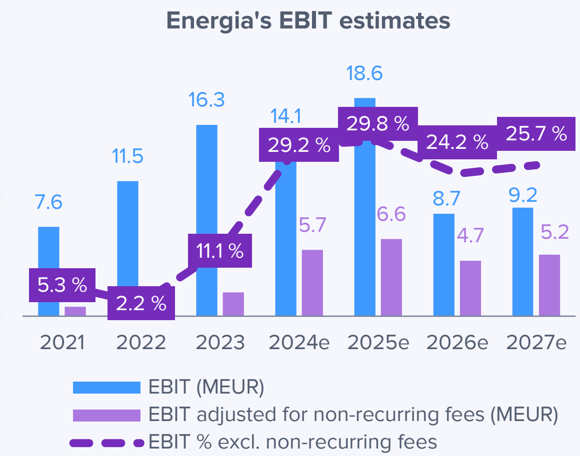
In the coming years, the growth of management fees rests solely on the shoulders of the open fund, as the next fund is expected in 2027 at the earliest. At the same time, the sale of old wind funds slightly depresses management fees. As a result, we expect Energia's recurring fees to only increase nominally in 2024-2026. However, next year should be better than usual in terms of performance fees, as the rules of the SolarWind 3 fund stipulate that investors entering the fund after the first closure pay management fees retroactively for the entire duration of the fund's activity.

In our forecasts, the segment's cost level grows clearly more moderately than the historical pace, as the team is now in place and the business infrastructure has been built. As a result, profitability based on recurring fees should also scale up. The first proof of this was obtained with the latest fund, when in 2023 Energia's profitability based on recurring fees turned clearly profitable. Assessing the profitability trend is somewhat complicated by personnel bonuses that fluctuate with fund launches, but adjusted for these, we estimate the segment's EBIT margin will settle at around 25% after the final closing of the fund. In 2024 and 2025, this level should be exceeded when variable remuneration in 2024 is lower than usual and 2025 revenue gets one-off support from retroactively paid fees. The next level increase is expected only with the SolarWind 4 fund. After this, the segment's profitability level should approach its full potential, which we estimate to be well above 30%.

In addition to the profitability improvement based on recurring fees, we expect significant performance fees in the coming years. In 2025, we expect exits from the Texas wind project (4 MEUR) and old wind funds (8 MEUR).

As of 2026, the company should also start recording the first performance fees on the highly successful SolarWind 1 fund. In the long term, the return levels of the funds play a key role in the growth of the Private equity fund business, as tightening competition will deepen the polarization between good and bad fund management companies. Therefore, monitoring the development of the funds' return levels and the performance fees recorded by Taaleri is important for the investor. Taaleri starts allocating performance fees when their generation can be considered probable and their realization is less than two years away. Before the realization of performance fees, 50-70% of their estimated total amount (discounted to the reporting date) are pre-recorded.





Private equity funds 5/7

Other private equity funds

Real estate

Taaleri used to be a front runner in real estate funds and the company's first real estate funds were founded in 2010. Taaleri had already built a wide selection of closed funds at the beginning of last decade, but around the middle of the decade, the company cut down on the number of new funds and focused mainly on one-off special products (e.g., land funds, real estate development, a day-care center fund). In our view, the decision was partly based on the company's market outlook, which proved wrong and the lack of a clear strategy.

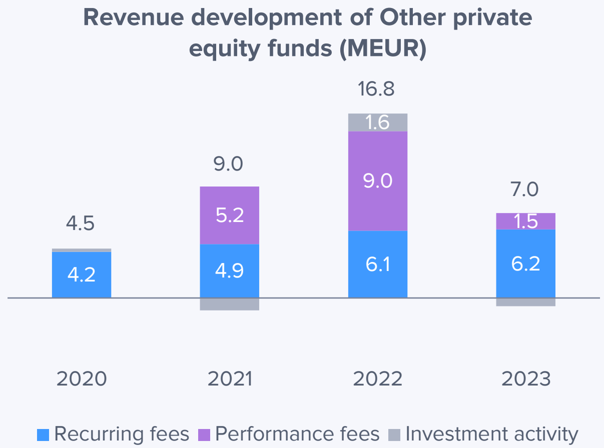
The development of the real estate business was very weak in the last strategy period, partly due to the challenging market situation. The size class of real estate has clearly decreased, and although it accounts for the largest share of the recurring fees in Other private equity funds, the size class is modest relative to the number of employees in the business. Consequently, we estimate that with current volumes the business is clearly loss-making.

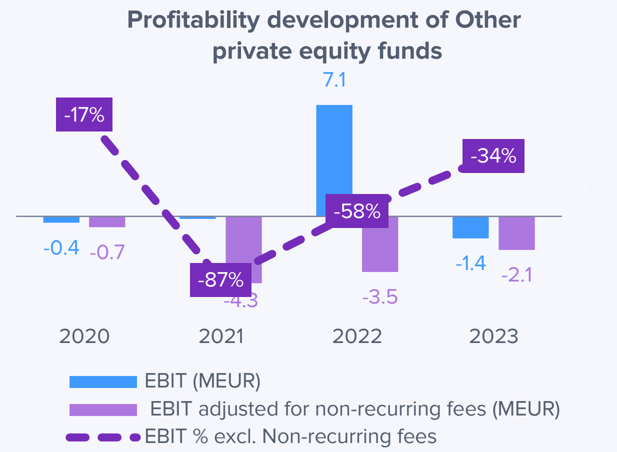
Taaleri currently manages six own closed funds, two open funds for Aktia and one investment mandate. In real estate funds, Taaleri's AUM totals approximately 677 MEUR.

In terms of real estate, Taaleri's strategy and its implementation have failed in our view. AUM growth has been very modest, as new sales of open products have been subdued and new funds have not been launched as expected. The cost structure of the real estate business is currently in the wrong ballpark compared to its fees (or AUM). The biggest surprise of Taaleri's new strategy period was the company's desire to invest heavily in the real estate business. The strategic importance is also emphasized by a fairly large team of 13 people, and new momentum is sought through a change of the business head. In addition, Taaleri has expressed its desire to grow the business also through M&A transactions and clearly sees the current exceptionally weak cycle as offering interesting opportunities.

However, we still have clear reservations about the organic growth outlook for real estate. The market is exceptionally difficult in the short term, and the company's track record in real estate products in recent years is nothing to write home about. For the time being, it is difficult for us to see a competitive advantage for Taaleri compared to other real estate fund managers. Due to the difficulty of differentiating from competitors, real estate is most dependent on the distribution power of the Aktia partnership.

We have mixed feelings about growing the real estate business with M&A transactions. The current market will certainly offer interesting opportunities for M&A transactions with sensible valuations, which would enable Taaleri to increase the size of its business and strengthen its product offering. The problem here is probably the small number of suitable targets on the domestic market. On the other hand, the company's core expertise is also outside real estate products, so it would be easy to find justifications for concentrating resources on the core businesses (Energia and Bioindustry).





Non-recurring fees = Performance fees + investment income

Private equity funds 6/7

Bioindustry

Bioindustry is still a relatively young private equity fund class and Taaleri could be a front-runner in the segment. The lack of competition and the high return profile of the field mean that Taaleri has good pricing power in the segment. Bioindustry refers to production that utilizes bio-based or recycled raw materials. Taaleri Bioindustry's investments include both industry growth companies and industrial-scale investments. The AUM in the investment area is 164 MEUR (Q3'24 situation).

The company has two co-investment projects in Bioindustry (Fintoil and Joensuu Biocoal) and one fund (Bioindustry 1), whose fundraising ended in the summer 2024 at 107 MEUR. We consider the size class to be very good in the first fund for a new investment area. The investment period of the first fund is estimated to last another 2-3 years.

Taaleri has previously stated that it aims to launch several new bioindustry funds in the next few years. However, the launch of a venture capital fund, which had moved to the preliminary fundraising phase, was ultimately canceled, as we estimate demand was insufficient. This is likely to be largely due to the overall slowness of the fundraising market. Therefore, we expect the next fund in the investment area to be Bioindustry 2, whose strategy is broadly the same as for its predecessor. We estimate that the size of the next fund could well be significantly larger than the previous one, e.g., 200-300 MEUR. However, it is clear that the success of the investment activities of the first fund plays a critical role in this regard.

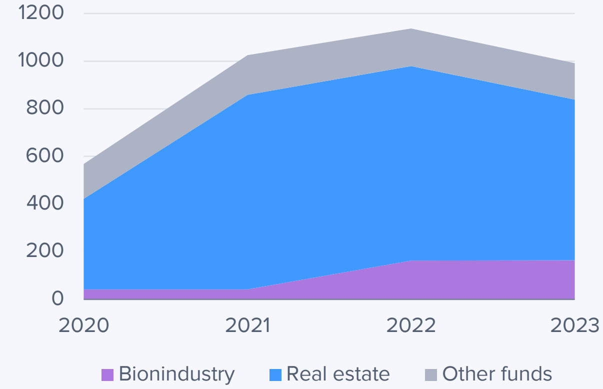
In addition, we expect Taaleri to undertake new co-investment projects in Bioindustry similar to Fintoil. Although their importance is limited in terms of management fees, if successful, they can have a major impact on investment income and performance fees.

Bioindustry also includes a large amount of balance sheet investments. Currently, there are four significant investments under the segment, the development of which already affects the segment's figures. The interpretation of the figures is made more difficult by the fact that associated companies are reported as part of recurring fees, while the performance of other strategic investments is included in the segment's investment income.

The amount of investments will increase considerably in the coming years, as Taaleri stated in its updated strategy that it intends to increase its direct industrial investments to at least 100 MEUR by the end of 2026. Most of these are geared toward bioindustry and may include majority or minority investments. This means that investment income will be very important for the segment in the future, as profitability based on recurring fees is negative for several years to come in our forecasts.

We point out that, although we are quite positive about the longer-term demand outlook for Bioindustry, it will even at best take years to reach a significant size class. For comparison, e.g., the ramp-up of Energia to clearly positive results took about 7-8 years.

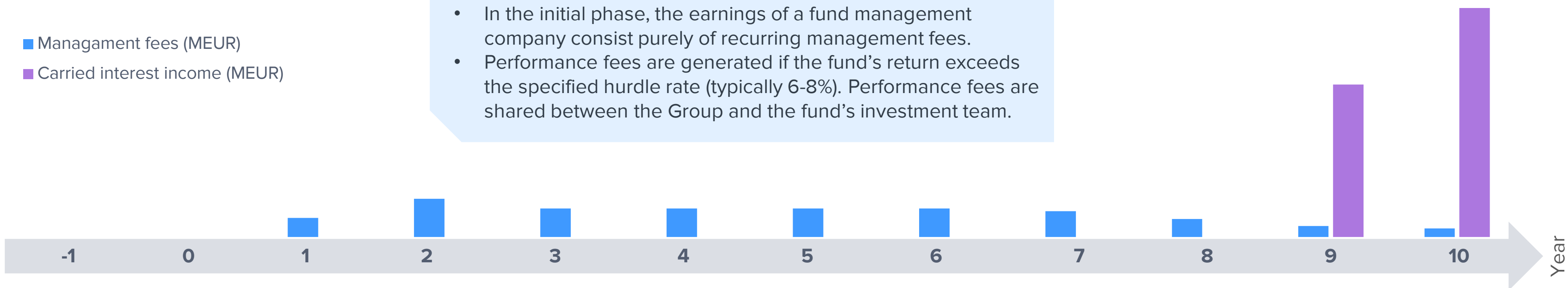
AUM development of Other private equity funds (MEUR)



Typical life cycle of an unlisted closed-end fund

Total fees over the lifecycle of the fund*:

- In the initial phase, the earnings of a fund management company consist purely of recurring management fees.
- Performance fees are generated if the fund's return exceeds the specified hurdle rate (typically 6-8%). Performance fees are shared between the Group and the fund's investment team.



Fundraising
(years 0-1)

- In the first stage, the management company raises the capital to be invested in the fund from investors.
- Third-party sales agents can also be used for fundraising.
- Fundraising can also continue in the early part of the investment phase.

Investment phase
(years 1-5)

- In the investment phase, the capital raised by the fund is allocated to investment targets.
- The funds are fairly centralized and in a typical bioindustry fund, the number of investment targets is estimated to be 8-12.
- Funds that invests in solar wind will ultimately have about 20 projects.

Value creation
(years 5-8)

- The means of value creation depend largely on the type of fund.
- In solar wind funds, Taaleri Energia is typically responsible for the construction and ramp-up of wind and solar parks, as well as concluding key agreements (e.g. electricity price hedges, electricity sales contracts).
- In Other private equity funds, value creation can typically be divided into 1) the operational development of the targets, 2) the use of leverage, and 3) the increase in the target's valuation multiples compared to the acquisition date.

Exit
(years 8-10)

- At the end of the fund's lifecycle, the fund sells its investments, for example to an industrial buyer or another investor.
- If the fund's investment activities are successful, the management company receives its share of the profits in the form of performance fees.
- There is, of course, uncertainty about the performance fees, and by no means all funds exceed the hurdle rate.
- The duration of this phase depends, among other things, on the operational development of the targets and the general activity of the market.

**Illustration of a situation where the fund's return exceeds the hurdle rate*

Private equity funds 7/7

Estimates for Other private equity funds

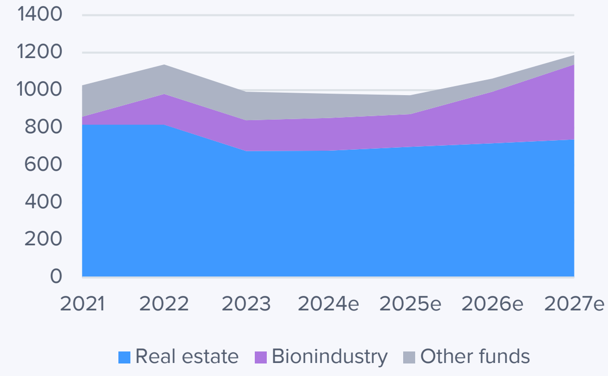
Like other alternative investments, the fundraising market for bioindustry funds and real estate funds, in particular, has been challenging in recent years. As a result, Taaleri decided, among other things, to terminate preparations for a new bioindustry venture capital fund and postpone the launch of the new real estate fund until next year. We estimate that the situation on the fundraising market will gradually normalize from the end of this year. A key bottleneck has been the transaction market freezing, which has left capital stuck in old funds. This, in turn, has reduced the amount of funds available for new commitments, while in many asset classes investor allocations have risen above the target level. The clouded earnings outlook due to rising interest rates, has also likely had an impact.

We expect the launch of the next Bioindustry fund, which is larger than its predecessor, in 2026. In Real estate, we expect a clearly more moderate development, as we are rather skeptical about a significant growth leap in real estate. Taaleri has, of course, stated that its intention is to accelerate the growth in the real estate business through acquisitions. However, we have not included these in our forecasts. In practice, we suspect Taaleri is above all interested in expanding its current product offering with existing products or teams. This could also serve as a gateway for internationalization.

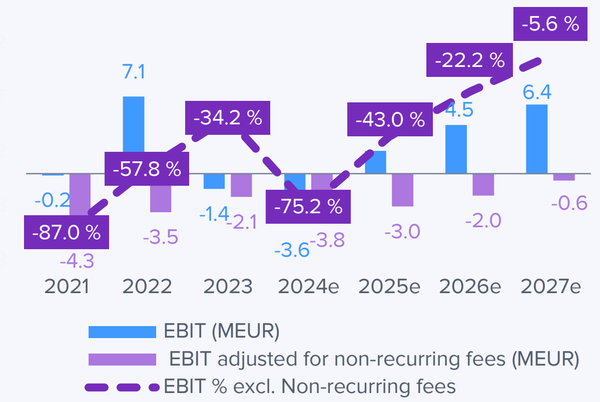
With the increase in AUM, recurring fees should also increase significantly in the coming years. However, the ramp-up of operations still requires growth investments, e.g., in personnel, so in our forecasts, the result of Other private equity funds is still loss-making at the end of the target period. Turning the business clearly profitable will still take several years. In Other private equity funds, we recommend that investors focus for the time being on growth in AUM and recurring fees, and only later on cost efficiency and the profitability of recurring operations.

In the next few years, the segment's result will largely depend on non-recurring fees. We expect performance fees to be recorded from the Property Fund and Fintoil, for example. We also expect Taaleri to record changes in the fair value of its new bioindustry and real estate investments from 2026 onwards, and the average level of these should increase with the size of the investment portfolio. It is worth noting, however, that the accounting treatment of these items is not certain at this stage. Some of the investments could be considered as associated companies, in which case only Taaleri's share of the reported result is recorded in the income statement. This would clearly have a negative earnings impact compared to our current forecasts (business performance is assumed to be low at the beginning), even though this would not impact value creation. Considering non-recurring fees, we expect a fairly good result for the segment in the next few years, although it should be noted that there is significant uncertainty about the amount and timing of investment income in particular.

AUM estimates for Other private equity funds (MEUR)



EBIT estimates of Other private equity funds



Summary of Private equity funds

Private equity funds	**2021**	**2022**	**2023**	**2024e**	**2025e**	**2026e**	**2027e**
Recurring fees	20.1	20.7	24.4	24.5	29.0	28.5	31.7
Performance fees	11.4	19.4	1.5	0.0	10.0	5.5	4.0
Investment activity	-0.5	2.5	13.5	8.6	7.1	5.0	7.0
Revenue	**31.1**	**42.6**	**39.4**	**33.1**	**46.2**	**39.0**	**42.7**
Commission expenses	-8.9	-8.3	-6.5	-5.9	-5.7	-5.1	-4.6
Personnel costs	-9.8	-10.0	-11.6	-11.3	-14.0	-14.7	-16.2
Other direct costs	-4.3	-5.2	-5.8	-5.3	-5.5	-5.8	-6.0
Other costs	-0.6	-0.4	-0.6	-0.2	-0.2	-0.2	-0.2
EBIT	**7.5**	**18.6**	**14.9**	**10.5**	**20.7**	**13.2**	**15.6**
EBIT %	*24%*	*44%*	*38%*	*32%*	*45%*	*34%*	*37%*
Non-recurring fees	10.9	21.9	15.0	8.6	17.1	10.5	11.0
EBIT excl. non-recurring fees	**-3.5**	**-3.2**	**-0.1**	**1.8**	**3.6**	**2.7**	**4.6**
EBIT excl. non-recurring fees %	*-17%*	*-16%*	*0%*	*8%*	*12%*	*10%*	*15%*
Number of personnel	67	72	78	91	97	103	109

Assets under management (GAV)	**2225**	**2516**	**2640**	**2665**	**2567**	**2587**	**2922**
Renewable energy	1200	1379	1649	1683	1595	1525	1735
Real estate	816	816	675	677	697	717	737
Bioindustry	42	163	164	175	175	275	400
Others	167	158	152	130	100	70	50

List of Taaleri's funds

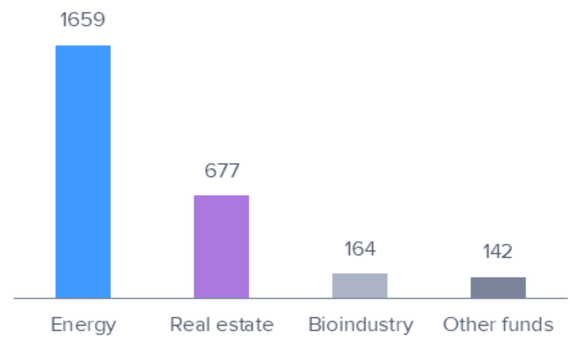
Renewable energy	Est.	AUM (Q3'24)	Stage	Performance fee structure
Taaleri Wind Fund II Ky	2014	319	Invested	Yes (partly already recognized as income)
Taaleri Wind Fund III Ky	2016	52	Invested	Yes (partly already recognized as income)
Taaleri SolarWind I Ky	2016	169	Invested	Yes
Taaleri SolarWind IV Ky (Co-investment)	2019	204	Invested	Yes
Taaleri SolarWind II Feeder Fund Ky	2019	185	Invested	No performance fee
Taaleri SolarWind II	2019	290	Invested	Yes
Taaleri SolarWind III	2023	386	Fundraising	Yes
Mandates	2019-	54	Invested	Yes
Total (EUR)		**1,659**		

Real estate funds	Est.	AUM	Stage	Performance fee structure
Taaleri Real Estate Development Fund Ky	2015	11	Invested	Yes
Taaleri Property Fund I Ky	2015	36	Invested	No performance fee
Taaleri Property Fund II Ky	2016	2	Invested	No performance fee
Taaleri Rental Home Ky	2016	171	Invested	No performance fee
Taaleri Multifunctional Properties Ky	2018	42	Invested	Yes
Taaleri Housing Fund VIII Ky	2021	92	Investing period	Yes
Mandates	2021-	325	Investing period	No performance fee
Total (EUR)		**677**		

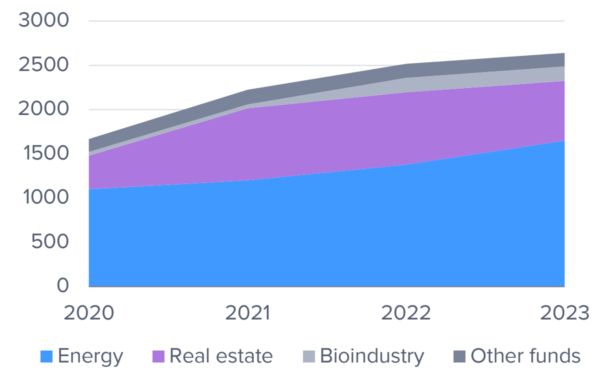
Bioindustry	Est.	AUM	Stage	Performance fee structure
Taaleri Biorefinery Ky (Co-investment)	2020	42	Invested	Yes
Joensuu Biocoal (Co-investment)	2021	16	Investing period	Yes
Taaleri Bioindustry I Ky	2021	107	Investing period	Yes
Total (EUR)		**164**		

Other funds, total (MEUR)	**142**
Total AUM (MEUR)	**2,643**

Group AUM Q3'24 (MEUR)



Group AUM development* (MEUR)



** Adjusted for AUM of the divested Wealth Management business*

Garantia 1/6

Mortgage guarantees at the heart of the business

Garantia (founded in 1993) is an insurance company that specializes in guarantee insurance with a wide range of different guarantee products.

