TAALERI

Diversified Financial Services/Finland, May 29, 2018

Company report

Initiate coverage with BUY

We initiate coverage of Taaleri with a BUY-rating and target price of EUR 11. We expect continued growth in continuing earnings while viewing stronger investment and performance based return potential in the mid- to long-term. Taaleri has seen considerable profitability improvements and we expect profitability to remain at good levels.

Growth in continuing earnings

We expect to see growth in continuing earnings in all three segments. In Wealth Management we expect growth to be supported by increasing AUM, driven by private equity funds, and in Financing from growth in the insurance portfolio. Growth in Energy is supported by the newly completed SolarWind fund. We expect continuing earnings to grow at a CAGR of some 13 % during 2017-2020E. We expect performance and investment returns to decline in 2018 following strong returns in 2017 and expect the returns to increase in the mid- to long-term. Our revenue estimate for 2018 is EUR 72.2m.

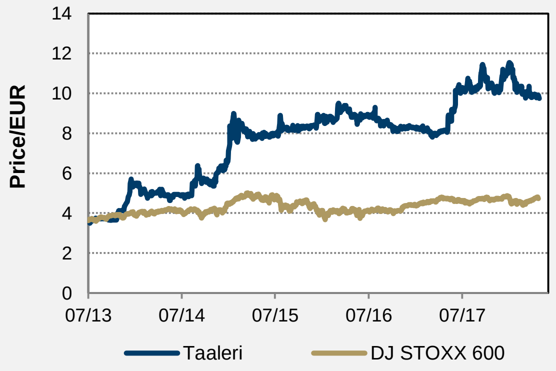
Expect continued good profitability

Taaleri's profitability has seen improvements in recent years, with 2017 being an exceptionally strong year in terms of both revenue and profitability. We expect profitability to remain at good levels but to decline slightly in 2018 due to lower revenue. In 2019-2020 we expect profitability to pick up following higher revenue and cost discipline. We expect to see the largest profitability increases in Wealth Management and Energy, with Energy expected to be profitable from 2019 onwards.

BUY with a target price of EUR 11

We initiate coverage of Taaleri with a BUY-rating and target price of EUR 11, based on our SOTP and DCF valuation. On our estimates Taaleri trades at P/E of 17.9x and 12.3x for 2018E and 2019E respectively. On our estimates relative valuation is somewhat elevated on 2018 multiples following expected weaker earnings. On 2019E multiples valuation is in line. We expect stronger mid and long-term potential.

Rating ■ BUY



Share price, EUR (Last trading day's closing price)	9.74
Target price, EUR	11.0
Latest change in recommendation	29-May-18
Latest report on company	29-May-18
Research paid by issuer:	YES
No. of shares outstanding, '000's	28,351
No. of shares fully diluted, '000's	28,351
Market cap, EURm	276
Free float, %	45.0
Exchange rate	0.000
Reuters code	TAALA.HE
Bloomberg code	TAALA FH
Average daily volume, EURm	0.07
Next interim report	16-Aug-2018
Web site	www.taaleri.com

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■ BUY ■ HOLD ■ SELL

KEY FIGURES

	Sales EURm	EBIT EURm	EBIT %	Ptx profit EURm	EPS EUR	P/E (x)	EV/Sales (x)	P/CF (x)	EV/EBIT (x)	DPS EUR
2016	61	16	26.7%	16	0.45	18.3	4.2	8.2	15.6	0.22
2017	81	27	33.4%	28	0.77	13.5	4.0	10.2	11.9	0.26
2018E	72	19	26.9%	19	0.55	17.8	4.2	15.7	15.6	0.29
2019E	83	28	33.8%	28	0.79	12.3	3.6	13.0	10.6	0.32
2020E	92	34	37.4%	34	0.97	10.0	3.1	10.3	8.4	0.34

Market cap, EURm	276	BV per share 2018E, EUR	4.0	CAGR EPS 2017-20, %	8.1
Net debt 2018E, EURm	26	Price/book 2018E	2.4	CAGR sales 2017-20, %	4.3
Enterprise value, EURm	303	Dividend yield 2018E, %	3.0	ROE 2018E, %	14.1
Total assets 2018E, EURm	229	Tax rate 2018E, %	20.0	ROCE 2018E, %	11.5
Goodwill 2018E, EURm	1	Equity ratio 2018E, %	49.8	PEG, P/E 18/CAGR	0.8

All the important disclosures can be found on the last pages of this report.

Investment summary

Finnish company operating in wealth management, financing and investments

Taaleri is a Finnish company operating in wealth management, financing and investments. Taaleri operates through three segments; Wealth Management, Financing, and Energy. Taaleri is headquartered in Finland and was founded in 2007. The company listed on Helsinki First North in 2013 and moved to the Nasdaq Helsinki main list in 2016. Taaleri has over 180 employees.

Long-term prof. targets: operating profit margin >20 % and ROE >15 %

Taaleri long-term profitability targets are to achieve an operating profit margin and return on equity of at least 20 % and 15 % respectively. In 2017 the realised figures were 34.1 % and 21.8 % respectively. Taaleri further targets an equity ratio of at least 30 % and a conglomerate capital adequacy ratio of at least 150 %. Taaleri has not given any numeric guidance.

Wealth Management: EUR 5.5b in AUM, revenue grew 47 % in 2017

Taaleri Wealth Management had some 4,400 customers and around EUR 5.5b in assets under management at the end of 2017, in wealth management and private equity and mutual funds. The development in 2017 was strong, with revenue of EUR 54.6m and operating profit EUR 16.6m, increasing 47 % and 170 % respectively from 2016.

Financing: Earned premiums grew 25 %, 76 % revenue growth driven by investment operations

Taaleri Financing consists of guaranty services provider Garantia, with a guaranty insurance portfolio of EUR 1.5b and an investment portfolio of EUR 132m at the end of 2017. Earned premiums grew by 25 % to EUR 15.2m while revenue grew 76 % to EUR 21.8m, largely due to investment operations. The operating profit at fair value amounted to EUR 10.3m.

Energy: In early phase, EUR 87m raised in the SolarWind fund in 2017

Taaleri Energy invests in and develops energy infrastructure projects. EUR 87m was raised in the SolarWind fund, with an investment capacity of EUR 435m. Profitability has so far been negative and revenue amounted to EUR 1.8m in 2017 as Energy is still in a ramp-up phase.

Opportunistic approach, investments out of own balance sheet

Other operations include Taaleri Investments, which makes investments out of the group's own balance sheet, and Taaleri's investments in several unlisted companies. Taaleri Investments has been important for Taaleri in pursuing opportunistic projects, with several successful investments having been made and exited.

2018E group revenue estimate EUR 72.2m

2017 was a strong year for Taaleri overall, following increases in both continuing and performance based earnings. We expect continuing earnings growth to continue, at a CAGR of some 13 % during 2017-2020E, driven by AUM and insurance portfolio growth. We expect performance and investment returns to be lower in 2018 compared to 2017 but to grow in the mid to long-term. We expect revenue of EUR 51.2m in Wealth Management, EUR 18.5m in Financing and EUR 3.4m in Energy in 2018E. Our group revenue estimate for 2018 is EUR 72.2m.

2018E group operating profit estimate of EUR 19.5m

Due to expected lower performance and investment returns we expect a slight decline in operating profit in 2018, but earnings to increase considerably during 2019-2020E. We expect an operating profit of EUR 14.8m in Wealth Management, EUR 10m in Financing and EUR -0.6m in Energy in 2018E. We expect a group operating profit of EUR 19.5m.

BUY with a target price of EUR 11

We initiate coverage of Taaleri with a BUY-rating and target price of EUR 11, based on our SOTP and DCF valuation. On our estimates Taaleri trades at P/E of 17.9x and 12.3x for 2018E and 2019E respectively. On our estimates relative valuation is somewhat elevated on 2018 multiples following expected weaker earnings. On 2019E multiples valuation is in line. We expect stronger mid and long-term potential.

Company and business overview

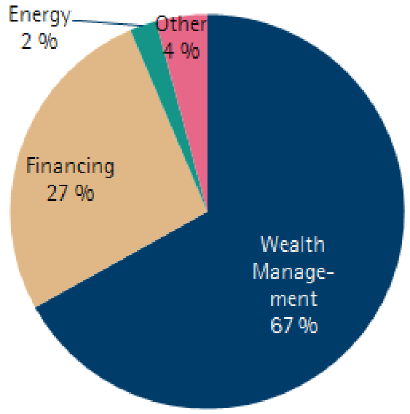
Finnish financial services company operating in wealth management, financing and investments

Taaleri is a Finnish company operating in wealth management, financing and investments. Taaleri forms a financial and insurance conglomerate as a result of the acquisition of Garantia in 2015. Taaleri operates through three segments; Wealth Management, Financing, and Energy, and its clients are wealthy private individuals, institutional investors and companies. Taaleri is headquartered in Finland and was founded in 2007. The company listed on Helsinki First North in 2013 and moved to the Nasdaq Helsinki main list in 2016. Taaleri has over 180 employees.

Table 1: Key figures (2017)

Key figures	2017
Revenue (MEUR)	81.0
EBIT (MEUR)	27.6
EBIT, %	34.1
ROE, %	21.8
Equity ratio, %	46.3
Capital adequacy, %	251.2
AUM (EUR bn)	5.6
Employees (avg.)	184

Figure 1: Sales split (2017)



Source: Taaleri

Some 4,400 clients and EUR 5.5b AUM in Wealth Management

Taaleri Wealth Management had EUR 5.5b in assets under management (AUM) at the end of 2017. AUM are divided into private equity and mutual funds as well as in consultative and discretionary wealth management. The customer base has leaned stronger towards private individuals but the base of institutional investors has increased with the expansion of private equity funds. Taaleri Wealth Management had some 4,400 customers at the end of 2017.

Guaranty services company Garantia forms the Financing-segment

Taaleri Financing was formed after the acquisition of Garantia in 2015. Garantia is a company specialising in guaranty insurance and guarantee services. Revenue is generated through guaranty insurance premiums and from investment operations. The guaranty insurance portfolio at the end of 2017 was EUR 1.5b.

Taaleri Energy develops and invests in energy infrastructure projects

Taaleri Energy invests in and develops energy infrastructure projects and was created as a separate reporting unit in 2016. Taaleri Energy has completed and on-going wind farm projects in Finland as well as on-going wind and solar power projects in Jordan, Serbia and the US. The wind power portfolio of 370 MV in Finland is owned and managed by Taaleri Private Equity Funds and Taaleri Energy is responsible for development, construction, and operations.

Taaleri's other operations include the group administration services and Taaleri Investments, as well as subsidiary Bonus Solutions, associated companies Fellow Finance, and Ficolo and investments in Inderes and SuoraTyö. Taaleri Investments makes investments out of the group's own balance sheet.

Figure 2: Taaleri group structure

Source: Taaleri

Wealth Management

Taaleri's core business; focus has been on wealthy individuals

Wealth Management has formed the core business of Taaleri ever since the company was founded in 2007. The company's focus has been mainly on wealthy private individuals, but with the development of the firms' private equity funds, the company has increased its institutional client base. According to the company, focusing on individuals as opposed to institutional investors in the beginning was necessary, as Taaleri would at that time have had challenges in competing for institutional customers.

EUR 5.5b in AUM and 4,400 clients in Wealth Management

Taaleri Wealth Management had average personnel of 119 employees during 2017 and some 4,400 customers, with around EUR 5.5b in assets under management. The Wealth Management segment consists of Taaleri Wealth Management and its subsidiaries, including a stake in crowdfunding service provider Invesdor, as well as Taaleri Private Equity Funds. Taaleri further acquired robo-advisor Evervest in 2018, which upon completion will become a subsidiary of Taaleri Wealth Management.

Good AUM growth in the past few years supported by private equity funds

Wealth Management's assets under management have grown well, especially in 2016 and 2017. Strong growth has been seen in private equity funds, driven by the successful launch of new products, in our view driven by a good track record along with differentiating funds as well as favourable market conditions. Development in AUM during 2017 was favourable, as growth was seen in all other areas than consultative wealth management, where fees are at a low level. Total AUM grew 16 % in 2017 to EUR 5.5b.

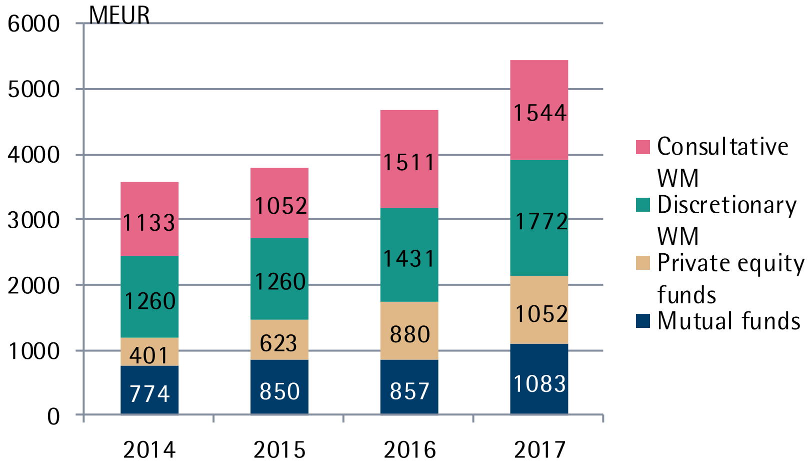
EUR 1.8b in discretionary WM; Investment strategies based mainly on ETF's and Taaleri's PE funds

At the end of 2017, some EUR 1.8bn out of the total EUR 5.5bn AUM were in discretionary wealth management. In discretionary WM, the clients' assets are invested into various investment strategies depending on the client's preferences. The investment strategies rely mainly on ETF's and Taaleri's private equity funds. The larger share of private clients as opposed to institutional clients, has improved the overall fees Taaleri generates on its AUM, but has in our view also led to a larger need for private bankers and higher personnel costs. However, we see that private banker recruitments and good customer service has been a contributing factor in the growth of AUM.

EUR 1.5 in lower fee, mainly transaction-based consultative WM

Taaleri Wealth Management had some EUR 1.5b in consultative wealth management by the end of 2017. This consists mainly of clients' direct equity and fixed-income holdings. Fees generated from consultative WM are mainly transaction-based and as such the overall fee level is far below that of for instance discretionary wealth management.

Figure 3: Taaleri Wealth Management's assets under management



Source: Taaleri

Private equity funds

EUR 1.1bn AUM in PE funds, important differentiation for Taaleri

Taaleri's private equity funds can be roughly divided into real estate investment funds and renewable energy and cleantech funds. Assets under management in PE funds were roughly EUR 1.1b at the end of 2017. Taaleri's private equity funds have played an important part in differentiating Taaleri and growing its assets under management. Taaleri has an entrepreneurial culture and a somewhat opportunistic approach to investing, which has served well the company's efforts in PE funds. Successful exits have been made in the Forest I, Biofactory and Housing II, IV, and VI funds along with co-investment object Mattiovi. More recent funds include the Real Estate Development Fund and the Circular Economy fund.