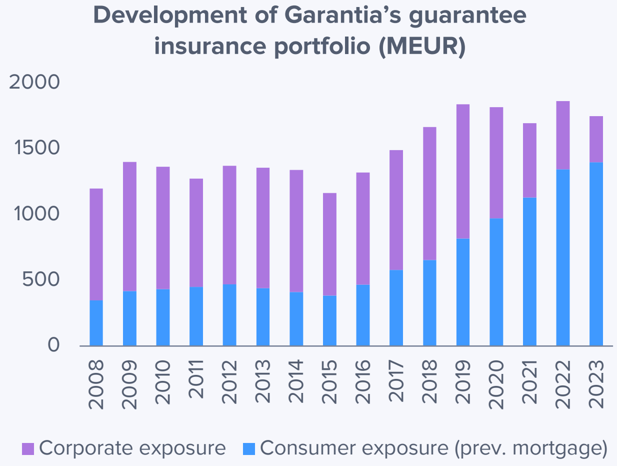
Corporate guarantees consist of corporate loan guarantees, commercial guarantees and other guarantees related to business operations granted to companies and communities. Garantia's consumer solutions include rent guarantees and mortgage guarantees through partners. Additionally, Garantia is responsible for the calculation of TyEL reference rates through a contract made with authorized pension companies. At the end of 2023, Garantia's guarantee insurance portfolio was approximately 1.7 BNEUR. The majority of the portfolio consists of consumer guarantees (~80%) and most of these are mortgage guarantees, which makes them clearly the most important product area for the company.

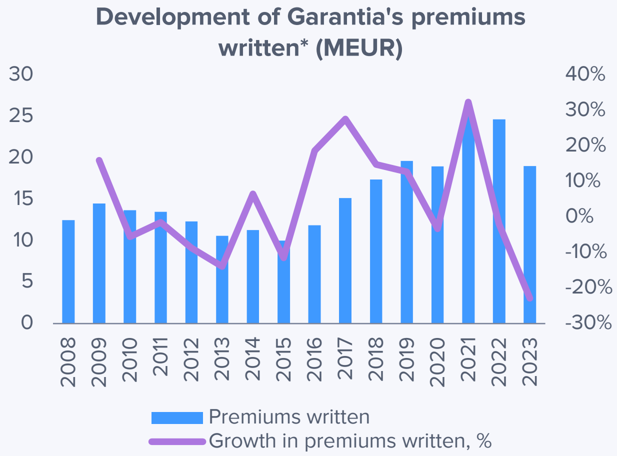
In mortgage guarantees, the guarantee is granted and processed by a partner bank, so the business is highly scalable from Garantia's perspective. Garantia, in turn, determines the risk level of mortgage guarantees and the eligibility criteria for applicants based on which partner banks grant guarantees. Moreover, no money is transferred when the guarantee is granted, so the direct costs of guarantee insurance come in the form of capital committed by the business, the cost of capital and credit losses. In addition to mortgage guarantees, Garantia grants rent guarantees to its consumer customers, but we believe they are of minor importance.

Garantia's corporate guarantees consist mainly of loan guarantees that customer companies use as collateral for either a TyEL loan or a bank loan. In these, Garantia's guarantee share typically amounts to 50-100% of the amount of debt financing. The product allows the customer to get financing from one place, and the lending bank can diversify its risk. In addition to loan guarantees, Garantia offers its corporate customers, e.g., commercial guarantees and other business-related guarantees. However, we suspect the sales of these have been low thus far. In the past, commercial guarantees used especially in the construction industry were a significant part of the company's business, but granting such guarantees was discontinued at the beginning of 2020.

Corporate guarantees can provide growth

In the future, we expect the role of corporate guarantees to grow, as Garantia has announced plans to expand its corporate guarantee business to cover other Nordic countries. A key driver in this is the Basel IV banking regulation, which enters into force in 2025 and increases the capital requirements for banks with high credit ratings and low risks. This, in turn, makes such lending less profitable and should lead to sharing the credit risk with the insurance sector, as insurance companies are not affected by a similar change. As a result, banks can still maintain profitable ancillary services of large customers (e.g., asset management, payment traffic) and outsource part of the lending risk and capital costs to third parties. This could offer Garantia growth opportunities, although competition in the segment is already abundant. At the same time, capital requirements are higher than for mortgage guarantees, so we estimate that the profitability potential of these is lower than that of consumer guarantees.





Premiums written* *include insurance premiums for the financial year, regardless of whether they have been paid or invoiced.* ***Insurance revenue* *(insurance company's revenue), on the other hand, refers to the premiums written allocated to the financial year. For example, from a ten-year insurance contract, 10% of the premiums written is recorded as revenue for the first year. Insurance revenue is a term in accordance with IFRS 17, so figures are not available until 2022.*

Garantia 2/6

The market limits growth in mortgage guarantees

Annual average drawdown of new housing loans in Finland has been around 19 BNEUR (2010-2023). We estimate that the average guaranteed share of the loan amount is around 10-20%. Based on figures published by Finnish banks, we estimate that roughly one in six mortgage borrowers use a guarantee product. Thus, the annual market for new guarantees is approximately 400-600 MEUR. Garantia's partner banks account for about 56% of this, which is also our estimate of the company's market share.

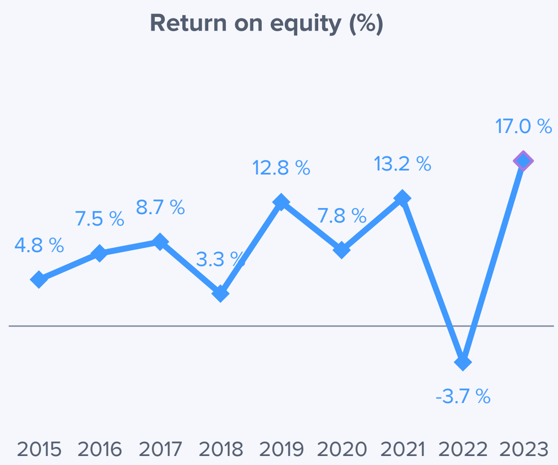
In the short term, market growth correlates with new mortgage drawdowns. In the longer term, the popularity of loan guarantees will determine the direction of the market. The latter will play a much bigger role in the future, as we believe it is quite challenging to increase the market share from the current level. Since our last update, Garantia's market share has actually decreased, as Danske Bank is no longer one of the partner banks. Although competition has tightened a notch in recent years, we estimate that the pressure is still limited, as there are only a few players offering a similar product. Furthermore, changing the guarantee product provider generates costs, which supports Garantia's position with partner banks.

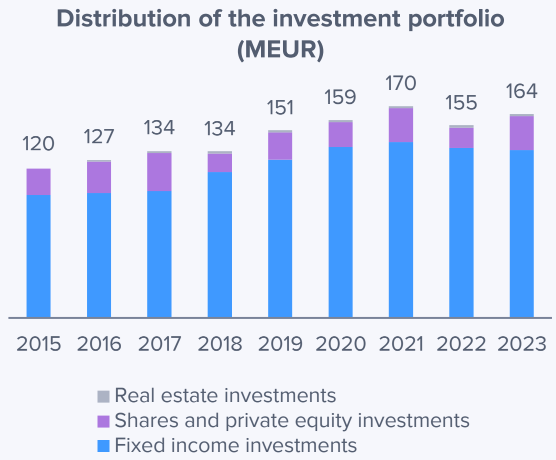
The market has also been on a downward trend in recent years, as demand for mortgages has clearly decreased due to higher interest rates. This has particularly hit Garantia's premiums written, as due to periodization practices, the impact on revenue has been moderate. However, we consider the situation temporary, and within a few years the market should normalize and return to moderate growth. We see changes in the collateral value of housing as a key driver of long-term market growth and the popularity of guarantees, as, e.g., apartments in smaller cities are no longer accepted by banks as collateral as they used to be.

In business loan guarantees, the size of the market is not an obstacle, as this is many times higher than the Finnish mortgage guarantee market. The market should also grow considerably in the coming years due to changes in the Basel framework. However, loan guarantees for corporate customers are highly competed, and we do not see any essential competitive advantages for Garantia. Therefore, we consider the potential these offer as limited with current knowledge.

Investment activities play a significant role

Garantia collects insurance premiums from its customers that it reinvests during the life of the insurance. Thus, the company's investment portfolio is significant – the market value was approximately 162 MEUR at the end of Q3'24. Garantia's investment activity is quite conservative and its risk level is comparable to other insurance companies. Of the current portfolio (Q4'23), fixed income investments accounted for 86.6%, shares and private equity funds 12.0% and real estate 1.4%. Historically, the share of equity investments in Garantia's portfolio has been slightly under 20% and fixed-income investments slightly over 80%, so the current allocation is slightly more interest-oriented, which is probably explained by the higher return rates on interest-rate products. Historically (2008-2023), the company's investment portfolio has generated around 3.5% calculated at fair value. The level is quite low in absolute terms and reflects in practice the interest rate focused allocation and moderate risk level.





Garantia 3/6

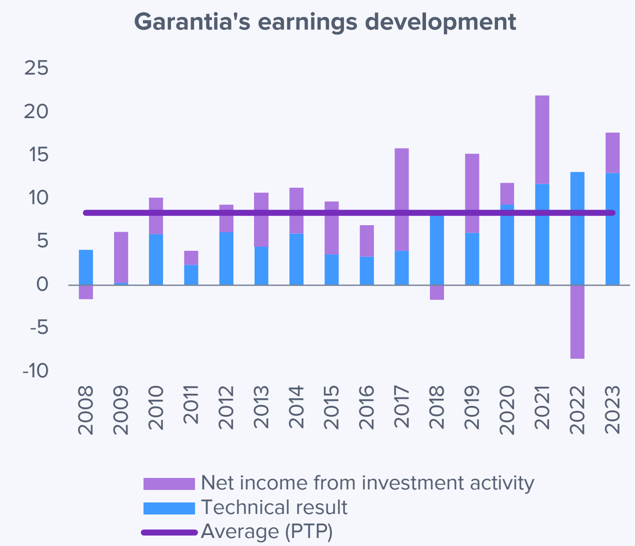
Strong historical development

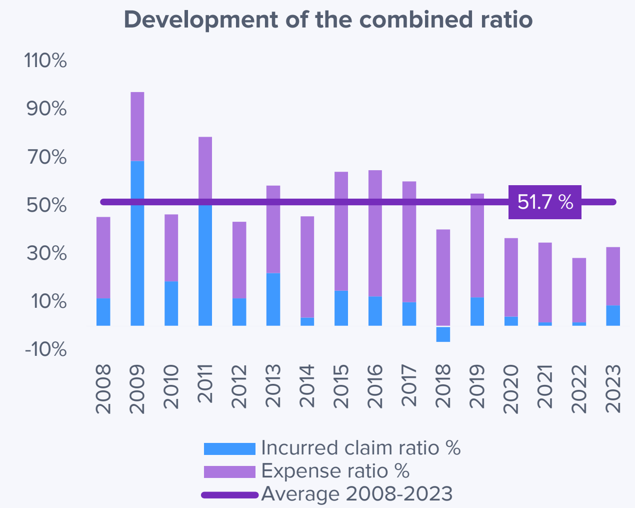
Due to the nature of the business, Garantia's financial development should, in our opinion, be examined over the cycle, as risks and claims incurred from loan guarantees and mortgage guarantees correlate with developments in the housing and labor market. In weak years, claims incurred can rise sharply (as after the financial crisis in 2009), while in serene periods, net claims can even be negative. Thus, individual years may not give a sufficiently good picture of the profitability level of the business. Looking at the historical performance, the company's strategic choices have proved successful and the business has developed favorably in recent years. On the scale of insurance companies, the profitability of Garantia's insurance operations is in a class of its own. However, from the point of view of return on capital, a heavy balance sheet weakens profitability figures.

Negative claims costs arise when the claims recovered under the right of recourse (the guarantor has the right to recover the amount paid from the debtor) exceed the amount of new claims paid during the review period. Garantia's claims provision arises immediately when the bank announces that the loan has failed. Thus, especially in the case of mortgage guarantees, recovery is relatively efficient when the shares in housing companies or real estate that served as collateral for the loan are ultimately realized.

When looking at historical developments, it is also important to distinguish between the profitability of insurance operations and investment results. Garantia's insurance service result (insurance income - insurance expenses) has developed strongly, particularly in 2017-2023. We believe this has been driven by successful risk management and improved cost efficiency in the wake of growth in scalable mortgage guarantees. Most of Garantia's costs are fixed by nature, and, e.g., the increase in mortgage guarantees has little impact on operating costs. The ratio of operating costs to insurance revenue (or premiums written before 2022) has decreased from 53% to approximately 24% in 2016-2023. As a result of this and the very moderate claims incurred, Garantia's combined cost ratio (the ratio of operating costs and claims to insurance revenue) has been on a strong downward trend. In the latest financial year, the corresponding figure was 32.9%.

In 2019, Garantia took a strategic decision to shift the focus of the guarantee business from individual large corporate guarantees toward guarantees that tie up less capital, such as mortgage, maintenance charge, rent and leasing guarantees. As a result of the decision, the amount of consumer liabilities exceeded the amount of corporate liabilities for the first time in the company's history in 2020. At the beginning of the same year, Garantia also stopped granting commercial guarantees in the construction sector, which contributed to a decrease in the guarantee liabilities of corporate customers. Commercial guarantees in the construction sector included, e.g., guarantees used in housing construction during the construction period and the warranty period. We suspect the capital requirements of corporate guarantees can be many times higher than those of mortgage guarantees, which largely justifies the change of direction. However, we believe that corporate guarantees will again become part of the growth plans in the coming years due to changes in the market.





Garantia 4/6

Due to Garantia’s large balance sheet, the investment portfolio also plays a significant role in earnings development, and the share of investment income in EBIT averaged some 40% in 2008-2023. At the same time, the dispersion of investment returns has been clearly higher than the underwriting result. As the investment portfolio focuses heavily on interest rate instruments, changes in interest rates are also reflected in short-term earnings. In the longer term, however, their impact levels off.

Investors should note that IFRS accounting treatment makes it difficult to review investment income, as only some of these are included in the segment's reported earnings. In practice, changes in the value of senior debt securities, which form a significant part of the company’s investment portfolio, are recorded directly in equity, while other investment income affects EBIT and the profit for the period. However, the return on investments reported by the company at fair value includes all investment income on the balance sheet, so the IFRS treatment of investment income mainly concerns the examination of the reported result.

Solvency is strong

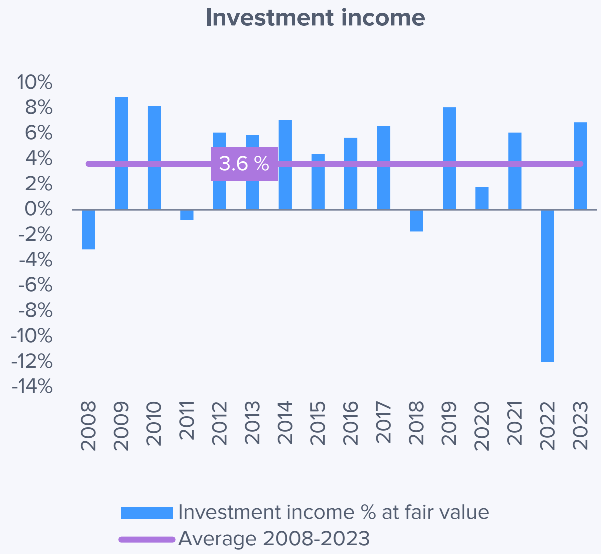
Garantia's solvency ratio at the end of Q3’24 was 281%. The solvency ratio of an insurance company describes the ratio of own assets to the minimum capital requirement set by the supervisor. However, Garantia’s solvency is largely driven by S&P’s credit rating, which the company wants to maintain at its current excellent level (A-). We suspect the company’s comfort zone for the solvency ratio is around 200-240%, so solvency will not be a problem for Garantia’s growth in the coming years. At the same time, this also means that Garantia’s balance sheet does not contain any material excess capital. Thus, Taaleri's future dividends will be based on Garantia's result for the financial year.

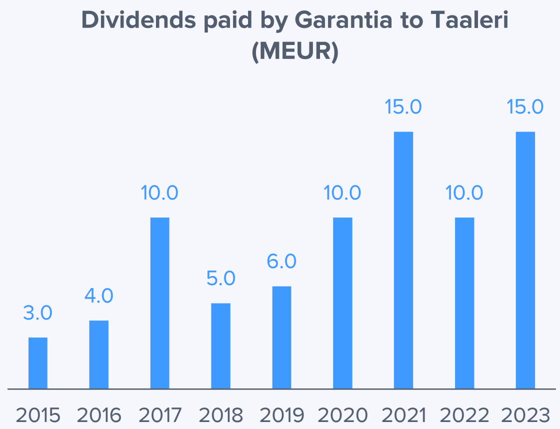
A strong credit rating is key to the company, as it enables the guarantee insurance business by lowering Garantia’s counterparty risk from the perspective of banks and other partners. As part of a larger insurance group, the current credit rating would probably be achieved even with lower solvency, so Taaleri's capital efficiency as an owner cannot be significantly improved. However, Garantia’s dividend payment capacity has improved with the growth of mortgage guarantees, as their capital requirements are lower than for corporate loan liabilities.