Although Taaleri's AUM in PE funds have grown well, we would still to some extent view Taaleri as a "challenger" in this segment. Taaleri's PE funds have been rather small and going forward we see Taaleri's focus in Finland to remain on smaller and more innovative funds. According to management Taaleri sees more potential in taking part in earlier phases of value creation, such as in real estate development, as opposed to managing funds of real estate assets.

When it comes to larger international investments opportunities, Taaleri is looking to further build its institutional investor client base. Taaleri has in recent years sought internationalization of its' business, but has so far not gained proper traction. Taaleri has operations in Africa though its' Africa real estate funds and the company was active in Turkey until the sale of its' subsidiary Taaleri Portföy Yönetimi in 2017. A promising opportunity for expansion lies in Taaleri Energy (discussed more in depth on page 15) and the SolarWind fund, currently with solar and wind projects in Jordan and Serbia.

Mutual funds

EUR 1.1bn AUM in mutual funds

AUM in mutual funds were some EUR 1.1b at the end of 2017. The mutual funds largely consist of funds investing in European equities, fixed-income securities and different allocation funds, which invest in Taaleri's mutual and PE funds. Taaleri focuses on a value investment approach in its mutual funds. A few funds have been subject to soft closings to limit their size, which highlights the interest towards the funds. Performance has also been good, with 13 of 19 funds beating their respective indices in 2017.

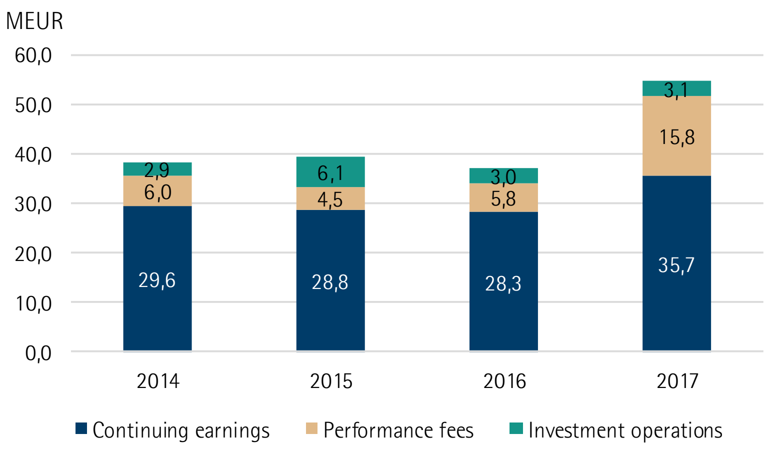
A larger part of the mutual funds include a performance fee component. As the performance fees are not recurring in the same way as management fees, the fees fluctuate and can have a notable improving effect on revenue. In 2017 Wealth Management's performance fees amounted to EUR 15.8m on top of EUR 35.7m management fees, with performance fees from the mutual funds according to our estimates having a large impact.

Financial performance – Wealth Management

Flattish development 2014-2016, significant improvement in 2017

Wealth Management saw strong progress in 2017, after several years of revenue remaining at same levels, despite growing assets under management. Despite the increase in AUM during 2014-2016, revenue was flat due to declining share of high fee structured products in the mix. In 2017 the continuing earnings, consisting of wealth management fees and fund management fees, increased by 26 %, driven primarily by the increase of assets under management in private equity and mutual funds.

Figure 4: Wealth Management's revenue development 2014-2017

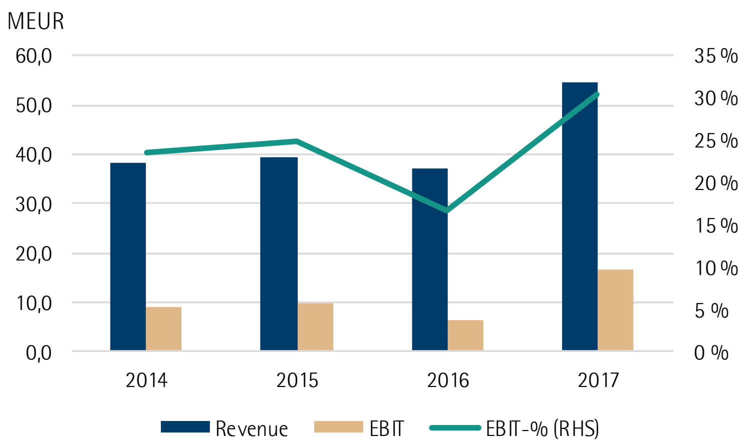


Source: Taaleri

Performance fee increase driven by mutual fund performance

Performance fees in 2017 increased by 173 % from EUR 5.8m to EUR 15.8m due to performance fees from mutual funds but also from the exit of Mattiovi Oy and Taaleri Forest Fund I.

Figure 5: Wealth Management's revenue and profitability development 2014-2017



Source: Taaleri

Revenue increases drove profitability in 2017, with WM's EBIT-margin at 30 %

Wealth Management's profitability has during 2014-2016 been at healthy levels, with the EBIT-margin being between 17-25 %. Profitability fell in 2016 due to slightly lower revenue, with costs remaining largely at previous years' levels. In 2017 the EBIT-margin improved to 30 %, driven by the higher revenue from continuing earnings and performance fees, but the gain was slightly mitigated by an increase in costs from performance based personnel costs.

Cost structure

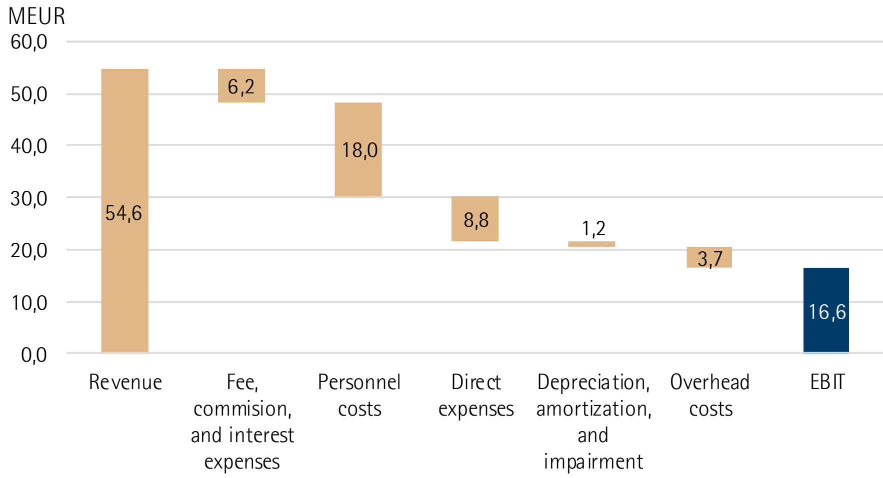
Larger share of private investors: higher personnel costs but also higher fees

Personnel costs, consisting of salaries and bonuses, are the single largest costs position for Taaleri, at EUR 18.8m or 34% of WM's revenue in 2017. Personnel costs have been around 35 % of WM's revenue between 2014-2017. As Taaleri's client base consists mainly of private investors, Taaleri needs private bankers to maintain a good level of customer service and increase sales. This client focus is however reflected in the higher fees generated from wealth management services.

Direct expenses and overhead costs in total stood for the second largest parts of costs, at EUR 12.5m or 23 % of WM's revenue in 2017. The costs comprise largely of ICT expenses, rental costs and marketing costs, as well as Wealth Managements share of corporate expenses. Taaleri has been developing its IT-systems to enable a larger automation of transactions during recent years, and although substantial progress has been made, work is still on-going, which is expected to keep ICT expenses up. With the development still on-going, as well as the introduction of MiFiD regulation and the need to maintain and update systems, a major reduction in costs is not expected.

Fee and commission expenses comprise of commissions paid to other parties in relation to fee income earned. These expenses amounted to EUR 6.2m in or 11 % of WM's revenue in 2017. Such fees include for instance custody fees and ETF fees as well as fund management fee rebates. Industry practices vary to some extent, as some financial services firms report revenue on net basis, with fee and commission expenses deducted from revenue.

Figure 6: Wealth Management's expenses in 2017

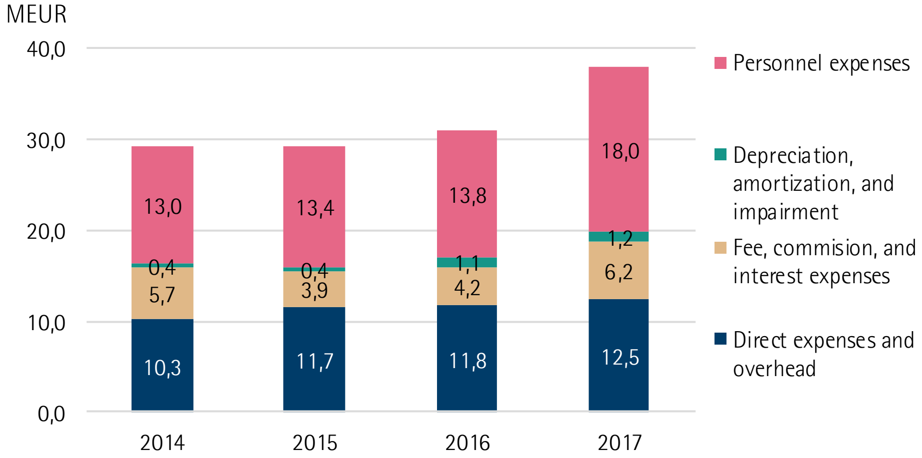


Source: Taaleri, Evli Research

Variable personnel expenses drove cost increase in 2017

Taaleri Wealth Management's total expenses remained relatively stable during 2014-2016, as fee and commissions expenses decreased, while direct expenses have grown partly due to the increased IT investments. In 2017 costs increased substantially due to increased personnel expenses as well as higher fee and commission expenses. The increase in personnel expenses was driven largely by higher personnel compensation due to the good performance during the year. Taaleri has not disclosed variable personnel fees on the segment level. On group level, personnel costs excluding variable fees, grew around 9 %, while the average number of full-time employees grew around 5 %. We estimate a larger share of the variable fees to have related to personnel in Wealth Management.

Figure 7: Wealth Management's expenses development 2014-2017



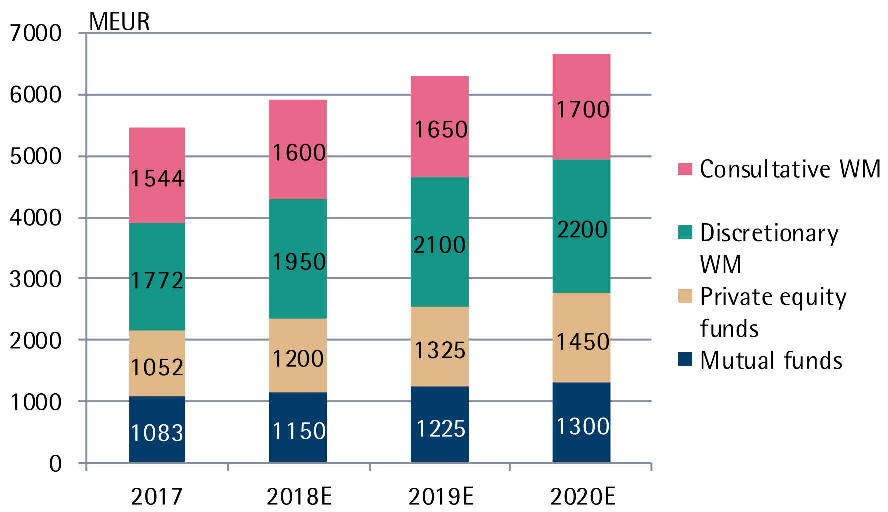
Source: Taaleri, Evli Research

Estimates – Wealth Management

Revenue increases drove profitability in 2017, with WM's EBIT-margin at 30 %

We expect Taaleri's AUM to see continued growth, driven mainly by private equity funds and discretionary WM. Near-term growth in PE funds is supported by successful fund raisings during 2017 in Taaleri Africa II and Taaleri Property Fund II and in our view fewer funds being close to exit. Going forward we expect Taaleri to continue to launch new PE funds, which in our view also supports growth in discretionary WM. Market conditions have further remained supportive, although economic growth in the mid-term is unlikely to continue as strong as in the past few years. The SolarWind fund is not included in our AUM estimates for WM, instead under Energy, although some revenue will be generated also to WM from the fund.

Figure 8: WM AUM estimates, 2017-2020E



Source: Taaleri, Evli research

2017 was a revenue-wise strong year for WM due to both increases in continuing earnings and performance fees. We expect the continuing earnings to be supported by growth in AUM but performance fees to decline compared to 2017, expecting total WM revenue to decline in 2018. We expect good revenue growth from 2018 forward due to growth in continuing earnings and performance fees. We expect performance fees to be driven by the private equity funds. With our estimates for fund investment periods we see performance fee potential to increase in the mid- and long-term.

Following the expected decline in revenue in 2018 we expect a slight decline also in profitability in WM. We expect a slight decline in costs following expected lower personnel costs compared to 2017, when personnel costs saw a significant increase due to performance based compensation. In 2019-2020 we expect profitability to increase following revenue growth outpacing cost increases.

Figure 9: WM revenue estimates, 2017-2020E

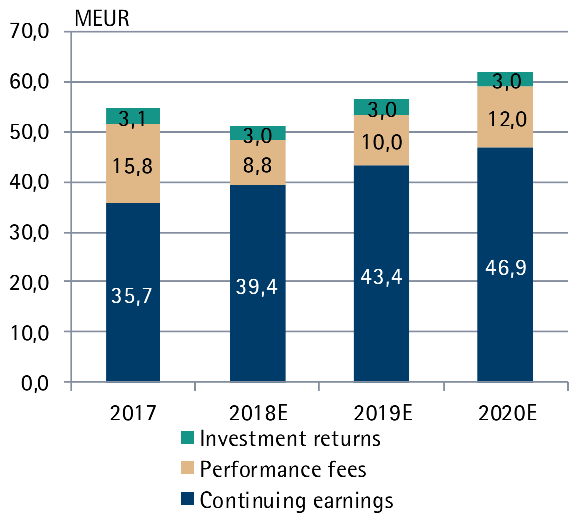
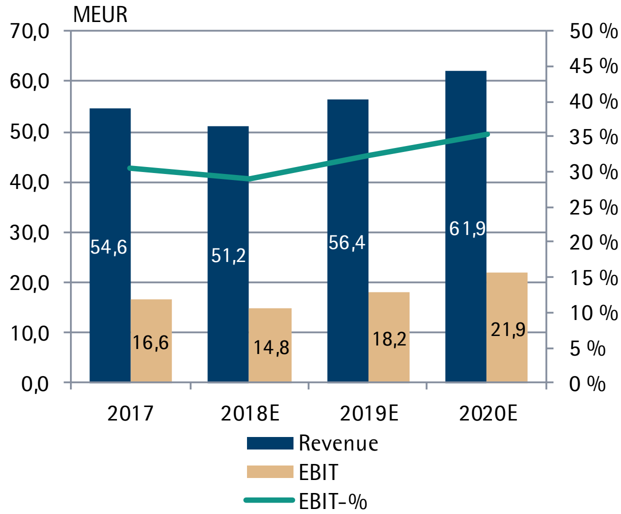