Return on equity has been mediocre

Garantia’s assets consist practically entirely of the company’s investment assets, which account for some 96% of the balance sheet total. However, in the case of an insurance company, it is essential to look at the amount of equity committed to the business and the return on these funds when examining the balance sheet.

Garantia’s equity on the IFRS balance sheet amounted to approximately 116 MEUR at the end of Q3’24. Guarantia's equity can be calculated with sufficient accuracy by subtracting insurance liabilities from Taaleri Group's insurance assets on the consolidated balance sheet.





Garantia 5/6

During Taaleri's ownership (2015-2023), Garantia's return on equity (ROE %) has averaged approximately 8% due to the large balance sheet, when investment income is considered at fair value. The level is moderate and below the cost of capital we apply to the company. The ROE calculated based on the technical result alone was under 6 % during the same period, which in turn highlights the importance of investment income for Garantia's business and capital return. In the case of an insurance company, it is typical that strong return on equity requires the combined efforts of both cylinders.

Garantia's estimates

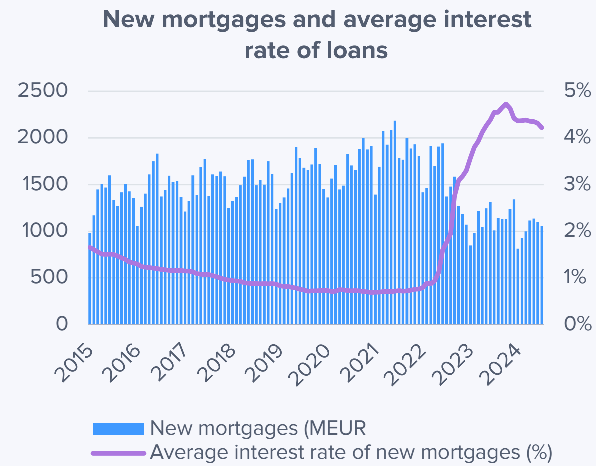
In our estimates for Garantia's insurance revenues, we differentiate between consumer liabilities consisting mainly of mortgage guarantees and corporate liabilities consisting mainly of corporate guarantees. In mortgage guarantees, the size of the market already holds back Garantia's growth, as in practice all Finnish banks already use either the company's or its competitor's product. Thus, development depends largely on market growth.

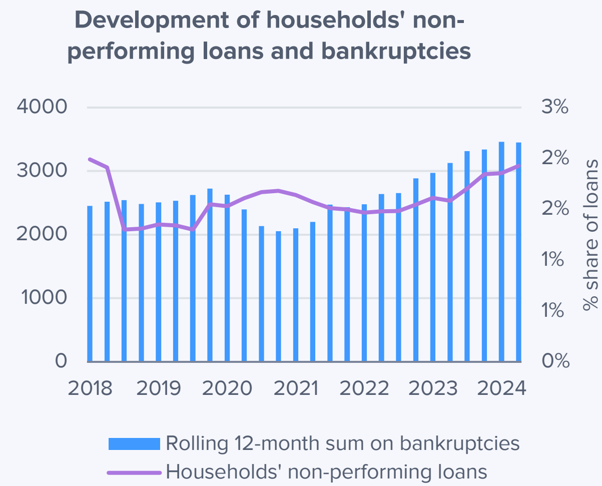
We expect the mortgage market to pick up gradually this year, which will also support the development of Garantia's guarantee portfolio. Although in mortgage guarantees, the customer pays the price of the guarantee (premiums written) when the guarantee is withdrawn, in its own accounting, Garantia recognizes the payment evenly in its revenue, which levels out the fluctuation of revenue (insurance revenue) between reporting periods. Thus, in revenue, the growth in the guarantee portfolio only becomes visible in 2026 due to the periodization practices of consumer guarantees. After that, we estimate that growth will continue as moderate along with the rest of the market. Market growth is driven both by the increasing use of guarantees and rising housing prices, which increases the size of the average guarantee.

We estimate that Garantia's mortgage guarantees fluctuate less than the general loan demand, as the weakening economic situation and the associated increase in credit risks typically cause banks to tighten their lending criteria. This, in turn, should increase the popularity of guarantees. The dynamics also work in the opposite direction, with general optimism reducing the need for guarantees

In corporate guarantees, the size of the market is not an obstacle to growth, and in these products, Garantia's growth is driven in practice by the company's willingness to take risks. We estimate that Garantia's risk management is quite conservative, so we expect the company to ramp up operations cautiously. However, we expect the percentage growth to be stronger in corporate guarantees, but this is explained by the smaller portfolio than in mortgage guarantees. We expect mortgage guarantees to continue to drive euro-denominated growth. The development of portfolio and rent guarantees has been subdued, so our expectations for these products are very modest and we consider the likelihood of successful ramp-up on a sufficient scale to be fairly low.

In our forecasts, we expect Garantia's insurance revenue to grow on average by around 4% in the coming years. The growth expectations of mortgage guarantees are slightly depressed by the Danske cooperation ending.





Garantia 6/6

In Garantia's business model based on digital distribution channels, profitability scales quite well, as the development of operating costs is not materially dependent on the development of the guarantee portfolio, and the most significant variable cost item is incentive payments paid in cash. This has been reflected in the declining expense ratio (operating costs/insurance revenue) with strong growth. However, we do not expect any significant efficiency gains in the future, as the high market share in mortgage guarantees limits the growth outlook. At the same time, operating costs will increase with general cost inflation.

In addition to operating costs, the amount of insurance claims has a significant impact on the profitability of an insurance company. At Garantia, the focus of guarantees has shifted more strongly to mortgage guarantees over the years, so historical compensation amounts do not necessarily give a good picture of the risk level of the current portfolio. Our estimate of the premium ratio (~10%) is below the company's historical average, as we estimate that the company's mortgage guarantee activities have a rather conservative risk profile. Despite the weakened economic situation, we do not expect significant growth in the short term either, as bankruptcy rates have remained moderate and there is no dramatic deterioration visible in the unemployment rate either.

On the other hand, we believe the growth plans for corporate guarantees focus on loans with a moderate risk level, which also keeps the claims in check in our forecasts. We note, however, that forecasting claims is very challenging and deviations from our forecasts will likely continue to be significant on an annual basis.

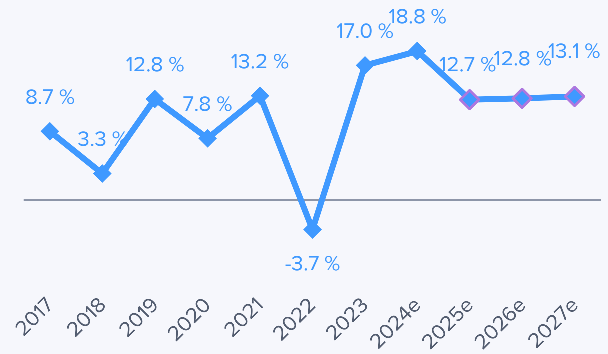
Overall, we expect the combined ratio for the next few years to be very strong at around 30%. Consequently, the insurance service result will grow steadily along with the guarantee portfolio. More detailed forecasts can be found on the next page of the report.

Our investment return (~5% p.a.) forecast corresponds to our estimate of the long-term structural return level of the portfolio.

Return on equity is a key indicator for an insurance company. Historically, the level has been modest, especially due to high capital requirements and relative to this, moderate insurance performance. However, profitability has improved in recent years, so our forecasts expect Garantia's return on equity to be around 13% in the longer term. This exceeds the required return we apply, so we expect the business and its growth will create value. Of course, reaching this level requires pull from investment operations' income.

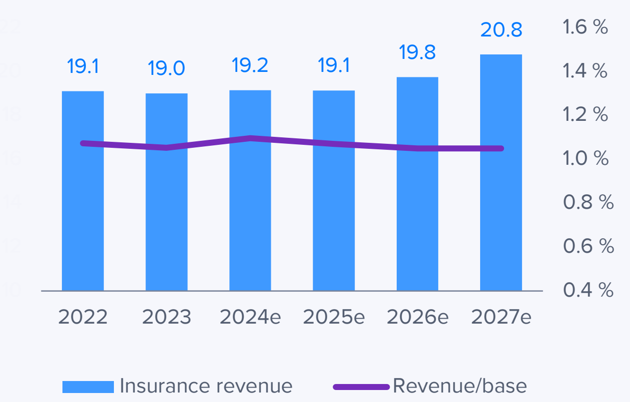
We expect Garantia's payout ratio to be around 80-90% depending, e.g., on the growth rate of corporate guarantees. Therefore, the company should provide Taaleri Group with an annual dividend flow of approximately 14-15 MEUR to be allocated to, e.g., bioindustry investments.

Return on equity (%)



ROE = (Profit before tax at fair value – deferred taxes)/average equity

Insurance revenue estimates (MEUR)



**Due to the IFRS 17 amendment, insurance revenue is not available until 2022.*

Garantia's summary

Garantia MEUR	2021	2022	2023	2024e	2025e	2026e	2027e
Insurance revenue	**25.1**	**19.1**	**19.0**	**19.2**	**19.1**	**19.8**	**20.8**
Claims incurred	-	-0.4	-0.9	-0.6	-1.5	-1.6	-1.7
Operating costs	-	-3.9	-4.1	-4.0	-4.2	-4.3	-4.5
Net income from reinsurance contracts	-	-0.7	-0.5	-0.4	-0.4	-0.4	-0.4
Insurance service result	**11.7**	**14.1**	**13.6**	**14.1**	**13.0**	**13.4**	**14.3**
Financial income and expenses	-	-0.4	0.0	-0.5	-0.3	-0.4	-0.4
Net investment income	10.3	-8.5	4.7	11.3	8.0	8.4	8.5
Revenue	-	**5.3**	**18.3**	**24.9**	**20.8**	**21.4**	**22.3**
Personnel expenses	-	0.0	-1.4	-0.9	-1.0	-1.1	-1.2
Other costs	-	-0.6	-0.1	-0.1	0.0	0.0	0.0
EBIT	**22.0**	**4.6**	**16.8**	**24.0**	**19.8**	**20.3**	**21.1**
Profit or loss at fair value of investments	**19.2**	**-5.5**	**23.6**	**28.1**	**19.8**	**20.3**	**21.1**
Dividend (MEUR)	15.0	10.0	15.0	14.0	14.0	14.0	14.0
ROE	13.2%	-3.7%	17.0%	18.8%	12.7%	12.8%	13.1%
Insurance portfolio, MEUR	1,695	1,862	1,749	1,744	1,834	1,929	2,029
Incurred claim ratio %	1.7%	2.1%	4.5%	3.2%	8.0%	8.0%	8.0%
Expense ratio %	33.1%	20.6%	21.5%	21.1%	21.9%	21.9%	21.4%
Reinsurance ratio %	-	3.5%	2.7%	1.9%	2.1%	2.0%	1.9%
Combined ratio %	**34.8%**	**26.2%**	**28.7%**	**26.2%**	**32.0%**	**31.9%**	**31.4%**
Investment portfolio income %	6.1%	-12.0%	6.9%	9.9%	5.0%	5.0%	5.0%
Value of investment portfolio (MEUR)	170.0	155.0	164.0	165.6	167.4	169.7	172.6
Solvency ratio %	219%	231%	246%	241%	229%	226%	224%

NB: Part of Garantia'sinvestment income is recorded directly in equity, but in the forecasts, all investment income is included in the income statement for clarity.

Other segment

Taaleri's Other segment consists of Group management, Taaleri Kapitaali that offers advisory services, and the Group's non-strategic investments. At the end of Q3'24, the segment employed 20 people.

The Other segment does not include other operating activities apart from Taaleri Kapitaali, but its revenue is mainly generated from income from non-strategic balance sheet investments and interest income on cash assets.

Costs mainly include administrative costs

The Other segment's costs include part of the Group's administrative costs that are not allocated to operating segments. After the divestment of Wealth Management, the segment underwent a substantial cost restructuring and the level of operating costs decreased to the current level of some 5-6 MEUR. We find the level reasonable considering the size of the Group's current business. However, the cost structure cannot be considered particularly efficient, so in our view, the current cost base should be able to support a clearly larger business than at present.

The amount of non-strategic investments is decreasing

Taaleri has 23.8 MEUR in non-strategic investments on its balance sheet (Q3'24). The most significant are Alisa Bank shares (2.8 MEUR), Aktia Bank shares (5.3 MEUR), Canadian housing project loan (2.2 MEUR), real estate developer Sepos Oy's debt and share holding (2.8 MEUR), and Turun Toriparkki (8.8 MEUR). The company also has around 1.9 MEUR in smaller non-strategic investments.

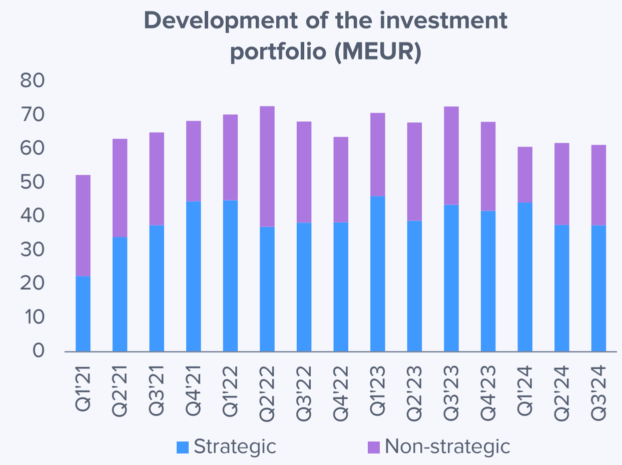
In its strategy, Taaleri has outlined that non-strategic investments will be exited in the next few years. The company has progressed in its exits during the current strategy period, and the size of the investment portfolio has decreased clearly from the 2020 level. We estimate that most of the non-strategic investments will be sold by the end of 2027. We estimate that the cash from the exits will mainly be used to finance strategic investments in biotech rather than for profit distribution. We point out, however, that these exits are primarily not in Taaleri's hands because it is a minority shareholder in most of the projects.

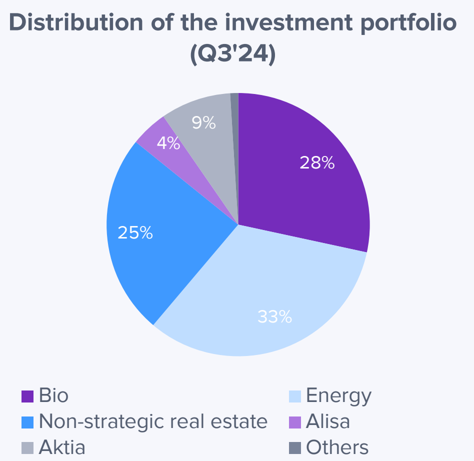
Segment estimates

In the next few years, the Other segment's revenue may fluctuate due to proceeds from selling non-strategic investments. Kapitaali's revenue also varies significantly from year to year, but we estimate that it will on average be around 1 MEUR. The returns on cash assets will, in turn, gradually decrease along with interest rates. On revenue level, the Other segment has a marginal significance on Taaleri's valuation and investors should focus on the development of the cost structure in this segment.

In our forecasts, operating costs are approximately 5-6 MEUR in the next few years and the operating result adjusted for non-recurring fees, is thus on average 4 MEUR in the red.

We have not identified items in the investment portfolio that we believe offer significant write-up potential, so we only expect marginal capital gains from non-strategic investments over the next few years. However, more important than the result is the cash flow released from the portfolio, which is allocated to direct bioindustry investments.





Strategy and financial targets 1/3

Strategy

At the end of 2023, Taaleri organized a CMD and published an updated strategy for 2024-2026, the cornerstones of which are:

- A strong increase in AUM
- Expanding the investor base more strongly outside Finland
- Direct industrial balance sheet investments.

During the strategy period, the focus will be on accelerating the growth of Private equity funds and internationalizing them. A clear change in the capital allocation plans was seen in the strategy update, as the company will invest significant capital in balance sheet investments in the next few years. Taaleri's investment profile saw a clear change toward a more investment company-like structure. While the company's investor story relied in our papers on growth in Private Equity Funds, the return of capital released from investments, and a possible exit of Garantia, it now relies on the growth in Private Equity Funds, a growing investment portfolio, and long-term ownership of Garantia. Especially the growth in the investment portfolio raises the company's risk profile quite clearly, but on the flip side it also raises the return potential.

Balance sheet investments play an important role

Taaleri aims to increase the AUM from 2.6 BNEUR (2023) to 4 BNEUR by the end of 2026. The plan is to raise a significant share of the capital required for growth from international investors. In line with our expectations, no greater growth is expected from renewable energy as the focus of the strategy period is on the ramp-up of the SolarWind 3 fund. Therefore, the ambitious growth target for the strategy period is to be achieved mainly through real estate and bioindustry products. Real estate funds in particular play a larger role in the strategy, as Taaleri also wants to grow the business through M&A transactions and feels the current weak cycle offers interesting acquisition opportunities.

Based on management's comments, Garantia is also seen as a part of Taaleri in the future. We believe this means that Garantia could be exited if a sufficiently attractive offer is received, but there are no active plans on the action list. In terms of Garantia's strategy, the surprise was that the company seeks growth outside Finland in the Nordic market for corporate guarantees.

In addition, Taaleri aims to increase the Group's direct industrial investments to at least 100 MEUR by the end of 2026. The capital required for this is already roughly in place (cash and investments), which in practice means that all current balance sheet capital will be channeled into new industrial investments and there will be no excess capital left on the balance sheet. Adding to this the desire to grow Private equity funds with acquisitions, it clearly means that no additional profit distribution is to be expected in this strategy period. Taaleri has also raised the possibility of debt leverage. However, we assume this mainly applies to a situation where reaching the target size of the investment portfolio would otherwise be challenging. We do not consider increasing the investment portfolio significantly with debt to be justified, because even though this supports return on equity, it also increases the risk related to balance sheet investments.

TAALERI

Key strategic objectives of the strategy period

Increasing AUM	Expansion of the international investor base	Increasing direct industrial investments

Increasing the investment portfolio can also be seen as a strategic move, because if successful, investment activities will strengthen the credibility of the bioindustry team, which, in turn, will boost new fund sales.

Business revenue streams

Recurring fees	Performance-related fees
Income and capital gains from non-strategic investments	Income from strategic ivestments

Creating shareholder value

Strategy and financial targets 2/3

Financial targets

The growth target for recurring fees and performance fees is key for private equity funds. While the private equity fund business is still in the ramp-up phase, revenue should grow clearly faster than costs. Therefore, scaling the result requires, above all, growing fees. We believe that the target growth of 15% is achievable as long as 1) the company can bring new products to the market, 2) the quality of the products remains high, 3) the company strengthens its distribution power, and 4) the general market situation recovers from the apathy of recent years. However, our forecasts are below this, as we are more cautious than the company about the growth prospects of Other private equity funds. Especially, the cancellation of the planned bioindustry VC fund and the postponement of the launch of the new real estate fund to next year make the growth target seem too optimistic at this point without acquisitions. Including performance fees in the target is quite exceptional in the context of the industry and, in our view, underlines the importance of performance fees in the company's development in the coming years. Most of the growth we forecast for the next few years will come from this.

Increasing **AUM** to 4 BNEUR is a natural consequence of the growth target for fees. Here too, we are very skeptical, although our forecasts expect relatively good growth in AUM. We consider the sales of old wind funds during the target period as the key challenge for reaching the target since they lower AUM. We consider achieving the AUM target secondary to acquisitions.

In our view, **return on equity** is the key Group-level objective, as especially in the context of the new investment-oriented strategy, indicators focusing on return on capital should be the key criteria guiding operations. As far as private equity funds are concerned, this is not as important, as the strong growth in AUM inevitably creates value in our papers. The return on bioindustry investments will largely determine the return on capital in other business areas, especially towards the end of the target period, when a substantial amount of new capital is targeted to be allocated to investments.

In connection with the strategy update, Taaleri stated separately that Garantia's ROE target is over 10%, which was a welcome clarification. We also consider it sensible to tie Garantia's targets to return on invested capital, as it would be possible to pursue very strong growth in the insurance business at the expense of profitability.

We feel **the dividend target** is fairly well aligned with the strategy chosen by the company, although with the current strategy aimed at growth in the investment portfolio, a more moderate profit distribution policy would be justified. In any case, profit distribution will be more modest than historical levels in the next few years due to increasing balance sheet investments. Our forecasts expect a payout ratio of approximately 60%, while the company's target level is over 50% of the financial year's result.

Financial targets

Taaleri's financial targets for 2024-2026:

- Growth in recurring fees and performance fees **> 15% p.a.**
- Return on equity (ROE) in private equity funds and investment activities **> 15% p.a.**
- 'Garantias return on equity (ROE) **> 10%**
- At least **50%** of the profit is distributed as dividends

Inderes' estimates 2024-2026e:

- Recurring fees from private equity funds **~12% p.a.**
- The Group's average ROE **12%**
- Garantia's average ROE **15%**
- Payout ratio **60% of the profit for the financial year**

Strategy and financial targets 3/3

The cornerstones of Taaleri's current strategy and their link to value creation

Excellent returns from funds

More efficient distribution and sales

Improving cost-efficiency

Successful balance sheet investment operations

Value driver 1:
Profitable growth in the management business and Garantia

- The polarization between good and bad managers will continue, so Taaleri must take its place among the best managers. Thus, the returns of the funds it manages are a key success factor. Good returns support business growth through product size growth and pricing power, and offer considerable potential for performance fees.
- The most notable proving grounds will be Other private equity funds, which are mainly still being built. In Energia, the company already has a strong return history, and we believe that all funds established so far are above the hurdle rate. Due to the importance of fund returns, personnel should be seen as a key factor in competition.
- Taaleri must continuously launch new products to increase the AUM and performance fees . The product sizes must be grown systemically, so that the profitability of each product reaches a good level. This is because personnel needs should grow more slowly than AUM and performance fees in the mature phase of the investment area.
- A key risk is related to personnel and their retention, as people are a key competitive factor in capital investment. This naturally gives the staff bargaining power. The remuneration structures in closed-end funds, however, commit personnel and reduce the risk related to loss of expertise and significant wage inflation.
- Taaleri must also strengthen its distribution, as the dependence on Aktia in domestic sales is too high for the time being. An internal sales team can also support international sales.
- Garantia already operates very efficiently and the company's business model is quite scalable. However, the high market share in Finland limits the growth opportunities in its spearhead product, mortgage guarantees.

Value driver 2:
Profitable capital allocation

- As Taaleri allocates capital to its balance sheet investments, the importance of their success also grows from a shareholder's perspective.
- Although the company's historical track record of capital allocation is good, the entire bioindustry business is relatively new. Thus, in the end, the investor trusts the investment expertise of the personnel, as the investment team, the Group management and the Board of Directors are ultimately responsible for identifying investment targets and making capital allocation decisions.
- In any case, the investment risks are higher than in the management business, which increases Taaleri's Group-level required return and, its return potential.
- In this respect, Taaleri now resembles an investment company more than before, as a significant part of its value is tied to investments, including the insurance company Garantia.

Asset management market 1/7

The market has grown strongly

In the last 20 years, the non-listed asset market has grown exponentially, with the market cap becoming over tenfold since 1999. Global alternative investment data service Preqin estimates the global market size of unlisted assets was around 13,100 BNUSD in June 2023. Although unlisted assets have grown exceptionally fast over the past two decades, they are expected to continue to grow strongly also in the future.

In recent years, capital has been channeled to non-listed asset classes, because of the earlier zero interest rate environment and the willingness of investors to seek income sources that do not correlate with the stock market. Although this trend will, at least temporarily, weaken due to interest income returning, alternatives have established themselves as one of the pillars of investment portfolios. In 2023, about 27% of the capital of international institutional investors was made up of unlisted asset classes, compared to 10 years ago, when the share was about 10 percentage points lower (source: CEM Benchmarking).

Investments that promote the energy transition and sustainable development have gained popularity

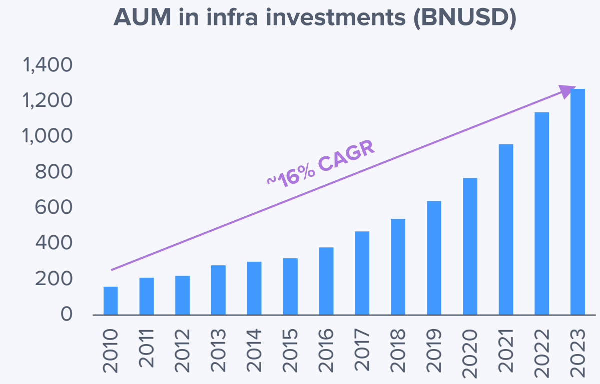
Investments that promote the energy transition and sustainable development have gained popularity among investors over the past decade. Like other alternative investments, the market growth was supported by historically low interest rates, which made them a more attractive investment than before. EU regulation of sustainable financing has also driven both investors and financial sector actors toward sustainable unlisted investments. In our view, Taaleri's impact-seeking investment products in renewable energy and bioindustry meet precisely this demand.

Renewable energy market

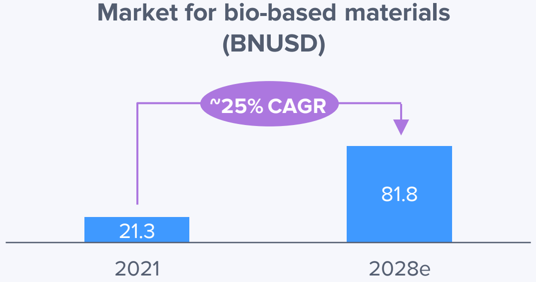
According to Preqin, the amount of funds invested in infrastructure, such as renewable energy, has increased by about 16% annually in 2010-2023. This is due to lower production costs and the growing need for renewable energy solutions. However, after an exceptionally busy decade, high inflation and rising capital costs slowed down the fundraising of infrastructure investments and increased construction costs. There have been signs of a gradual pick-up in the market, and Preqin estimates that capital will grow on average by over 7% annually in the next five years.

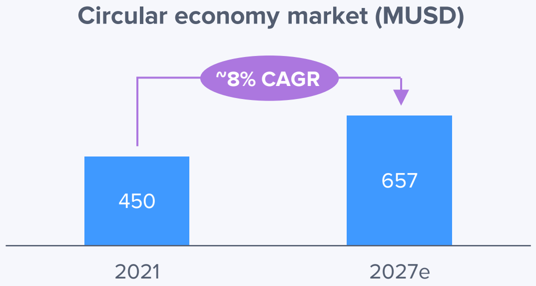
Bioindustry market

Bioindustry is still a relatively new but growing market that helps solve global sustainability problems, e.g., with biomaterials and circular economy solutions. Despite the general economic uncertainty and weakened situation, the outlook for the market has remained good. In its CMD last year, Taaleri stated that, e.g., the market for biomaterials is expected to grow annually by ~25% and the market for the circular economy by ~8% over the next five years. Even though weaker macroeconomics may keep investment demand subdued, especially in the short term, we still see investments promoting energy transition and sustainable development as a growing part of investment allocation.



Source: Preqin

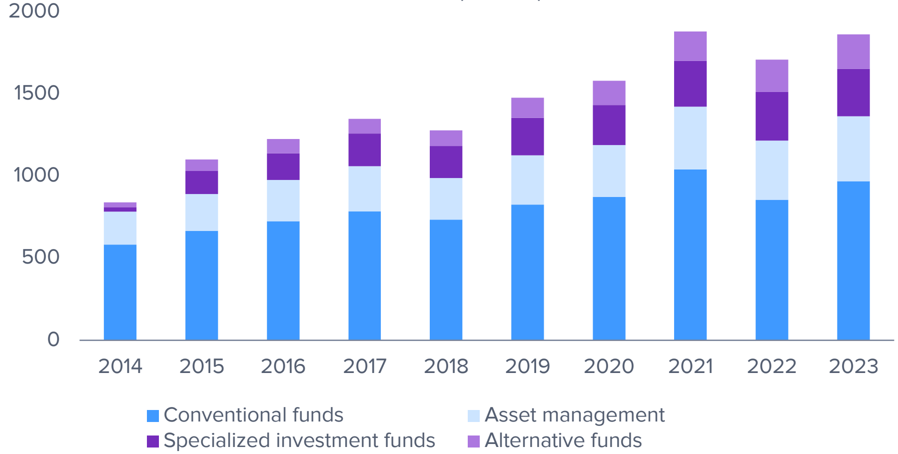




Source: Taaleri CMD 2023

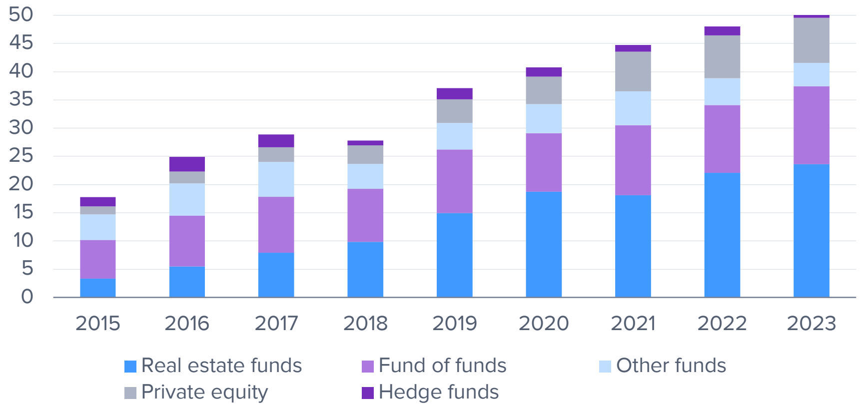
Asset management market 2/7

Revenue development on the domestic asset management market (MEUR)



Source: Inderes' estimate

AUM in domestic alternative and specialized investment funds (BNEUR)



Source: Finnish Financial Supervisory Authority / Finnish Investment Survey

Asset management market drivers

- Wealth creation
- Will to prepare
- Need for professional asset management

- Inheritance
- Concerns about the pension system
- Increasing complexity of the capital markets
- Growing wealth, e.g., through acquisitions
- Increased awareness of investing
- More and more people have access to professional asset management

Strong structural growth trends in the asset management market

Asset management market 3/7 – industry trends

Sustainability (ESG)

Responsibility has become a key part of the investment process as investors increasingly want to have an impact with their capital. Sustainability has already become a central theme guiding investment decisions and a significant standard for the entire industry.

A renaissance for interest rates

After nearly a decade of low interest rates, interest rates have risen sharply, making a return as a relevant asset class.

Digitalization

Digitalization enables a more efficient service for new customer groups and significantly improves efficiency in the companies' internal operations.

Increasing regulations

Increasing regulations grows the administrative burden of players and weakens the position of small players in particular In addition to the small players, the regulations hit banks hard

Evolving needs of investors

Unlisted asset classes have become part of a modern investment portfolio	Interest rate products have again become a relevant asset class	Sustainability has become a guiding theme for investment decisions
Investors are looking for increasingly individual asset management	The requirements for asset managers increase as the role of alternatives grows in investment portfolios	Regulation, digitalization and ESG raise the barrier to entry

Investors' requirements are growing

Passive investment products are growing in demand because of their superior cost/income ratio	The price pressure faced by traditional asset management will continue and fee levels will fall	Asset managers must find ways to generate genuine additional value to their customers to keep up with the competition

Asset management market 4/7 – industry trends

Victory march of alternative assets

The share of active funds in the AUM has decreased, particularly as a result of passive and non-listed products growing in popularity

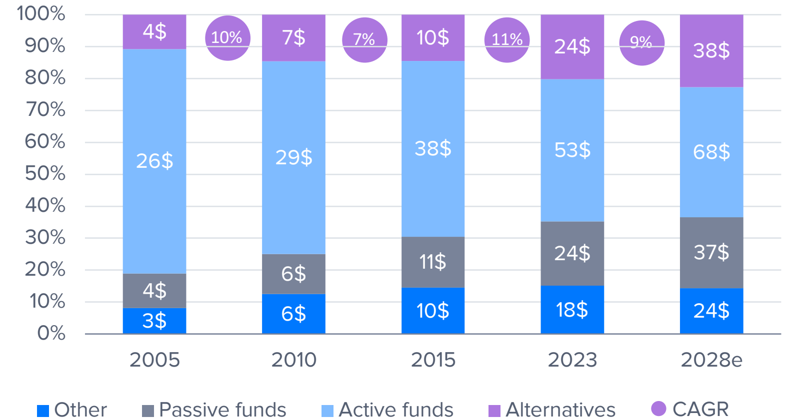
Passive products don't represent a significant source of income for investment service companies due to low fee levels, although they account for a significant share of total assets

The average fee levels for active investment funds have fallen clearly

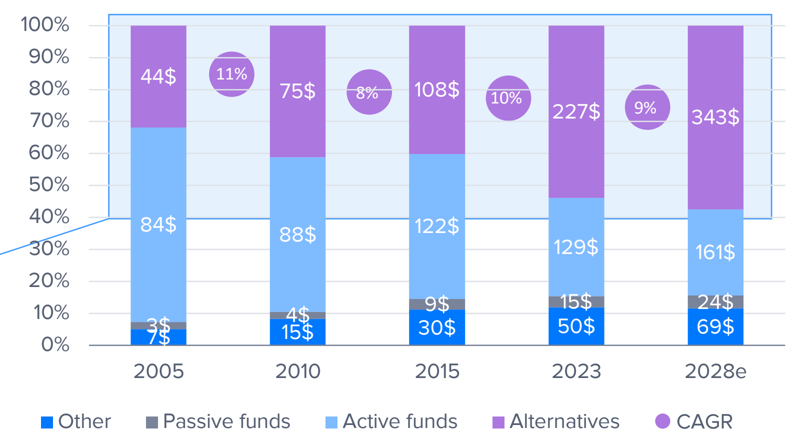
The fee levels of alternative assets are significantly better than for conventional funds

The share of alternative assets of global fee and commission income has risen to over half

Global AUM distribution (BNUSD)



Global revenue distribution (BNUSD)



Source: BCG Global Asset Management 2024

Asset management market 5/7 – industry trends

Investment income in a critical role

Investment assets play a pivotal role in the Finnish pension system and the sustainability of the system depends to a large extent on the long-term returns of pension assets. According to the calculations of the Finnish Center for Pensions, private sector employment pension contributions can be kept under control until the 2050s, provided that the underlying assumptions (real return 2.5% per year until 2028 and then 3.5% per year until 2050) are correct.

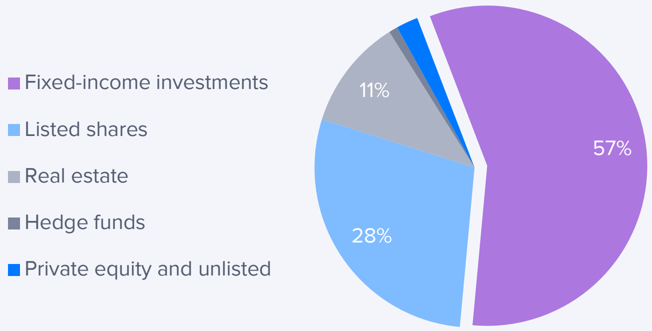
Increasing risk-taking

With the decline in interest rates, pension companies have increasingly had to seek out non-traditional investments and face different and higher risks. This has significantly decreased the weight of fixed-income investments in the portfolio.

Sustainability gap threatens

The fall in real interest rate levels seems to be more permanent than was expected a few years ago. At the same time, the population is aging, which will continue to increase the pressure on raising pension contributions. In the light of recent developments and discussions, the share of stocks and alternative investments in the portfolios of pension companies will continue to grow as one of the means to address these challenges.

Allocation of pension funds 2004



Allocation of pension funds 2019

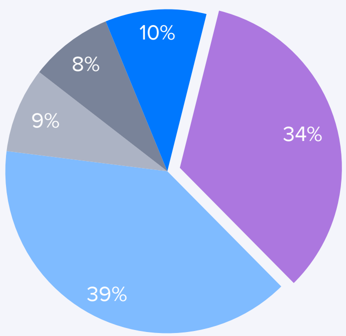
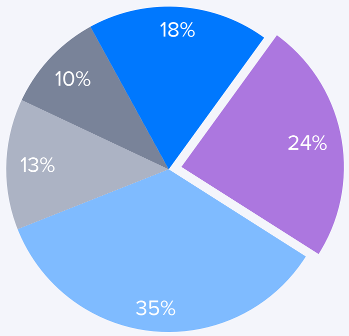


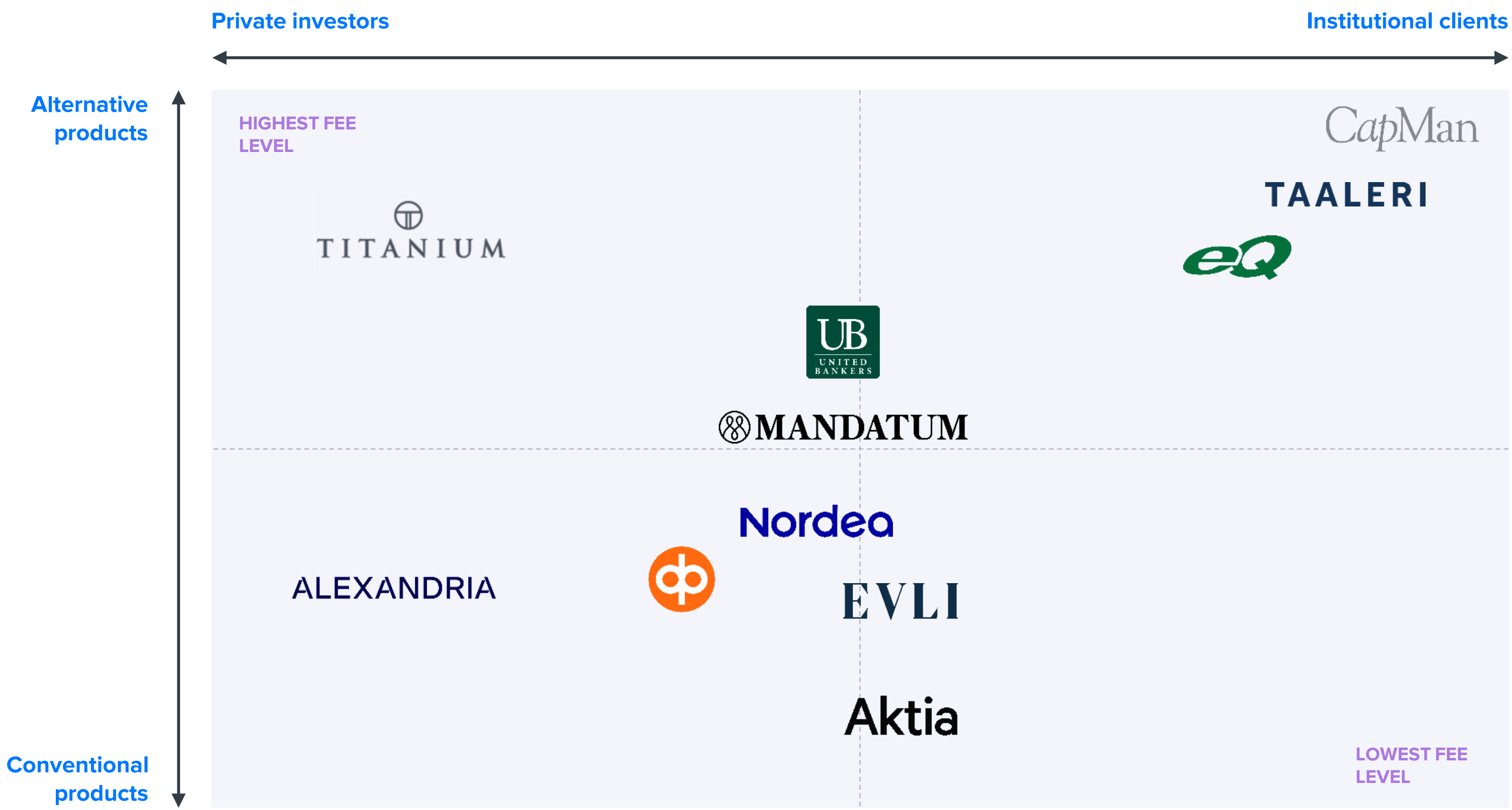
Illustration of pension funds' possible allocation 2029*