Figure 10: WM revenue/profitability estimates, 2017-2020E



Source: Taaleri, Evli research

Financing

The Financing-segment consists of guaranty insurance services provider Garantia

Taaleri's Financing segment consists of guaranty insurance services provider Garantia, which was acquired by Taaleri in 2015. After the acquisition Taaleri has formed a financial and insurance conglomerate. Garantia was founded in 1993 and was previously owned mainly by several large Finnish pension insurance companies.

Independent company owned by Taaleri, insurance portfolio of EUR 1.5b

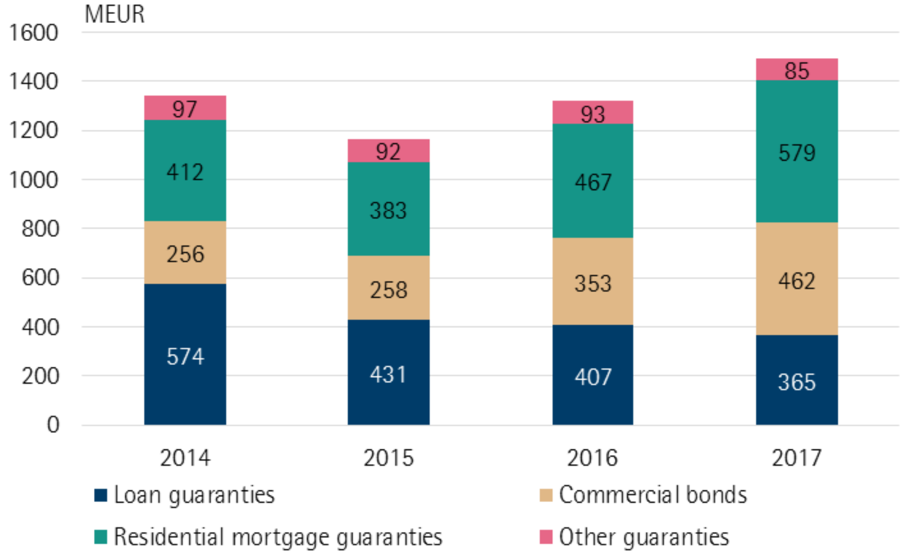
Garantia had 25 employees at the end of 2017, with a guaranty insurance portfolio of EUR 1.5b. Garantia operates as an independent company under the ownership of Taaleri, with its own management and board of directors, as part of a sponsored partnership with Taaleri. Garantia holds an A- rating from credit rating agency S&P.

Garantia's three main areas of services include loan guaranties, commercial bonds, and residential mortgage guarantees. Other services consist of for instance residual values guaranties and investment capital guaranties, but these account for only a small part of Garantia's business. Garantia generally relies on its own sales channels, except for in residential mortgage guarantees, where the products are sold in cooperation with large commercial banks. It is important to note that Garantia's business model differs from traditional insurance services providers, as Garantia mainly operates as a guarantor to loans and corporate contractual obligations.

Considerable investment portfolio of EUR 132m

Besides premia from insurances a significant source of income for Garantia is its investment activity. Garantia's investment portfolio at the end of 2017 was EUR 132m. Garantia's investment portfolio consists mainly of fixed income investments (76 %) and equity investments (22.7 %). The main aim of Garantia's investment activity is to secure liquidity for the insurance operations in case of years with exceptionally high claims, but Garantia also invests actively and has been able to achieve strong investment returns.

Figure 11: Garantia's insurance portfolio by product type 2014-2017



Source: Taaleri

Loan guaranties

Main products pension loan guaranties and guaranteed corporate bonds

The main products within loan guaranties are pension loan guaranties and guaranteed corporate bonds. Pension loan guaranties are based on the part of firms' pension obligations that are transferred to funds, which can be lent against a guaranty. The guaranteed corporate bonds consist of corporate loans, which are bundled into bonds and sold to institutional investors, with Garantia acting as guarantor. Garantia has issued two such bonds with a value of EUR 42m and EUR 70m, expiring in 12/'18 and 6/'19 respectively.

New sales challenging due to low interest rate levels

The insurance portfolio in loan guaranties has seen a declining trend, down to EUR 365m from EUR 574m in 2014. Guarantees are offered for up to 10 years, and with the maturing of the larger portfolio built up in 2008, the loan guaranty portfolio has been declining as the operating environment has been challenging leading to less new business. This has been affected by the prevailing low level of interest rates, with possible customers opting for floating interest rates instead of paying the more fixed premia offered by Garantia, which has made competition tougher. According to management Garantia is the only active provider of pension loan guaranties in Finland.

Commercial bonds

Guarantees for contractual obligations

Commercial bonds are mainly offered to mid-sized or large public and private companies. Garantia offers guarantees on different contractual obligations, for instance by acting as guarantor for the by law mandated guarantees on certain prepayments in the construction sector.

Around 60 % of portfolio reinsured due to larger contract sizes

The turnover in the portfolio is high, with contract periods of a couple of years, including warranty periods. The size of individual contracts limits can be quite high, in the range of tens of million euros. Due to the higher risk from a lower portfolio diversification, Garantia uses reinsurance to a large extent, with around 60 % of the portfolio reinsured. The portfolio size has been growing in recent years, driven by increased automation of application processing, which has enabled a processing of a larger amount of applications without major increases in personnel. The good development of the construction sector in Finland in recent years has also fuelled growth within commercial bonds.

Residential mortgage guaranties

One of Garantia's key products, good potential for scalability

Residential mortgage guarantees are one of Garantia's key products, in which Garantia sells guarantees on individuals' residential mortgages against a premium. The products are sold in cooperation with mainly large Finnish commercial banks that offer mortgages. Garantia typically receives the premium up-front, which is split over the duration of the contract. Garantia's partners can offer the guaranties to clients as long as certain criteria are met and applications are processed by Garantia only when an exemption is needed, thus offering good potential for scalability.

Strong portfolio size growth, limited competition

The residential mortgages portfolio has seen good growth in recent years, up to EUR 579m from EUR 383m in 2015. Growth has been accelerated by overall improvement in the Finnish economy as well as the increasing of the maximum mortgage guaranty amount. The portfolio growth is to some extent correlated with changes in the amounts of new residential mortgage applications. Garantia's position has also been aided by the lack of competition in the field.