Source: Tela, Inderes

Asset management market 6/7 – industry trends

Structure of the Finnish asset management market by client size and product positioning



Source: Inderes

Asset management market 7/7 – consolidation expected in the industry

Asset management competition

Banks

Nordea, OP, S-Pankki, Ålandsbanken, SEB, Aktia, Danske Bank, omaSp (Lähellä ja läsnä)

Medium-sized investment service companies

Mandatum, Evli, CapMan, LähiTapiola, UB United Bankers, Taaleri, Titanium, eQ, Alexandria

Small investment service companies

IceCapital, Finlandia, Fourton, Fondita, PYN Elite, DC Dasos Capital

Consolidation drivers

Trends

- Digitalization
- Regulation
- Return of interest rates
- Alternative asset classes
- Sustainability (ESG)

Sales synergies

- Growing the product and service range
- Increasing distribution capacity
- Increasing AUM

Cost synergies

- IT costs
- Administrative expenses
- Personnel expenses

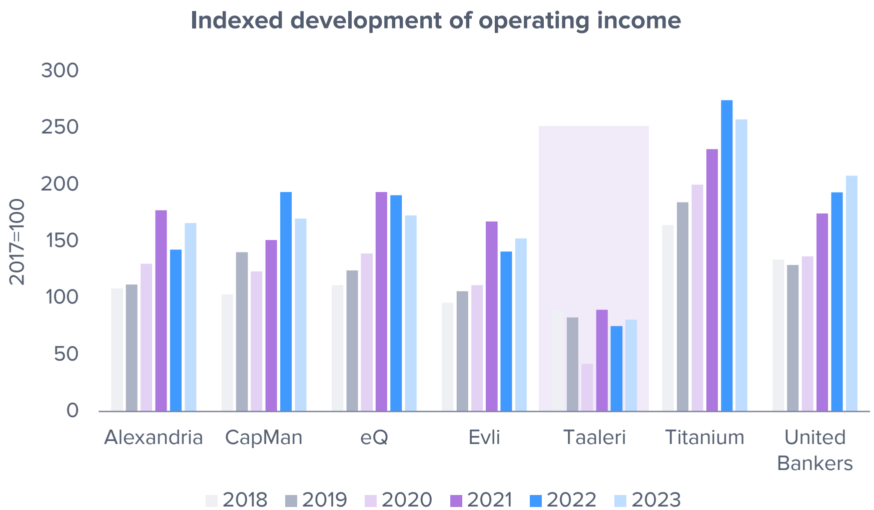
Drivers for consolidation are clear and we believe that consolidation will continue as active

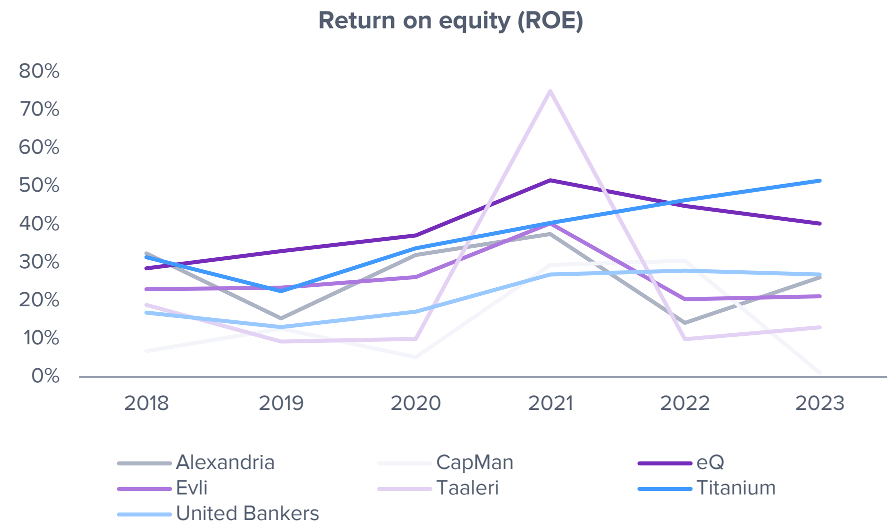
Finalized M&A transactions

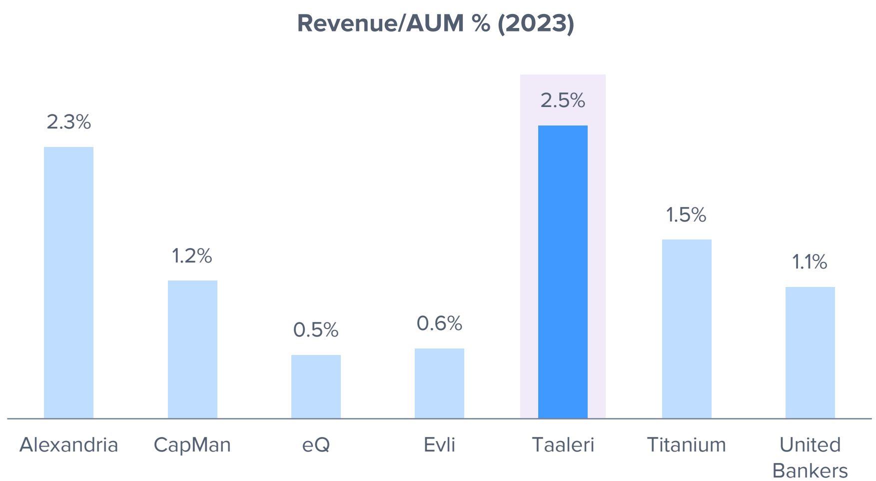
- eQ → Advium, IceCapital
- UB United Bankers → Suomen Pankkiiriliike, KJK Capital
- CapMan → Norvestia, DC Dasos Capital
- Elite → Alfred Berg
- Titanium → Investium
- Taaleri → Garantia
- Aktia → Taaleri Varainhoito
- Evli → Elite Alfred Berg, Kelonia (Ab Kelonia Oy)

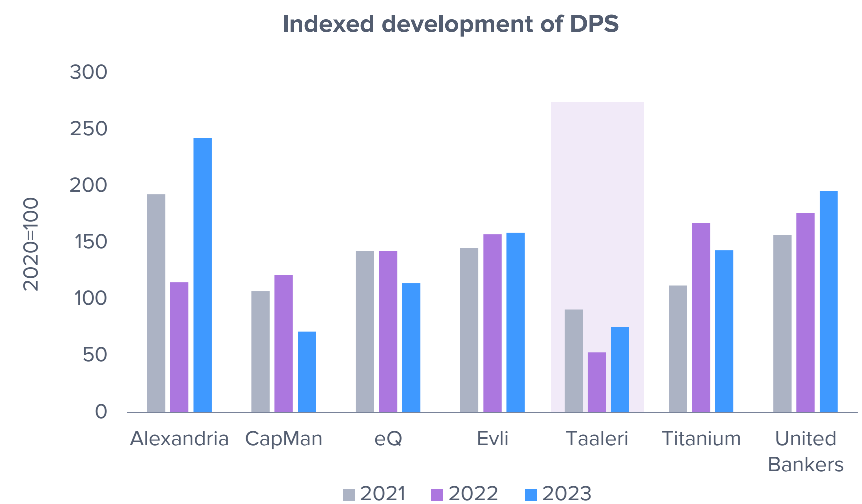
Source: Inderes

Taaleri compared to domestic peers 1/2



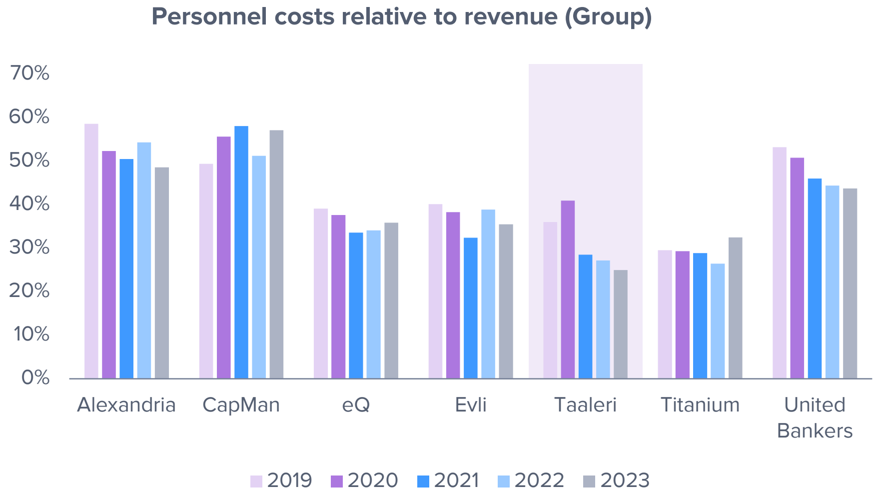


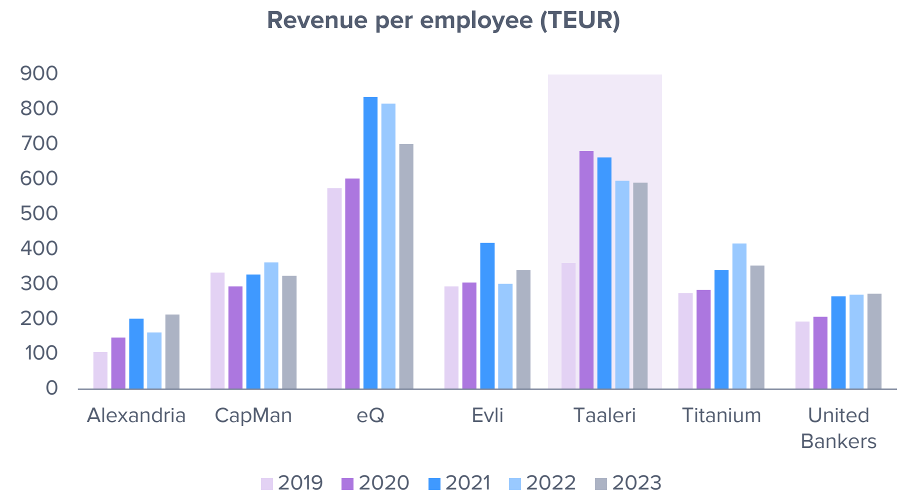


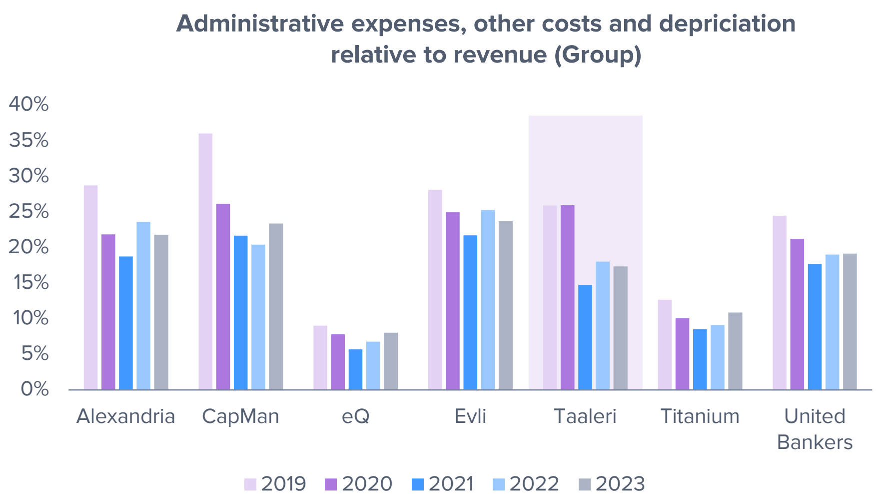


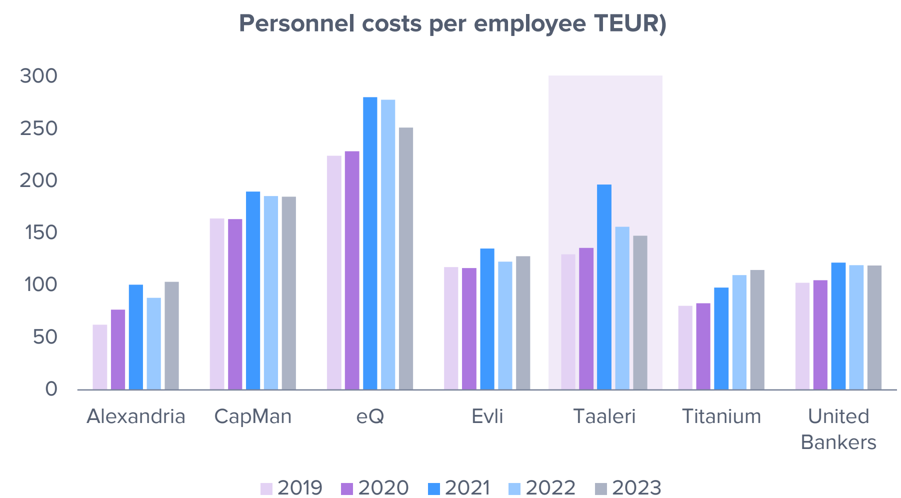
Source: Financial statements of companies

Taaleri compared to domestic peers 2/2









Inderes' comments:

- Revenue per employee calculated with average number of employees.
- Agents included in personnel and personnel costs.
- Taaleri's 2019-2021 figures adjusted for the divested Wealth Management business.

Investment profile

1. In renewable energy, the growth outlook is excellent

2. Other private equity funds are still strongly in the ramp-up phase, which lowers the Group’s profitability

3. Non-recurring fees account for a significant proportion of the Group’s result

4. Garantia generates a strong and steady dividend flow for the Group

5. In the next few years, capital will be heavily allocated to bioindustry investments, the returns of which are in the distant future

Potential

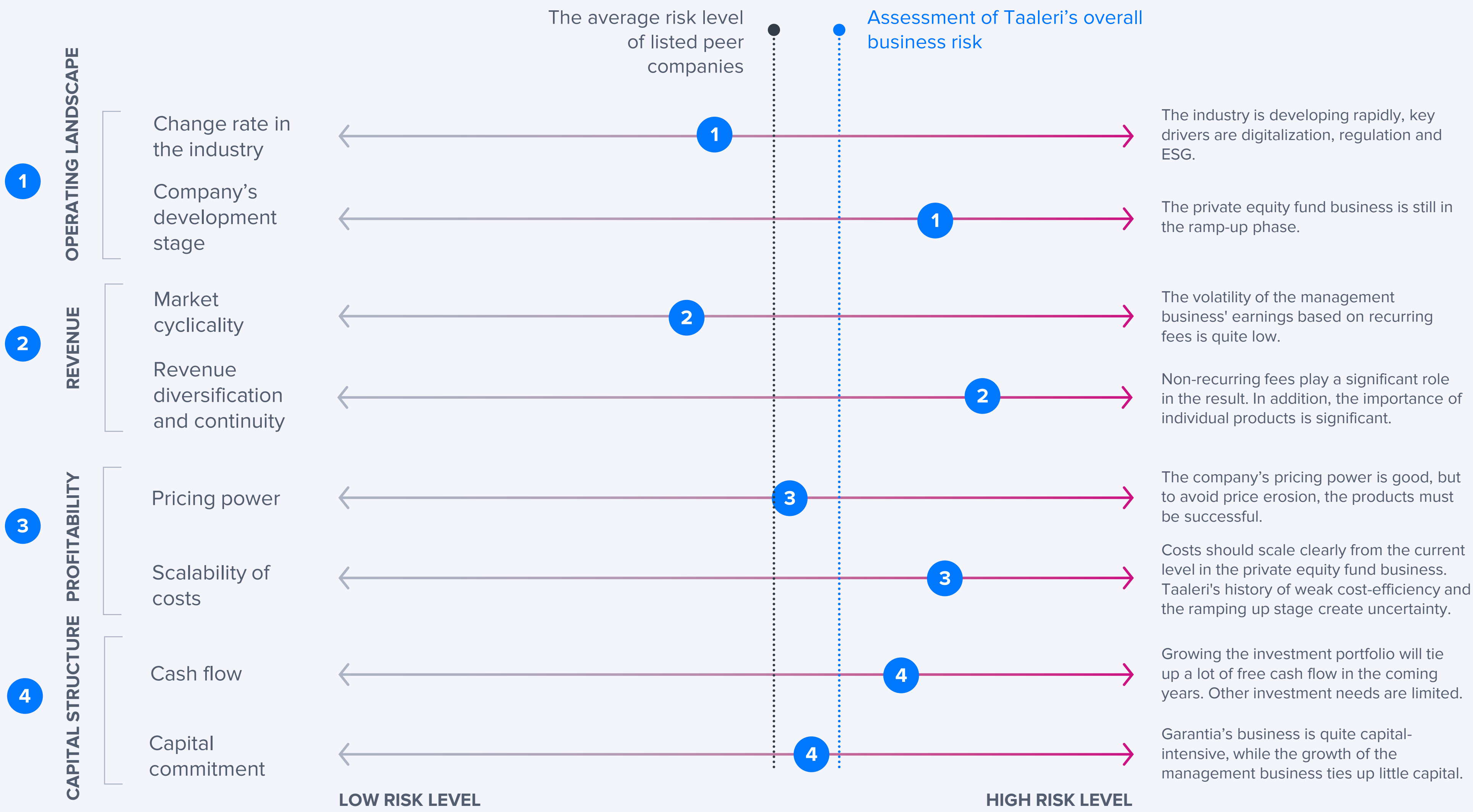
- Scaling of Energia
- Ramping up Other private equity funds
- Garantia’s profitable growth
- Balance sheet bioindustry investments
- M&A transactions
- Performance fees for funds

Risks

- Success in fund investments
- Success in ramping up Other private equity funds (especially real estate)
- Scalability of costs and improving cost-efficiency
- Garantia's guarantee risks

Source: Inderes

Risk profile of the business model



Source: Inderes

Financial position

The insurance business makes the balance sheet heavy

For an asset management company, Taaleri's business ties up relatively large amounts of capital. This can be explained by both the company's significant investment portfolio and by the subsidiary Garantia, whose capital requirements make the balance sheet quite heavy, as is typical of an insurance company. Due to the different businesses, Taaleri's balance sheet is also more complex than for a typical asset management company.

The most significant item on the assets side of the balance sheet is Garantia's investment assets, which were valued at 160 MEUR in the consolidated balance sheet at the end of Q3'24. They are committed to the Group's insurance business, so it is a strongly operational item, which distinguishes it from the rest of the Group's investment activities.

The second biggest item is the balance sheet investments, which was 62 MEUR at the end of Q3'24. In accounting, the item is divided into associated companies, shares and participations, and receivables from the public and public associations. Taaleri itself divides its investment assets into strategic (38 MEUR) and non-strategic investments (24 MEUR).

Investors should also note that the receivables include the company's estimates of performance fees from old wind funds (around 14 MEUR) recorded in 2021-2022, which will be realized as cash flow when the company exits the funds in the next few years. The company had approximately 29 MEUR in cash or equivalent liquid assets.

In other respects, the asset side of the balance sheet is very light and consists mainly of working capital receivables and other assets. The amount of intangible and tangible assets is also very moderate.

Solvency is strong

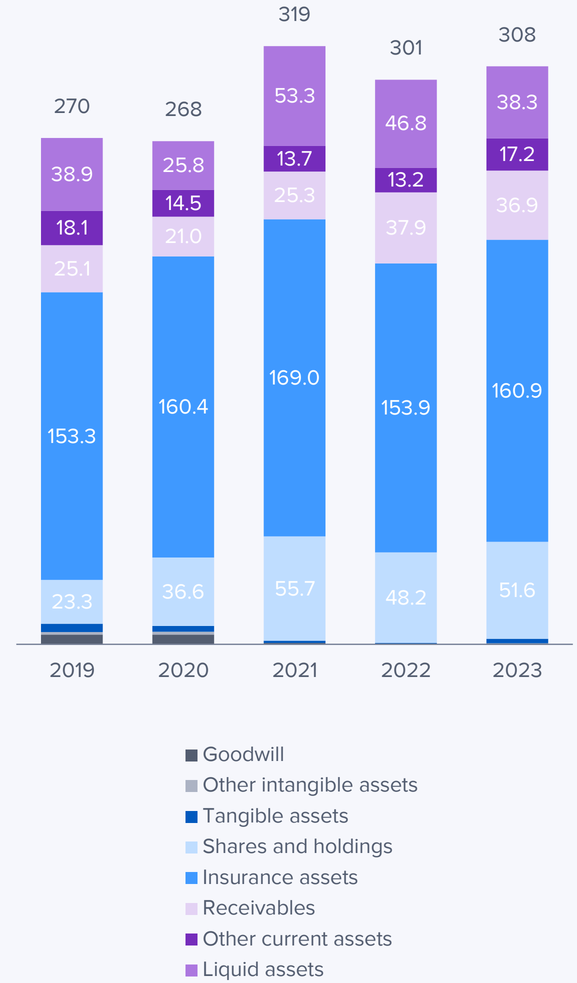
At the end of Q3'24, Taaleri's equity amounted to some 207 MEUR and interest-bearing debt to some 15 MEUR (Tier 2 loan). However, Taaleri redeemed its loan in October last year, so currently, the company has no interest-bearing debt on its balance sheet. The company's balance sheet position is thus very strong with an equity ratio of almost 70% and a negative net gearing. However, after the generous dividend distribution and strategy update, we no longer consider the balance sheet substantially overcapitalized.

Taaleri had approximately 43 MEUR of interest-free debt related to insurance operations and approximately 35 MEUR of other interest-free debt on its balance sheet. Other interest-free liabilities consist mainly of Garantia's deferred tax liabilities and normal working capital items related to the business.

The balance sheet will grow during the strategy period

Within the company's current strategy, we expect the balance sheet's investment portfolio to grow from its current level as Taaleri allocates capital to new bioindustry investments. Part of this is financed by selling existing non-strategic investments, so the balance sheet size should not dramatically increase. At the end of the strategy period, however, we expect the balance sheet to be larger and focus more strongly on the Group's strategic investments. It should be noted that due to its strong solvency, Taaleri has a good debt capacity. Thus, it is possible to support the growth of the investment portfolio by utilizing leverage if earnings development (with non-recurring fees as the key forecasting risk) proves weaker than expected.

Structure of consolidated balance sheet, assets (MEUR)



Estimates 1/2

We have discussed the segment estimates in their respective sections and in this section, we focus on summarizing Group-level estimates. Because Taaleri reports investment income as a part of revenue, we recommend investors to focus solely on the Group-level result and that revenue should mainly be evaluated on segment level.

Our forecasts are based on the assumption that the overall fundraising market will gradually improve in 2025. In real estate, our growth expectations are quite moderate, so in the next few years, the growth of the Group's AUM will mainly rely on the bioindustry. In our estimates, the next renewable energy fund is scheduled for 2027. Thus, our revenue and earnings growth forecast for the private equity fund business is strongly based on the growth of investment income and performance fees.

We also expect the demand for Garantia's guarantee products to pick up from 2025, and from then on, the business should grow steadily with single-digit growth rates. However, investment income remain a volatile earnings component also in the future.

Focus on operational figures

At Group level, investment income will have a greater significance in the future. However, building a bioindustry portfolio takes time, so we expect to see the first concrete results of the success of the investment activities from exits closer to the turn of the decade.

Due to the unpredictable nature of investment income, investors should in addition to EBIT development, pay attention to the development of profitability based on recurring fees from private equity funds and the result of Garantia's insurance operations, as these are the key figures for the Group's value development in the coming years.

Estimate revisions

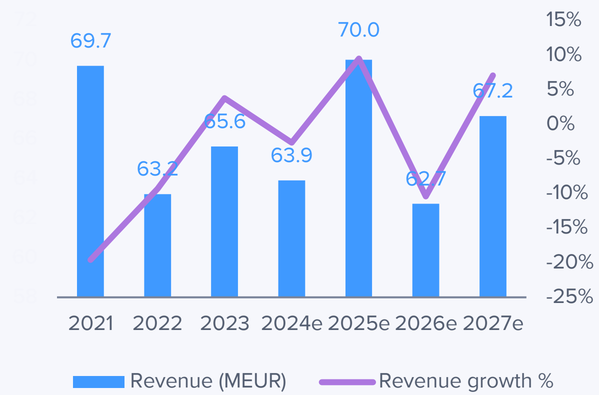
In connection with this extensive report, we made some changes to our forecasts for the coming years. Our 2024 earnings forecast decreased clearly as the remaining closures of the SolarWind 3 fund moved to 2025. This, in turn, had a positive impact on our private equity fund estimates for next year. However, we cut our estimate on the final size of the fund to 600 MEUR from the previous 650 MEUR. Our dividend forecast for 2024 decreased with the earnings forecast.

We also revised our cost forecasts for Other private equity funds upwards and moderately cut our forecasts for recurring fees, which resulted in our 2025 earnings forecast remaining fairly unchanged despite the non-recurring fees carried over from the previous year. In other respects, the forecast changes were rather limited.

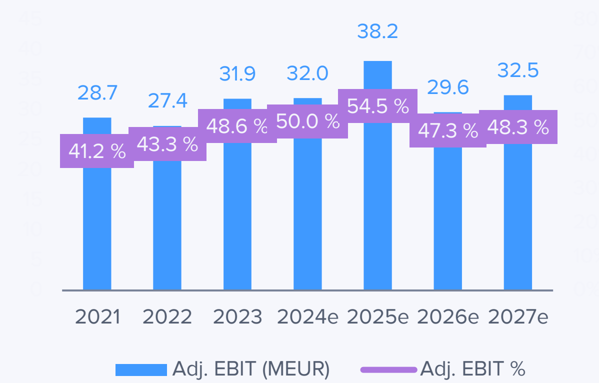
2024-2025: Strong income for non-recurring fees

In 2024, we expect a strong result from Taaleri. The result is largely derived from investment activities, as private equity funds recorded significant one-off income from the sale of the project portfolio, and Garantia's investment year is becoming strong. Our forecast for Taaleri's 2024 EBIT is 32.0 MEUR and EPS is EUR 0.82.

Group-level revenue estimates



Group-level profitability estimates



Estimates 2/2

We also expect a strong performance in 2025, as the stable development of operating segments is supported by performance fees from Energia. We expect the company to record a total of some 12 MEUR in these from the sale of old wind funds and the exit from the Texas wind farm. Our 2025 EBIT forecast is 38.2 MEUR and our EPS estimate is EUR 0.97.

2026-2027: Earnings quality will improve gradually

In our forecasts, Taaleri's Group-level result falls slightly in 2026, due to decreasing non-recurring fees. However, the profitability of private equity funds is expected to gradually improve as AUM grows. Thus, the quality of the result is a notch better when the profitability of private equity funds based on recurring fees is already clearly positive. At the same time, performance fees should gradually start materializing from the SolarWind 1 fund.

In 2026-2027, we also expect to see the first investment income from new bioindustry investments. However, we note that predicting performance fees and investment income is very challenging, so annual deviations will certainly be significant. Here we recommend following the average levels, which should gradually increase as the investment portfolio and AUM grow.

We expect Garantia's earnings growth to continue at a stable but moderate pace along with the rest of the market.

Long-term estimates

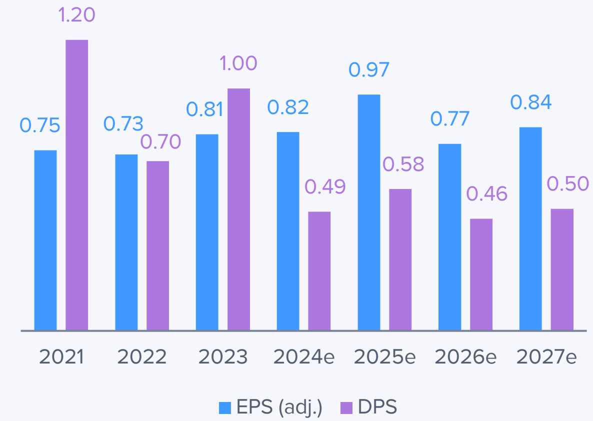
In the slightly longer term, Taaleri's performance will be determined by familiar components. We expect AUM to continue to developing steadily, although with the SolarWind 4 fund, the inherent maximum size of the solar wind fund should gradually be reached, which limits the long-term growth assumptions in our forecasts.

Even though AUM growth should increase earnings in line with recurring fees, investment income will continue to play a very important role in the future. This highlights Taaleri's relatively high risk profile.

Profit distribution forecasts

Taaleri's current profit distribution policy is to distribute at least half of the profit for the financial year as dividends. A much higher profit distribution is not possible if the company wants to reach the targeted strategic investment portfolio of 100 MEUR by the end of the target period. In our forecasts, we have set the payout ratio at 60%.

EPS and DPS



Estimate revisions

Estimate revisions	2024e	2024e	Change	2025e	2025e	Change	2026e	2026e	Change
MEUR / EUR	**Old**	**New**	**%**	**Old**	**New**	**%**	**Old**	**New**	**%**
Revenue	69.4	63.9	-8 %	68.7	70.0	2 %	61.7	62.7	2 %
EBIT excl. NRIs	37.2	32.0	-14 %	37.6	38.2	1 %	29.7	29.6	0 %
EBIT	37.2	32.0	-14 %	37.6	38.2	1 %	29.7	29.6	0 %
EPS (excl. NRIs)	0.95	0.82	-13 %	0.93	0.97	4 %	0.75	0.77	3 %
DPS	0.57	0.49	-13 %	0.56	0.58	4 %	0.45	0.46	3 %

Source: Inderes

Valuation 1/6

Valuation summary

We have estimated Taaleri's fair value through the sum of its parts, multiples and cash flow calculation. In this analysis, we focus on the sum of the parts, as it best accounts for the differing growth, profitability and risk profiles of Taaleri's businesses. Balance sheet multiples and the cash flow model (DCF) provides support for the analysis. Peer analysis, in turn, is poorly suited to Taaleri, so we have only applied the method to examine the value of Energia.

Our sum-of-the-parts valuation is approximately EUR 10.2 per share, which corresponds to the midpoint of the fair value range (EUR 9-11) we accept for the company's stock.

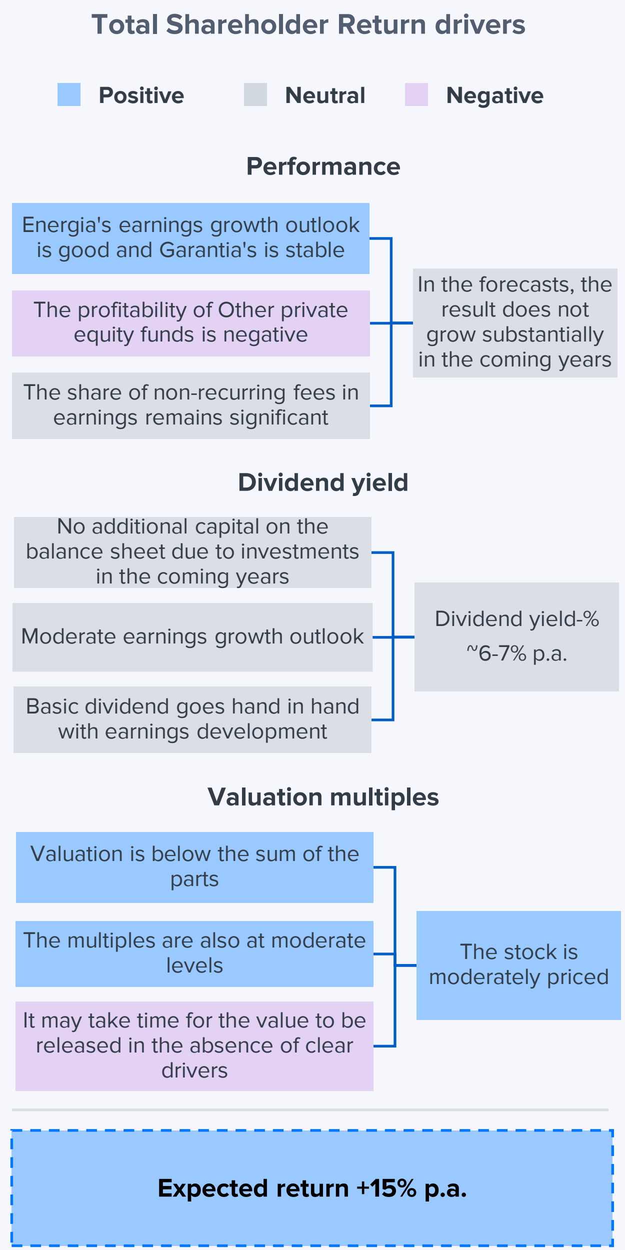
The majority of the value is committed to the insurance company Garantia, while the remainder is effectively split between Renewable Energy and the investment assets on the balance sheet. As a whole, we currently consider the stock to be attractively priced, with the share price clearly below the value of our sum of the parts calculation.

It might take some time to release the value

However, it is challenging to gauge the timing of the release of the sum of parts, and we believe it depends, in addition to the company's earnings development, on the development of the general stock market sentiment. Of the operational factors, we see the growth outlook for AUM in the private equity fund business and the bioindustry investments to be implemented in the next few years as key. However, the share of bioindustry investments and other balance sheet investments in the company's value is moderate under the current structure, so we estimate that the current modest price level mainly reflects market skepticism toward the development of the fund business and the insurance business. Their time span is clearly shorter than the value creation of bioindustry investments, so we do not believe that there are any significant obstacles to the release of value over the next few years, especially if the risk appetite increases on the stock market.

We are, however, somewhat skeptical about the realization of value over a 12-month period in the absence of significant earnings drivers, which takes the best edge of the share's expected return and justifies our target price below the value of the sum of the parts. For example, a significant increase in the level of earnings from recurring fees in Renewable Energy will require the establishment of the next large fund, as SolarWind 3, which is in the fundraising phase, is not yet projected to lead to the segment's full earnings potential. However, this will not be relevant until the beginning of 2027. Meanwhile, the main drivers of profitability and performance are the development of Garantia, the investment income on the balance sheet, and the performance fees from old wind funds.

In any case, the share price increase corresponds to a significant share of expected return, so estimating the timing is essential for an investor. If this were to happen within three years, the annual expected return would still be attractive at around 16%. While waiting for the value to be released, a healthy dividend yield (6-7%) provides solid ground for investors. Patience is required with the share in any case.



Valuation 2/6

Value of renewable energy

Taaleri Energia's development has been quite convincing in recent years. The risk level has also fallen with the ramp-up of operations progressing, as the profitability based on recurring fees has turned clearly positive following the most recent fund launch. Going forward, the segment's growth will primarily come from increasing fund sizes, as we estimate that it is not possible to run a larger number of funds simultaneously than currently, since typically, according to fund rules, the previous fund must be mostly invested before fundraising for the next one can begin. Thus, our EBIT forecast for the coming years is in line with our understanding of the profitability profile of Energia's current business and fund portfolio.

In our view, when estimating Energia's value, it is justified to separate the profitability based on recurring fees from the non-recurring fees generated from performance fees. We do not include investment income as part of our sum-of-the-parts analysis for Energia, as these are reflected in Taaleri's balance sheet. Therefore, these are also valued as part of the Group's balance sheet investments.

Our 2024 and 2025 EBIT forecast, adjusted for non-recurring fees, is exceptionally high (discussed in more detail in Energia's forecasts), so we apply the normalized level of approximately 5 MEUR in our value determination for the next few years. By multiplying this with the 14x EV/EBIT ratio we accept for Energia, the value of Energia's continuing operations is approximately 70 MEUR. Relative to the earnings growth outlook, the multiple could be higher, but Energia's still early stage of development and the resulting higher required return depress the accepted level for the time being. In addition, Energia's business is focused only on one asset class and investment team, which we believe increases the risk level. The applied valuation is also in line with the peer group (2024-2025e median EV/EBIT 13x).

In addition, we have estimated Energia to be able to reach an annual performance fee level of approximately 4 MEUR. The present value of this with a 10% required return and considering taxes is 32 MEUR. We are not ready to price in material growth in performance fees, which is a rather conservative assumption relative to the growth outlook for Energia's AUM. For the time being, we consider caution justified, as the company's track record of successful exits is still lacking.

Based on these, the total value of Energia is just over 100 MEUR, of which Taaleri's 76.2% holding is approximately 85 MEUR. We note that the minority holding is only allocated to continuing operations, as the performance fees we expect belong to Taaleri in full (the team's share is not recorded in the income statement).

From the viewpoint of AUM the value is quite high relative to the current fund capital of approximately 1. 6 BNEUR (~6% of AUM). We believe, however, that this is justified by the high quality of the AUM, i.e. permanence and a healthy fee level.

Energia's peer group	EV/EBIT	
Company	**2024e**	**2025e**
3i Group Plc	8.6x	7.4x
Antin Infrastructure Partners	10.3x	11.4x
Bridge Investment Group Inc	6.8x	5.1x
Bridgepoint Group PLC	20.5x	17.7x
CapMan Oyj	16.0x	10.9x
GCM Grosvenor Inc	13.7x	12.0x
Hamilton Lane Inc	36.3x	26.5x
StepStone Group Inc	38.7x	23.7x
Average	**18.9x**	**14.3x**
Median	**14.8x**	**11.7x**

Source: Refinitiv

Valuation 3/6

Valuation of Other private equity funds

Valuation of Other private equity funds is currently very difficult, as the business is in the construction phase and our forecasts expect a loss-making result for the continuing business for several years to come. Therefore, we consider an AUM-based valuation to be the most sensible method for valuing the Other private equity funds segment. The AUM of the segment is currently 983 MEUR, but its quality is mainly rather weak, since most of the funds are old and approaching the exit phase. In addition, mandates account for a significant share of capital. This is reflected in the current return level of the AUM, which is modest (~0.5%).

The most valuable part of Other private equity funds is the bioindustry, of which 25% is held by minority owners. We price the Bioindustry at an AUM ratio of 4% (cf. Energia 6%). Due to the more moderate fee level and weaker growth outlook, we are ready to accept a modest 1% level for the value of other AUM, as we believe Taaleri does not have a credible roadmap for, e.g., turning the real estate business profitable. Thus, the total value of Other private equity funds is 12 MEUR. It is clear that there would be significant upside in the value if the segment's growth and profitability development turned out to be rosier already in the medium term. However, we believe that the low value is justified at this stage, as the operations remain loss-making in our forecasts for years to come.