Vulnerable to legislative changes

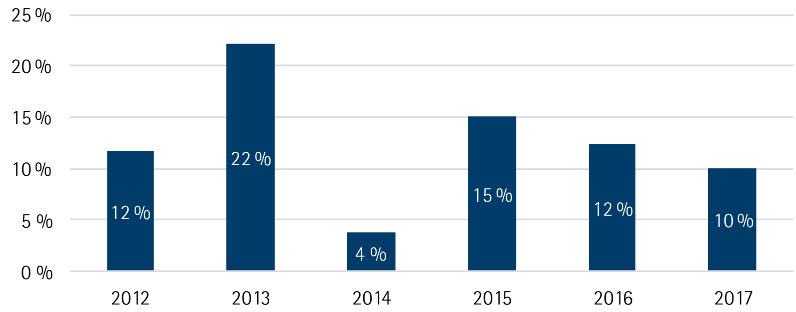
Garantia's position in the residential mortgage guaranties is vulnerable to legislative changes. Currently it is possible for mortgage applicants to meet collateral requirements through a third-party guarantor, which can be an entity such as Garantia. Any changes to this could affect the business model. The Financial Supervisory Authority has also recently made a decision on tightening the maximum loan-to-collateral ratio for residential mortgages other than first-home loans to 85 % (effective from 1.7.2018), which could have a deterring effect on some possible residential mortgage applicants.

Risk management

Garantia has managed to maintain low claims ratio

Garantia's business essentially revolves around transfer of risk in return for receiving premia. Garantia manages risks by different means, and has managed to keep the claims ratio at low levels.

Figure 12: Garantia's claims ratio 2012-2017

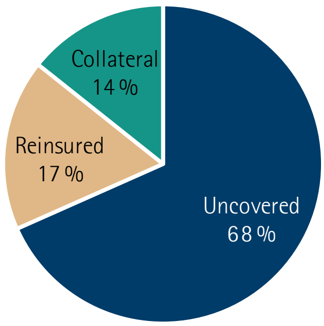


Source: Garantia

Use of reinsurance and collateral to manage risk

Apart from the risk management that is done when new clients are signed, Garantia also uses reinsurance and collateral in parts of their insurance portfolio. In residential mortgage guaranties these measured are less used, as individual customers are much smaller and the large amount of customers thus provides diversification benefits. In the commercial bonds around 60 % of the portfolio is typically reinsured, as single customers can have a large impact. Garantia made reservations for claims incurred from two larger clients in 2017 but due to the reinsurance the claims ratio still remained low. Excluding the residential mortgage guaranties, we estimate slightly over half of the portfolio to be reinsured or covered by collateral.

Figure 13: Garantia's collateral position 2017



Source: Garantia

Acquisition of Garantia

Acquired for EUR 60m in 2015, writeup of EUR 28.6m after completion of the acquisition

Taaleri completed the acquisition of Garantia in 2015, for a price of EUR 60m. Taaleri made a writeup of EUR 28.6m after completion of the acquisition, based on the difference of the purchase price and net assets, affecting the income statement in 2015. In conjunction with the acquisition the parties agreed on a clause for an additional purchase price in the event of Taaleri selling Garantia within three years of the closing of the acquisition. The term of the clause expired in March 2018.

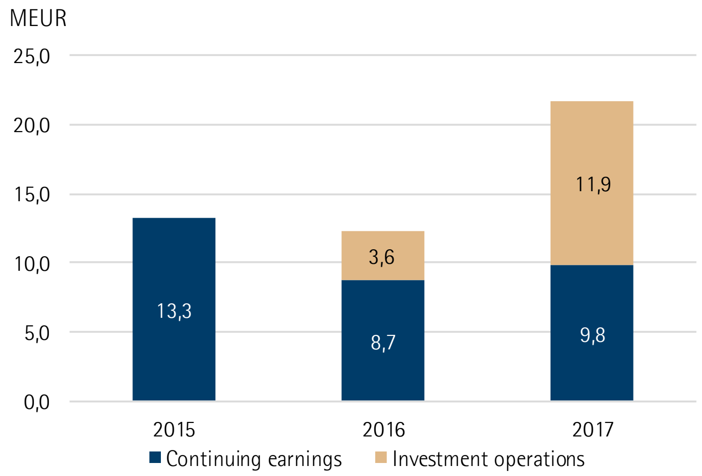
Financial performance – Financing

Favourable development since acquisition, after years of stalling growth

The development of the Financing segment has been favourable in comparison to Garantia as a standalone entity before the acquisition by Taaleri[1]. Premiums saw a decline in 2015, after a mostly flattish trend the previous years. In connection with the acquisition by Taaleri, Garantia's risk profile was re-evaluated. According to management, Garantia before the acquisition was considered as being overly cautious. The company has since widened its perspective on risk-taking, by for instance allowing for higher maximal guaranty amounts for certain customer segments. We view this as a logical step given that Garantia's growth was stalling, and looking at the management of risk through for instance reinsurance, we still see Garantia's position to be more on the careful side. This change has to some parts contributed to growth in premiums written. Growth in net premiums has been slower, mainly due to the growth in residential mortgage guaranties, where premiums are split over the duration of the contract.

[1] Summary of Garantia's standalone income statements can be found on page 31 for comparison purposes

Figure 14: Financing's revenue split 2015-2017

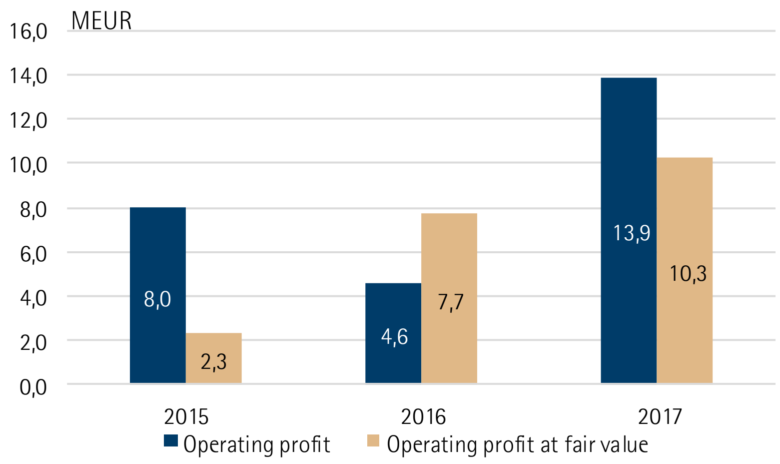


Source: Taaleri, Evli Research[2]

Revenue growth in 2017 driven by investment income

The Financing segment consists only of Garantia, as Fellow Finance was moved from the segment from H2/2016. The growth in the Financing segment of 76 % in 2017 was mainly due to the significant increase in investment income, driven by favourable market conditions as well as successful investment management, given that Garantia invests mainly in fixed-income assets.

Figure 15: Financing's operating profit 2015-2017



Source: Taaleri, Evli Research[3]

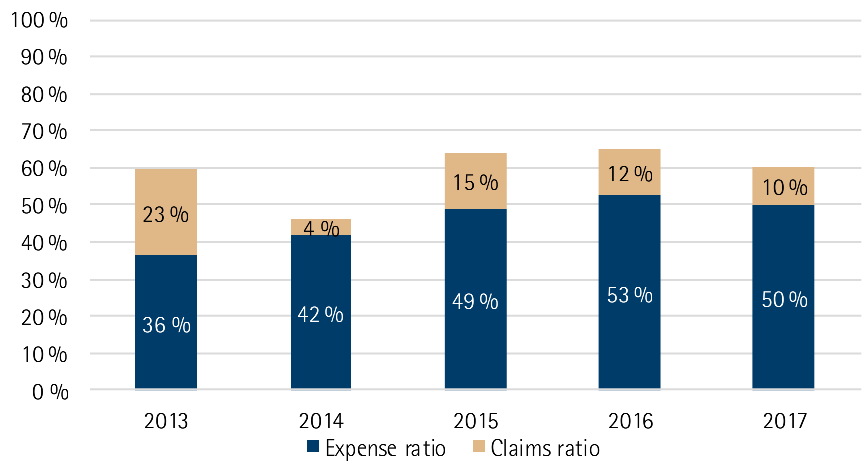
Solid return on investments at fair value of 6.6 % in 2017, considering high fixed-income weight

Financing's profitability has been developing favourably since the segment was established in 2015. Although profitability has been good in the guaranty insurances business, the increasing trend has been driven mainly by the higher investment returns. Revenue from investment operations were affected by asset sales, but the operating profit at fair value still saw a good increase. The return on investment at fair value was 6.6 % in 2017 compared to 5.8 % in 2016. The average return on investment at fair value during 2010-2017 was 5.4 %.