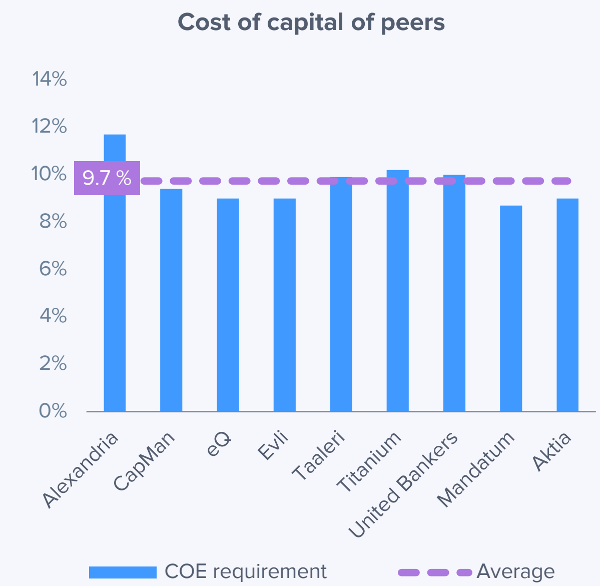
We note that, like Energia, the value of the Other private equity fund's investment operations is treated as part of the Group's balance sheet investments.

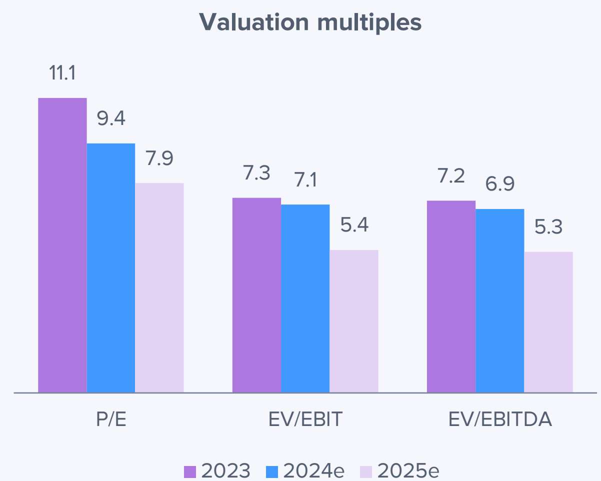
Value of other items

The present value of Group expenses is around -67 MEUR in our calculations. When estimating Group expenses, we use our forecast for next year and a growth factor of 3%. Only the part that has not been allocated to segments is considered as group expenses. In our view, this provides a better picture of the value distribution between Taaleri's different parts, although the challenge naturally is that the division is very artificial. However, all costs are considered in the valuation, so this is not relevant to the final result.

In addition, Taaleri has plenty of balance sheet investments, which we have valued at the balance sheet value of these assets. Our key assumption is that the return of the investment portfolio will in the long run roughly correspond to its required return. Considering tax liabilities, the value of the investment portfolio is thus 60 MEUR. In addition, we have included approximately 14 MEUR of performance fee receivables in assets, which the company has on its balance sheet from its old wind funds.

The company's net cash amounted to 14 MEUR at the end of Q3'24. Net cash consisted of some 15 MEUR in interest-bearing liabilities and some 29 MEUR in cash assets. We note that since the last earnings report, Taaleri has paid off its interest-bearing debts. We believe this was carried out from cash reserves, so the measure does not affect the amount of net debt.





Valuation 4/6

Valuation of Garantia

The value of Garantia consists of the dividend flow it generates, as we estimate that the company's balance sheet does not contain any significant excess capital to be distributed in addition to these. As valuation methods, we use balance sheet-based pricing multiples that consider return on capital and the dividend discount model (DDM) In Garantia's case, we consider the DDM model very useful, as we expect the company to distribute nearly all of its post-tax profit to Taaleri as dividends.

With the valuation methods we apply, the value of Garantia's share capital is 170 MEUR.

Garantia's DDM model

We expect the dividend distributed by Garantia to grow steadily from our forecast of 14 MEUR in 2024 to 15 MEUR in 2028. We have set the growth factor for the terminal period at 1.5%, as we assume that loan guarantee demand will remain relatively stable in the long term and rising house prices will moderately increase the average size of mortgages and guarantees, which are important for Garantia's value. In this respect, our assumptions are reasonably cautious, but we believe that this is justified because increased competition, in particular, is a key uncertainty factor.

We have applied a cost of equity of 10% in Garantia's valuation. The required return is elevated by the small size of the company and the claims amounts that have fluctuated considerably in history. As a result of these assumptions, our DDM model indicates that the value of Garantia's share capital is about 176 MEUR.

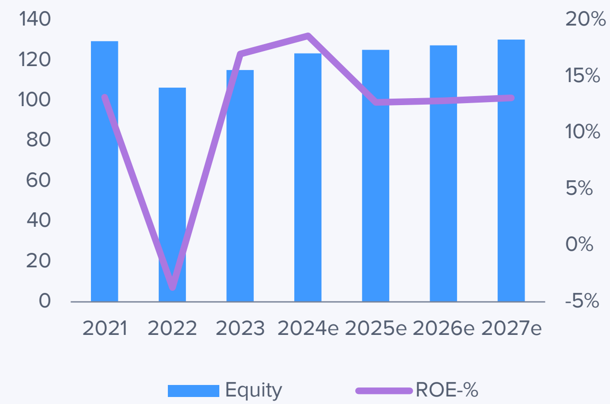
With our estimated earnings development and profit distribution policy, Garantia's Solvency 2 ratio is in the range of 220-230% during our forecast period, which corresponds to our estimate of the company's comfort zone.

Garantia's balance sheet-based multiples

In the balance sheet-based analysis, we focus on examining the P/B ratio, which relates the value of equity and share capital committed to Garantia's business. We have based the multiple range we accept for Garantia on the estimated long-term ability to generate return on equity, the risk level, and earnings growth.

By applying the estimated 12-13% return on equity, the 10% required return and 1.5% growth factor for the terminal period the acceptable P/B level is 1.4-1.5x, which equates to a share capital value of 164-177 MEUR. The mid-point of the range, therefore, corresponds to the value indicated by our DDM model due to the similarity of key assumptions.

Garantia's equity development



**Garantia's equity: Insurance assets - insurance liabilities*

Sensitivity analysis of Garantia's balance sheet-based value (MEUR)

Return on equity % (ROE)

Required return	10.0%	11.0%	12.0%	13.0%	14.0%
9.0%	155	170	186	201	217
9.5%	145	160	174	189	203
10.0%	137	150	164	177	191
10.5%	129	142	155	168	180
11.0%	122	134	147	159	171

Valuation 5/6

SOTP summary

Taaleri's value from our sum of the part calculation is around **290 MEUR** or EUR 10.2 per share. This clearly exceeds the current share price, which, we believe is explained in particular by the weak stock market sentiment and investors' skepticism about the company's ability to create value with investment activities and the growth outlook of the operating businesses. We believe the situation will improve over time, so the current price level seems attractive considering the expected return. A higher sum of parts would require either 1) better-than-expected performance in private equity funds, 2) value-creating M&A transactions (e.g. business divestments at a high price), 3) success in bio investments or 4) faster growth of Garantia.

Other private equity funds, on the other hand, are the only part of the Group where we see potential for substantial hidden value. However, the path to realizing this is still uncertain, as in our forecasts, the segment's result is negative also at the end of the strategy period. At Group level, however, the significance of this is very moderate, as Other private equity funds account for less than 5% of the value based on the sum of the parts.

Capital allocation determines a lot

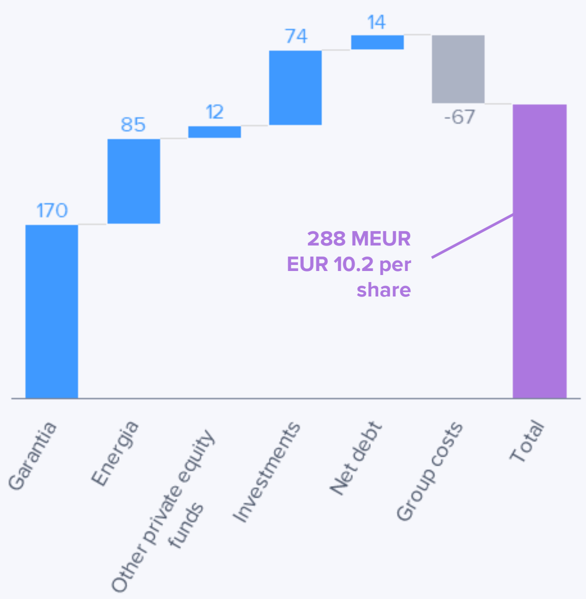
With the strategy update, the biggest change in the past two years has occurred in the company's investment portfolio, which will become larger and significantly riskier in the coming years as a large part of the balance sheet is allocated to high-risk and high-yield investments in the bioindustry. As a result, Taaleri's business model is more akin to that of an investment company.

The company's investment story increasingly boils down to the management's ability to successfully allocate balance sheet investments. We remind investors that Taaleri's track record of capital allocation is actually rather good. The key successes we like to highlight are Finsilva, Garantia and Ficolo. In the bioindustry, the company has accumulated significant expertise, and we believe that the timing is optimal, as the market is just emerging. However, investors need to understand that the risk level of bioindustry investment is significantly higher than for Taaleri's current portfolio due to, e.g., their larger size and technology risk. The counterpart is naturally a significantly higher return potential.

Cash flow model (DCF)

The DCF model is not optimal for Taaleri, as non-recurring fees clearly fluctuate cash flow, and the growth outlook and risk profiles of operating businesses differ clearly. Therefore, we do not give significant weight to our DCF model in our analysis, and the value it indicates should mainly be considered as supporting other valuation methods.

Sum of the parts calculation (MEUR)



Valuation 6/6

In our DCF model, we assume that after 2027 the result will stabilize at around 35 MEUR. We have used an EBIT margin of 45% as terminal profitability, which is relatively prudent, given the current company structure. However, we find this level justified because Private equity funds are still being ramped up and the uncertainty it brings. Like the sum of parts calculation, our DCF model gives Taaleri a value of approximately EUR 10 per share.

Valuation multiples

With our 2024-2025 earnings forecasts, P/E ratios are 8-9x, which cannot be seen as demanding. However, it should be noted that the result mostly comes from more difficult-to-predict non-recurring fees. In addition, Taaleri's dividend yield is reasonably good in the next few years at around 6-7%.

We believe the P/B ratio is still reasonably relevant for Taaleri due to the high weight of capital-intensive Garantia and the significant share of balance sheet investments. With our estimates, Taaleri's return on equity is around 12% in the next few years, relative to which the current balance sheet-based pricing P/B 1.1x cannot be considered high.

As a whole, the multiples support our view on the attractive pricing of the share. However, we note that the usability of earnings-based multiples is weakened by the ongoing ramp-up of the private equity fund business and the significant share of non-recurring fees in earnings.

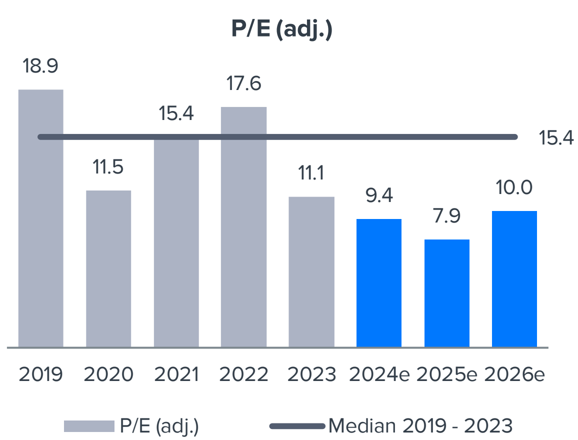
The peer group is not optimal

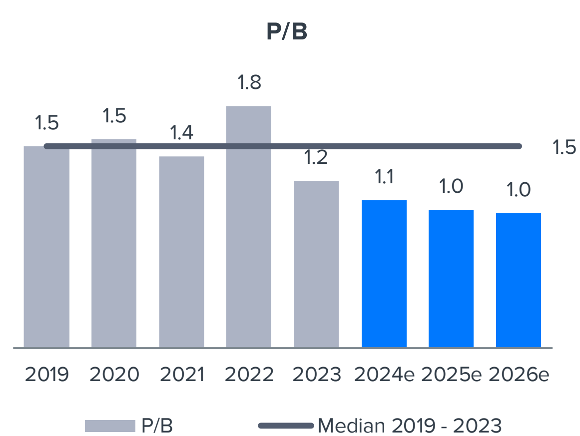
We have used all listed asset managers as domestic peers. However, the average comparability between Taaleri and the peer group is not very good, as the other listed asset managers operate mainly in different markets. There are also differences between business models. The main difference is Taaleri's broad-based investment activity and the insurance company Garantia, which is responsible for a large part of the value and whose profile cannot be compared to asset managers. The interpretation of Taaleri's earnings-based multiples is further complicated by the high share of annually fluctuating non-recurring fees in earnings. Therefore, the peer analysis is more suitable for examining the valuation of the various parts of the group, especially Energia.

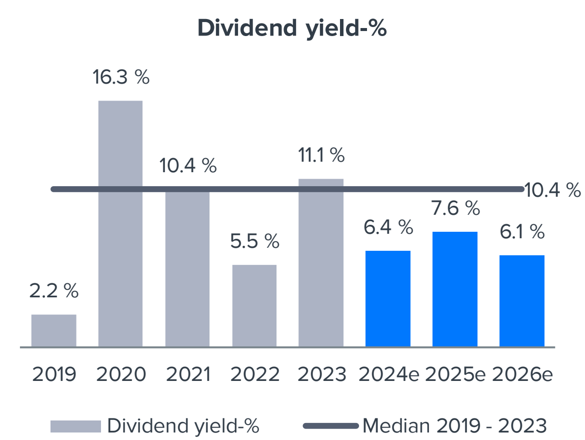
Valuation table

Valuation	2019	2020	2021	2022	2023	2024e	2025e	2026e	2027e
Share price	7.40	8.12	11.5	12.8	8.99	**7.72**	**7.72**	**7.72**	**7.72**
Number of shares, millions	28.4	28.4	28.4	28.4	28.3	**28.5**	**28.7**	**28.9**	**29.1**
Market cap	210	230	326	363	254	**220**	**220**	**220**	**220**
EV	246	289	308	331	234	**227**	**206**	**215**	**226**
P/E (adj.)	18.9	11.5	15.4	17.6	11.1	**9.4**	**7.9**	**10.0**	**9.2**
P/E	18.9	11.5	2.4	17.6	11.1	**9.4**	**7.9**	**10.0**	**9.2**
P/B	1.5	1.5	1.4	1.8	1.2	**1.1**	**1.0**	**1.0**	**0.9**
P/S	3.1	2.7	4.7	5.7	3.9	**3.4**	**3.1**	**3.5**	**3.3**
EV/Sales	3.7	3.3	4.4	5.2	3.6	**3.6**	**2.9**	**3.4**	**3.4**
EV/EBITDA	12.8	10.7	2.1	11.6	7.2	**6.9**	**5.3**	**7.1**	**6.8**
EV/EBIT (adj.)	14.9	11.8	10.7	12.1	7.3	**7.1**	**5.4**	**7.2**	**7.0**
Payout ratio (%)	40.9 %	187.2 %	25.0 %	96.3 %	123.3 %	**60.0 %**	**60.0 %**	**60.0 %**	**60.0 %**
Dividend yield-%	2.2 %	16.3 %	10.4 %	5.5 %	11.1 %	**6.4 %**	**7.6 %**	**6.1 %**	**6.7 %**

Source: Inderes







Peer group valuation

Peer group valuation	Market cap	EV	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%		P/B
Company	**MEUR**	**MEUR**	**2024e**	**2025e**	**2024e**	**2025e**	**2024e**	**2025e**	**2024e**	**2025e**	**2024e**	**2025e**	**2024e**
Aktia	695								7.7	8.0	8.5	8.1	0.9
Alexandria	93	86	8.2	7.7	6.8	6.4	1.8	1.7	12.0	11.3	7.2	7.3	2.7
CapMan	309	298	9.3	7.7	8.9	7.3	4.5	4.1	15.1	11.8	8.1	8.5	1.6
Evli	492	503	11.2	10.1	10.1	9.2	4.6	4.3	14.7	13.2	8.1	8.8	3.5
eQ	502	460	10.3	8.9	10.0	8.7	5.9	5.2	14.1	12.4	7.3	8.3	6.2
Titanium	88	76	7.9	6.3	7.2	5.9	3.2	2.9	11.6	9.4	9.6	11.6	4.9
United Bankers	197	170	8.7	8.8	7.7	7.7	2.8	2.7	13.5	13.8	6.4	6.6	3.3
Taaleri (Inderes)	**220**	**227**	**7.1**	**5.4**	**6.9**	**5.3**	**3.6**	**2.9**	**9.4**	**7.9**	**6.4**	**7.6**	**1.1**
Average			**9.3**	**8.2**	**8.5**	**7.5**	**3.8**	**3.5**	**12.7**	**11.4**	**7.9**	**8.5**	**3.3**
Median			**9.0**	**8.2**	**8.3**	**7.5**	**3.9**	**3.5**	**13.5**	**11.8**	**8.1**	**8.3**	**3.3**
Diff-% to median			***-21%***	***-34%***	***-16%***	***-29%***	***-8%***	***-15%***	***-30%***	***-33%***	***-21%***	***-8%***	***-66%***

Source: Refinitiv / Inderes

Income statement

Income statement	2022	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24	Q2'24	Q3'24	Q4'24e	2024e	2025e	2026e	2027e
Revenue	**63.2**	**10.1**	**23.8**	**13.5**	**18.2**	**65.6**	**17.2**	**12.6**	**22.2**	**11.9**	**63.9**	**70.0**	**62.7**	**67.2**
Private equity funds	42.6	5.2	16.1	8.4	12.7	42.3	6.7	6.4	14.4	6.8	34.3	46.2	39.0	42.7
Garantia	8.1	4.1	5.4	3.9	4.5	17.9	9.3	4.1	6.8	4.4	24.6	20.8	21.4	22.3
Others	12.6	-0.1	4.8	0.8	0.5	6.1	1.1	1.3	0.4	0.8	3.6	3.1	2.3	2.2
EBITDA	**28.6**	**1.7**	**17.8**	**5.9**	**7.0**	**32.4**	**9.8**	**4.6**	**14.9**	**3.4**	**32.7**	**38.7**	**30.3**	**33.2**
Depreciation	-1.2	-0.2	-0.1	-0.2	-0.1	-0.5	-0.2	-0.2	-0.2	-0.1	-0.8	-0.5	-0.6	-0.7
EBIT (excl. NRI)	**27.4**	**1.6**	**17.7**	**5.7**	**6.9**	**31.9**	**9.6**	**4.4**	**14.7**	**3.3**	**32.0**	**38.2**	**29.6**	**32.5**
EBIT	**27.4**	**1.6**	**17.7**	**5.7**	**6.9**	**31.9**	**9.6**	**4.4**	**14.7**	**3.3**	**32.0**	**38.2**	**29.6**	**32.5**
Private equity funds	16.8	-1.2	8.6	3.5	4.0	14.9	0.5	0.3	9.2	-0.1	9.9	21.2	13.2	15.6
Garantia	1.3	3.3	4.6	4.7	4.0	16.5	9.1	4.1	6.3	4.2	23.7	19.8	20.3	21.1
Others	9.3	-0.5	4.6	-2.4	-1.1	0.5	0.0	0.0	-0.9	-0.8	-1.7	-2.8	-3.9	-4.3
Net financial items	-1.0	-0.3	-0.5	-0.2	-0.2	-1.2	-0.2	-0.2	-0.2	-0.2	-0.9	-0.4	-0.3	-0.3
PTP	**26.4**	**1.3**	**17.2**	**5.5**	**6.6**	**30.7**	**9.4**	**4.2**	**14.5**	**3.1**	**31.1**	**37.8**	**29.3**	**32.2**
Taxes	-5.1	-0.7	-1.3	-0.6	-1.7	-4.2	-1.9	-0.8	-1.4	-0.6	-4.6	-7.6	-5.9	-6.4
Minority interest	-0.7	-0.1	-2.2	-0.3	-0.9	-3.6	-0.1	-0.3	-2.2	-0.5	-3.2	-2.3	-1.2	-1.3
Net earnings	**20.6**	**0.5**	**13.8**	**4.6**	**4.0**	**22.9**	**7.4**	**3.1**	**10.9**	**1.9**	**23.3**	**28.0**	**22.3**	**24.4**
EPS (adj.)	**0.73**	**0.02**	**0.49**	**0.16**	**0.14**	**0.81**	**0.26**	**0.11**	**0.39**	**0.07**	**0.82**	**0.97**	**0.77**	**0.84**
EPS (rep.)	**0.73**	**0.02**	**0.49**	**0.16**	**0.14**	**0.81**	**0.26**	**0.11**	**0.39**	**0.07**	**0.82**	**0.97**	**0.77**	**0.84**

Key figures	2022	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24	Q2'24	Q3'24	Q4'24e	2024e	2025e	2026e	2027e
Revenue growth-%	-9.3 %	41.8 %	100.9 %	-50.0 %	5.3 %	3.8 %	69.1 %	-46.9 %	65.1 %	-34.6 %	-2.6 %	9.5 %	-10.4 %	7.1 %
Adjusted EBIT growth-%	-4.7 %	-341.0 %	634.2 %	-68.9 %	-3.7 %	16.5 %	517.1 %	-75.1 %	155.8 %	-52.5 %	0.3 %	19.3 %	-22.3 %	9.5 %
EBITDA-%	45.2 %	16.8 %	74.8 %	43.8 %	38.2 %	49.3 %	57.4 %	36.4 %	67.1 %	28.4 %	51.2 %	55.2 %	48.3 %	49.4 %
Adjusted EBIT-%	43.3 %	15.3 %	74.4 %	42.7 %	37.8 %	48.6 %	56.0 %	34.9 %	66.1 %	27.5 %	50.0 %	54.5 %	47.3 %	48.3 %
Net earnings-%	32.6 %	5.1 %	57.8 %	34.4 %	22.2 %	35.0 %	43.2 %	24.6 %	49.2 %	16.0 %	36.5 %	39.9 %	35.5 %	36.4 %

Source: Inderes

NB: The Group's revenue differs slightly from the combined revenue of the segments in historical data due to eliminations made by the company. These include the share of profit from associates allocated to the segments and some pass-through items.