[2] Total revenue, due to incomparability from reporting changes. Fellow Finance was included as part of the Financing segment until 31.12.2015. 2015 figures are for the period 4-12/2015 as Garantia was included after the 31.3.2015

[3] 2015 adjusted for fair value changes associated with the acquisition of Garantia. The operating profit including Garantia one-offs was EUR 35.4m in 2015.

Figure 16: Garantia's expense and claims ratios 2015-2017



Source: Garantia

Realizable scalability potential

Garantia has to some extent been burdened by a lack of benefits from scaling operations. The company has needed to maintain a certain base of employees and given the insurance portfolio size the expense ratio has been at relatively high levels in recent years. Of the operating expenses roughly 60 % have been personnel expenses. The company should be able to increase the insurance services income by expanding the current insurance portfolio, without needing to increase personnel at a similar pace. The possible launch of new products would likely require personnel increases.

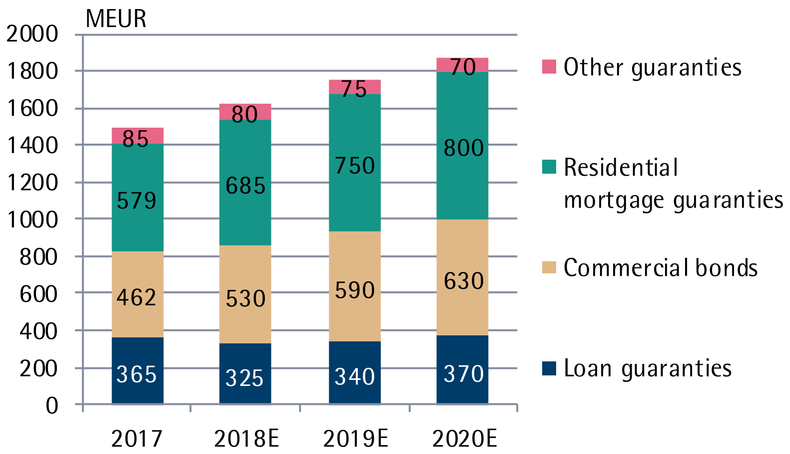
Estimates – Financing

Garantia saw good growth in 2016 and 2017 following good development in commercial bonds and residential mortgage guaranties. The growth in commercial bonds was attributable to increased automation of application processing along with the good development of the Finnish construction sector. The growth in residential mortgage guaranties has in turn been supported by the recovery of the Finnish economy and in our view also the partnership signed with Aktia in 2016 has had an effect.

We expect continued insurance portfolio growth, at a slightly slower pace

We expect a good growth of the insurance portfolio to continue, albeit at a slightly slower pace than during 2016-2017. After strong development in recent years the construction sector is showing signs of growth slowing down, which we see will have an effect on the growth in commercial bonds. We expect good growth to continue in residential mortgage guaranties as we see market conditions to remain supportive in the coming years. The low interest rate levels work against growth of loan guaranties and we do not expect significant growth in the coming years, but expect new sales to offset the decline of the older portfolio and turn toward growth from 2019E. We expect other guaranties to decline as we do not see the current products in other guaranties to be ones that Garantia will focus on. Garantia has been looking into developing new products, which we see could likely be launched in the coming years, but these are not included in our estimates. Garantia acquired rent guarantee insurance services provider Suomen Vuokravastuu in 2018, which will broaden Garantia's product portfolio and contribute slightly to revenue growth, and which we see is an area that Garantia will look into developing further.

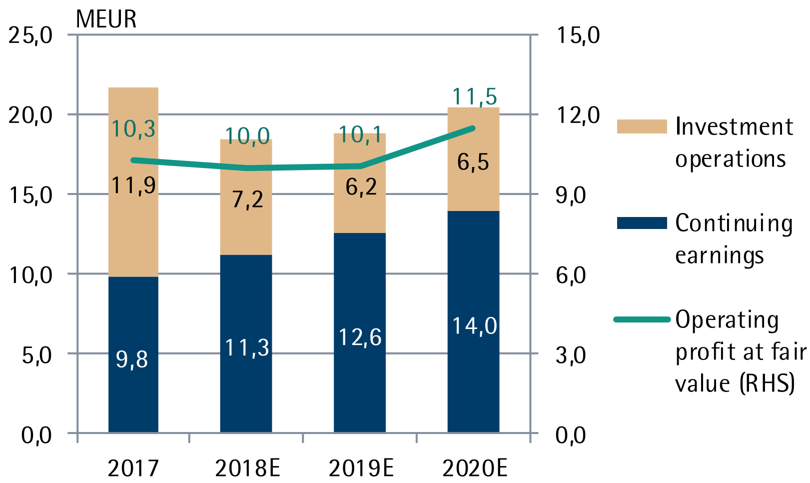
Figure 17: Insurance portfolio estimates for Garantia, 2017-2020E



Source: Taaleri, Evli research

We expect revenue to decline in 2018E, following the expected lower return from investment operations. It is worth noting that 2017 investment operations included significant asset sales and Garantia's investment returns in our view were exceptionally strong, which led to high investment operations revenue. We expect growth in earned insurance premiums to begin to compensate for the expected lower investment returns in the long-run. We do not expect significant cost increases as growth in the current product portfolio should not require larger new recruitments.

Figure 18: Revenue and profitability estimates for Financing, 2017 -2020E



Source: Taaleri, Evli research

Energy

Energy segment established in 2016; aiming to expand in the energy industry

Taaleri's Energy segment was created in 2016 with the establishing of Taaleri Energia Oy and has reported as a separate segment since the 1.7.2016. The Energy segment was established as a part of Taaleri's aim to expand in the energy industry. The new segment was mainly created through a transfer of personnel already employed by Taaleri. The Energy segment had nearly 20 employees at the end of 2017. Taaleri owns 77 % of Taaleri Energia while the rest is owned by employees.

Invests in and develops energy infrastructure projects

The Energy segment invests in energy infrastructure projects and also has the expertise to act as a developer in the projects. Taaleri has a history in renewable energy through its PE funds, currently managing a wind portfolio of EUR 600m and having successfully exited the Biogas and Forest I and II funds.

An avenue for Taaleri's internationalization

EUR 87m funds raised in Taaleri's renewable energy fund investing globally

The fundraising for Taaleri's most recent renewable energy fun, Taaleri SolarWind, was completed in mid-2017, collecting EUR 87m in investor funds with an investment capacity of EUR 435m including debt. The fund has since made minority investments in two projects, the Cibuk 1 wind farm in Serbia and the Baynouna solar project in Jordan, along with the majority shareholder Abu Dhabi Future Energy Company (Masdar). Taaleri will further participate in construction and operation of the projects.