Balance sheet

Assets	2022	2023	2024e	2025e	2026e
Non-current assets	**206**	**221**	**231**	**239**	**256**
Goodwill	0.3	0.3	0.3	0.3	0.3
Intangible assets	0.0	0.2	0.2	0.2	0.2
Tangible assets	0.4	2.4	2.6	3.2	3.6
Associated companies	48.2	51.6	61.5	69.0	86.0
Other investments	154	161	161	161	161
Other non-current assets	0.0	0.0	0.0	0.0	0.0
Deferred tax assets	3.2	5.1	5.1	5.1	5.1
Current assets	**94.8**	**87.3**	**60.6**	**68.6**	**57.9**
Inventories	0.0	0.0	0.0	0.0	0.0
Other current assets	13.2	17.2	17.2	17.2	17.2
Receivables	34.8	31.8	30.7	17.5	15.7
Cash and equivalents	46.8	38.3	12.8	34.0	25.0
Balance sheet total	**301**	**308**	**291**	**307**	**314**

Source: Inderes

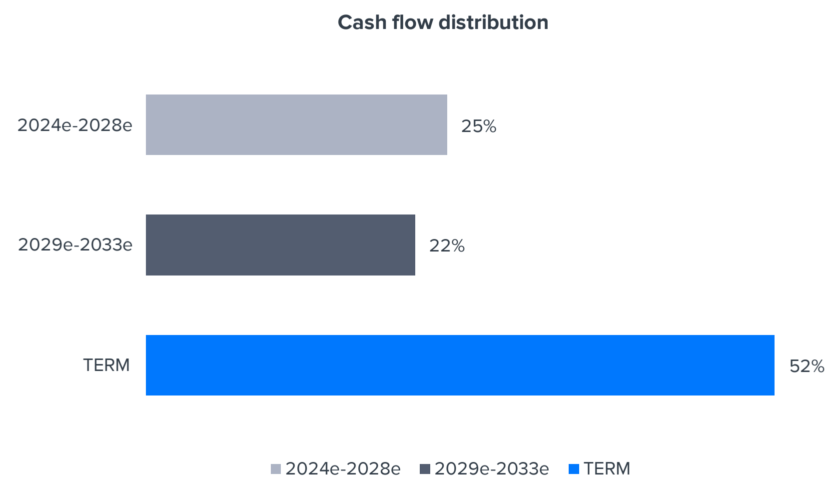
Liabilities & equity	2022	2023	2024e	2025e	2026e
Equity	**203**	**209**	**207**	**223**	**230**
Share capital	0.1	0.1	0.1	0.1	0.1
Retained earnings	184	187	182	196	202
Hybrid bonds	0.0	0.0	0.0	0.0	0.0
Revaluation reserve	18.8	18.8	18.8	18.8	18.8
Other equity	0.0	0.0	0.0	0.0	0.0
Minorities	-0.4	2.5	5.7	7.9	9.1
Non-current liabilities	**54.1**	**53.6**	**38.9**	**38.7**	**38.7**
Deferred tax liabilities	17.5	16.5	16.5	16.5	16.5
Provisions	0.0	0.0	0.0	0.0	0.0
Interest bearing debt	14.9	14.9	0.2	0.0	0.0
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	21.8	22.2	22.2	22.2	22.2
Current liabilities	**44.0**	**45.6**	**45.6**	**45.6**	**45.6**
Interest bearing debt	0.0	0.0	0.0	0.0	0.0
Payables	0.0	0.0	0.0	0.0	0.0
Other current liabilities	44.0	45.6	45.6	45.6	45.6
Balance sheet total	**301**	**308**	**291**	**307**	**314**

DCF calculation

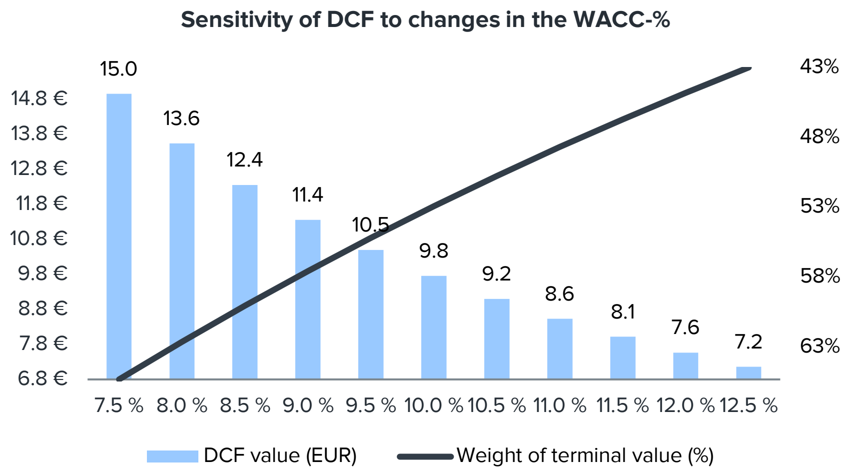
DCF model	2023	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	TERM
Revenue growth-%	3.8 %	-2.6 %	9.5 %	-10.4 %	7.1 %	3.0 %	3.0 %	3.0 %	3.0 %	2.5 %	2.5 %	2.5 %
EBIT-%	48.6 %	50.0 %	54.5 %	47.3 %	48.3 %	48.0 %	47.0 %	46.0 %	45.0 %	45.0 %	45.0 %	45.0 %
EBIT (operating profit)	**31.9**	**32.0**	**38.2**	**29.6**	**32.5**	**33.2**	**33.5**	**33.8**	**34.0**	**34.9**	**35.7**	
+ Depreciation	0.5	0.8	0.5	0.6	0.7	0.8	0.9	1.0	1.0	1.1	1.2	
- Paid taxes	-7.1	-4.6	-7.6	-5.9	-6.4	-6.6	-6.6	-6.7	-6.7	-6.9	-7.1	
- Tax, financial expenses	-0.2	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	0.0	
+ Tax, financial income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Change in working capital	0.6	1.1	13.2	1.8	-1.1	-0.5	-0.5	-0.5	-0.6	-0.5	-0.5	
Operating cash flow	**25.8**	**29.1**	**44.2**	**26.2**	**25.6**	**26.9**	**27.2**	**27.4**	**27.7**	**28.5**	**29.3**	
+ Change in other long-term liabilities	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-9.7	-1.0	-1.1	-1.1	-1.2	-1.2	-1.3	-1.3	-1.4	-1.4	-1.4	
Free operating cash flow	**16.5**	**28.1**	**43.2**	**25.1**	**24.4**	**25.7**	**25.9**	**26.1**	**26.3**	**27.1**	**27.9**	
+/- Other	-10.4	-9.9	-7.5	-17.0	-22.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	6.1	18.2	35.7	8.1	2.4	25.7	25.9	26.1	26.3	27.1	27.9	379
Discounted FCFF		**18.3**	**32.6**	**6.7**	**1.8**	**17.6**	**16.1**	**14.8**	**13.5**	**12.7**	**11.8**	**161**
Sum of FCFF present value		307	289	256	249	248	230	214	199	185	173	161
Enterprise value DCF		**307**										
- Interest bearing debt		-14.9										
+ Cash and cash equivalents		38.3										
-Minorities		-20.0										
-Dividend/capital return		-28.3										
Equity value DCF		**282**										
Equity value DCF per share		**9.9**										

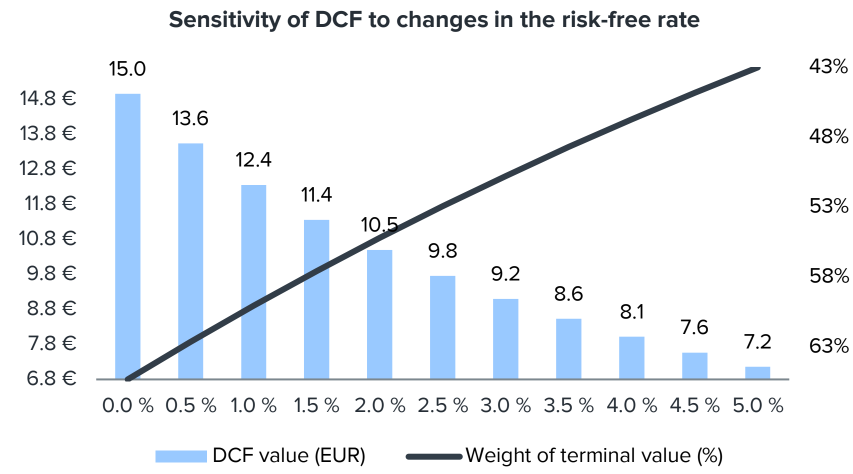
WACC	
Tax-% (WACC)	20.0 %
Target debt ratio (D/(D+E))	0.0 %
Cost of debt	5.0 %
Equity Beta	1.38
Market risk premium	4.75%
Liquidity premium	1.00%
Risk free interest rate	2.5 %
Cost of equity	**10.0 %**
Weighted average cost of capital (WACC)	**10.0 %**

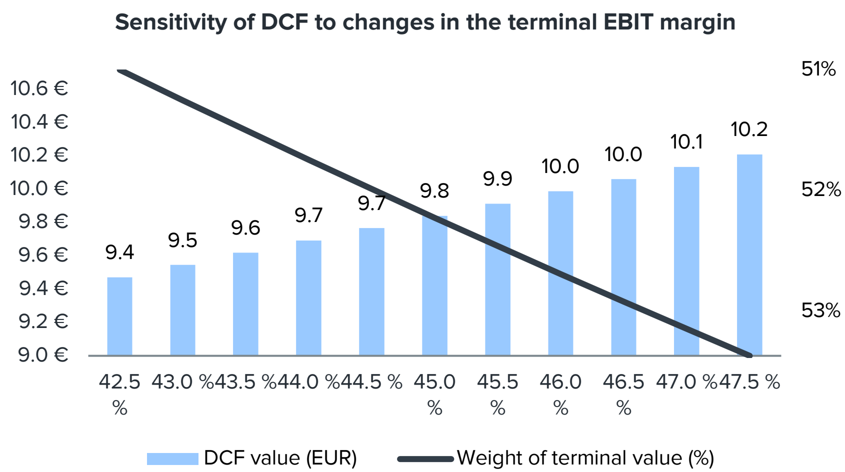
Source: Inderes

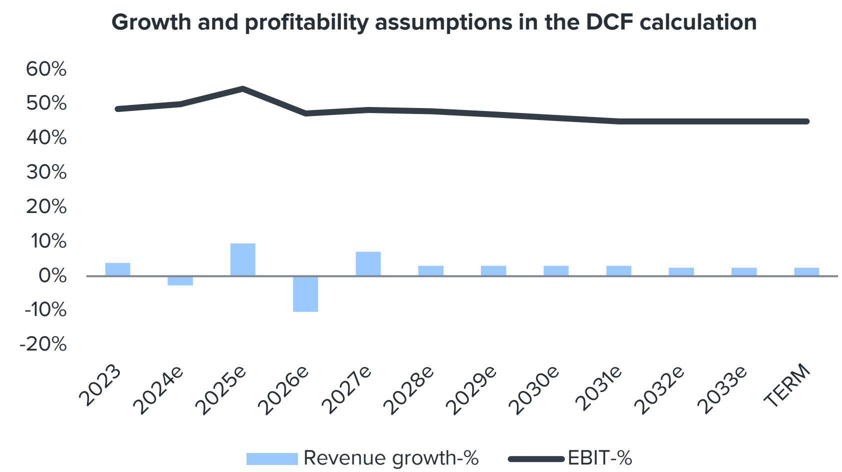


DCF sensitivity calculations and key assumptions in graphs









Source: Inderes. Note that the weight of the terminal value (%) is shown on an inverse scale for clarity.

Summary

Income statement	2021	2022	2023	2024e	2025e
Revenue	69.7	63.2	65.6	**63.9**	**70.0**
EBITDA	144.4	28.6	32.4	**32.7**	**38.7**
EBIT	143.6	27.4	31.9	**32.0**	**38.2**
PTP	141.3	26.4	30.7	**31.1**	**37.8**
Net Income	136.0	20.6	22.9	**23.3**	**28.0**
Extraordinary items	114.9	0.0	0.0	**0.0**	**0.0**

Balance sheet	2021	2022	2023	2024e	2025e
Balance sheet total	318.7	300.8	307.9	**291.4**	**307.4**
Equity capital	229.8	202.7	208.7	**206.9**	**223.1**
Goodwill	0.7	0.3	0.3	**0.3**	**0.3**
Net debt	-38.4	-31.9	-23.4	**-12.6**	**-34.0**

Cash flow	2021	2022	2023	2024e	2025e
EBITDA	144.4	28.6	32.4	**32.7**	**38.7**
Change in working capital	2.0	-6.8	0.6	**1.1**	**13.2**
Operating cash flow	141.6	16.5	25.8	**29.1**	**44.2**
CAPEX	-1.5	15.0	-9.7	**-1.0**	**-1.1**
Free cash flow	110.6	57.7	6.1	**18.2**	**35.7**

Per share data	2021	2022	2023	2024e	2025e
EPS (reported)	4.80	0.73	0.81	**0.82**	**0.97**
EPS (adj.)	0.75	0.73	0.81	**0.82**	**0.97**
OCF / share	5.00	0.58	0.91	**1.02**	**1.54**
FCF / share	3.90	2.04	0.21	**0.64**	**1.24**
Book value / share	8.13	7.16	7.28	**7.06**	**7.50**
Dividend / share	1.20	0.70	1.00	**0.49**	**0.58**

Growth and profitability	2021	2022	2023	2024e	2025e
Revenue growth-%	-20%	-9%	4%	**-3%**	**10%**
EBITDA growth-%	434%	-80%	13%	**1%**	**18%**
EBIT (adj.) growth-%	17%	-5%	16%	**0%**	**19%**
EPS (adj.) growth-%	6%	-2%	11%	**1%**	**19%**
EBITDA-%	207.2 %	45.2 %	49.3 %	**51.2 %**	**55.2 %**
EBIT (adj.)-%	41.2 %	43.3 %	48.6 %	**50.0 %**	**54.5 %**
EBIT-%	206.0 %	43.3 %	48.6 %	**50.0 %**	**54.5 %**
ROE-%	71.7 %	9.5 %	11.2 %	**11.5 %**	**13.4 %**
ROI-%	64.9 %	11.8 %	14.5 %	**14.9 %**	**17.7 %**
Equity ratio	72.1 %	67.4 %	67.8 %	**71.0 %**	**72.6 %**
Gearing	-16.7 %	-15.8 %	-11.2 %	**-6.1 %**	**-15.2 %**

Valuation multiples	2021	2022	2023	2024e	2025e
EV/S	4.4	5.2	3.6	**3.6**	**2.9**
EV/EBITDA	2.1	11.6	7.2	**6.9**	**5.3**
EV/EBIT (adj.)	10.7	12.1	7.3	**7.1**	**5.4**
P/E (adj.)	15.4	17.6	11.1	**9.4**	**7.9**
P/B	1.4	1.8	1.2	**1.1**	**1.0**
Dividend-%	10.4 %	5.5 %	11.1 %	**6.4 %**	**7.6 %**

Source: Inderes

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Accumulate The 12-month risk-adjusted expected shareholder return of the share is attractive

Reduce The 12-month risk-adjusted expected shareholder return of the share is weak

Sell The 12-month risk-adjusted expected shareholder return of the share is very weak

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Recommendation history (>12 mo)

Date	Recommendation	Target	Share price
5/10/2021	Accumulate	11.50 €	10.65 €
5/24/2021	Accumulate	12.50 €	11.65 €
6/1/2021	Accumulate	11.50 €	11.20 €
8/20/2021	Accumulate	11.50 €	10.85 €
11/8/2021	Accumulate	11.50 €	10.95 €
12/2/2021	Reduce	11.50 €	11.50 €
2/17/2022	Reduce	12.00 €	11.80 €
5/2/2022	Reduce	11.00 €	10.38 €
5/9/2022	Accumulate	11.00 €	9.92 €
8/22/2022	Accumulate	11.00 €	10.16 €
10/31/2022	Accumulate	11.00 €	9.35 €
11/7/2022	Accumulate	11.00 €	9.91 €
2/7/2023	Sell	11.00 €	12.82 €
2/17/2023	Reduce	11.00 €	11.34 €
4/17/2023	Reduce	11.00 €	10.42 €
5/4/2023	Reduce	11.00 €	10.40 €
8/14/2023	Accumulate	11.00 €	9.42 €
8/17/2023	Accumulate	11.00 €	9.65 €
11/2/2023	Accumulate	10.00 €	8.50 €
11/30/2023	Accumulate	10.00 €	8.63 €
2/12/2024	Accumulate	10.00 €	9.16 €
2/15/2024	Reduce	10.00 €	9.70 €
5/8/2024	Reduce	9.50 €	8.70 €
8/21/2024	Accumulate	9.50 €	8.34 €
11/6/2024	Accumulate	9.50 €	8.18 €
1/17/2025	Accumulate	9.00 €	7.72 €

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