Valuable partnership with renewable energy company Masdar

We see the new fund and the possibilities it brings as highly interesting. Taaleri's renewable energy investments have so far been limited mainly to wind power farms in Finland and the new projects are expanding investments to a more global scope. The partnership with Masdar is of value for Taaleri. Masdar is one of the leading renewable energy companies in the world and owned by an investment company of Abu Dhabi. To our understanding Masdar is backed up by sufficient political power to be able to ensure completion of projects in countries such as Serbia and Jordan, where the country-specific risk is higher than in for instance Finland. Other influential financiers and investors in the projects include government-backed German development finance institution DEG, the European Bank for Reconstruction and Development (EBRD), the International Finance Corporation (IFC) and Finnish development finance company Finnfund.

The partnership with Masdar and Taaleri Energy's additional role as a constructor and developer in the two renewable energy projects should offer a position to accelerate expansion internationally. Finnish institutional investors account for a larger share of funds invested in the SolarWind fund. Given the size of the investments made in the SolarWind fund we anticipate the need for a fundraising for a new renewable energy fund in the near future. With the successful fundraising of the SolarWind fund along with the recognition brought by the Masdar partnership, Taaleri should be able to create interest among investors even outside of Finland in the event of a new fund raising.

Acquisition of a wind farm development project in the U.S.

Taaleri Energy has further acquired the development rights to the Truscott-Gilliland East Wind Project in the U.S, with the total investment estimated at some EUR 300m. Taaleri Energy will fund the project development from its own balance sheet. Taaleri Energy will start the project development along with the original developers, and will begin negotiations for financing of the project during 2018. Taaleri will seek co-investors to the project alongside its renewable energy fund due to the size of the project.

Market overview

Renewable energy plant investments double that of fossil fuel-fired plants

The global renewable energy sector is vast, with investments into new renewable energy plants estimated at around USD 250b, roughly double that of investments into fossil fuel-fired plants[4]. A key driver of the renewable energy investments has been government policies and targets aimed at reducing emissions. Renewable energy production targets, for instance India is targeting to produce 175 GW from renewable sources by 2022 (roughly 66GW in February 2018[5]), will see continuing investments into renewable energy.

[4] REN21 (2017): *Renewables 2017 Global Status Report*
[5] Central Electricity Authority: All India Installed Capacity, Monthly Report February 2018

Technology improvements and economies of scale lowering electricity generation costs

The renewable energy sector growth has led to improvements in technology and increased competition and economies of scale, resulting in improved energy outputs and lowered equipment costs, thus lowering electricity generation costs. The sector growth has in turn increased the competition for investments. With certain markets (notably Europe) seeing slower growth in new renewable energy projects, the competition for existing projects has increased, due to a growing shift towards auctions and other competitive procurement processes[6].

The competition for new renewable energy projects has affected yields of projects especially in the more mature markets. Established developers have as such increasingly been looking towards new markets, where deployments are still on the rise. The search for higher investment yields has also to some extent been a driver for increasing investments into developing countries.

Taaleri's expertise in development along with strong partnerships offer good expansion potential

Taaleri's position in the renewable energy sector in our view is twofold. Taaleri currently is to some extent limited by size in competing alone for major projects and up until the end of 2017 the renewable energy investments have been limited mainly to Finland. We see that Taaleri Energy would not have been able to take part development project in countries offering higher yields without a partner such as Masdar. In contrast to many investment companies' Taaleri Energy also has the capability to take part in construction and development of new deployments, which to our understanding is the main reason in gaining the partnership with Masdar. As such we see that Taaleri Energy has a solid position in expanding its operations.

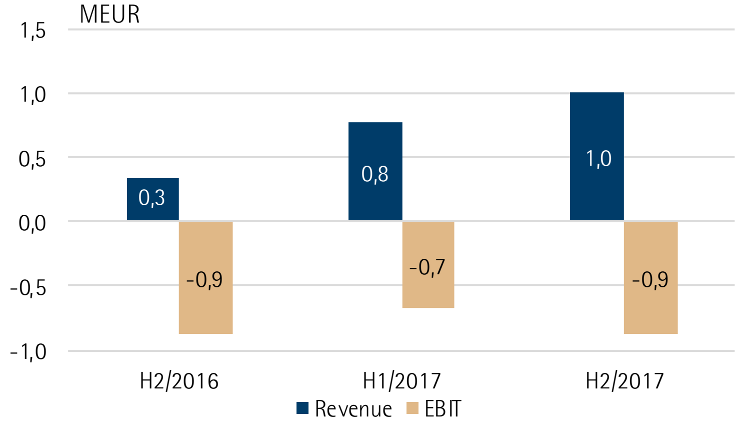
Financial performance – Energy

As Taaleri Energy's operations began during the second half of 2016 as a new segment, revenue has so far not been significant and profitability has been negative due to the ramp-up of the new operations, affected largely by the up-front recruitment of employees.

Revenue so far largely from development of assets

The segment's main revenue sources are from fund management fees and possible income from exits as well as revenue from development of assets. Taaleri Energy will have a shared fee system for fund income with Wealth Management in regard to the SolarWind fund and possible new funds. Revenue has so far mainly been generated by development of assets and from fund income from the latter half of 2017 and is set to grow as progress is made in the SolarWind fund and the likely new funds are launched.

Figure 19: Energy's revenue and EBIT H2/16-H2/17



Source: Taaleri

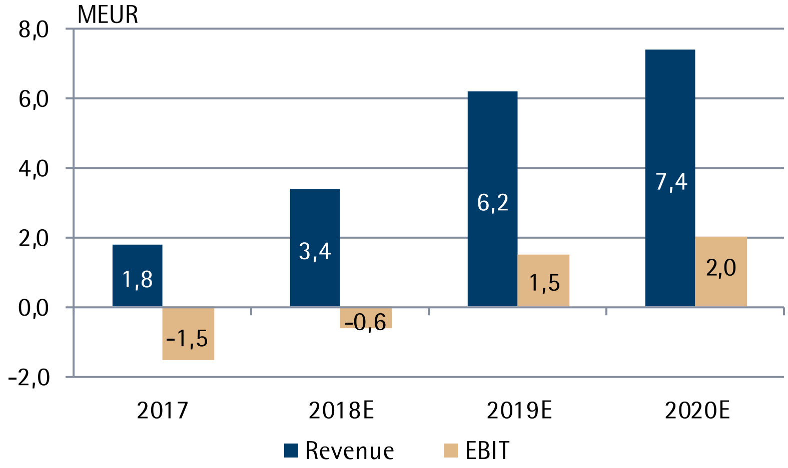
[6] IRENA (2018), *Renewable Power Generation Costs in 2017*, International Renewable Energy Agency, Abu Dhabi

Estimates – Energy

Profitability expected to still be negative in 2018

Taaleri Energy is still in a start-up phase, with revenue in 2017 largely from development operations. The successful closing of the SolarWind fund is in our view pivotal for continued growth, as not only will the fund generate fee income, but also paves the way for Taaleri Energy in the launch of new funds. With the closing of the SolarWind and the significant projects already signed, we expect Taaleri Energy to start raising funds for a new fund during 2018. We expect development operations to continue to be a significant source of revenue and fee income to grow as projects in the SolarWind fund progress and with the closing of the fund's investment period. We expect to see positive profitability from 2019 onwards, with 2018 profitability still expected to be negative due to up-front ramp-up costs and lower SolarWind fee contribution.

Figure 20: Revenue and profitability estimates for Energy, 2017-2020E



Source: Taaleri, Evli research

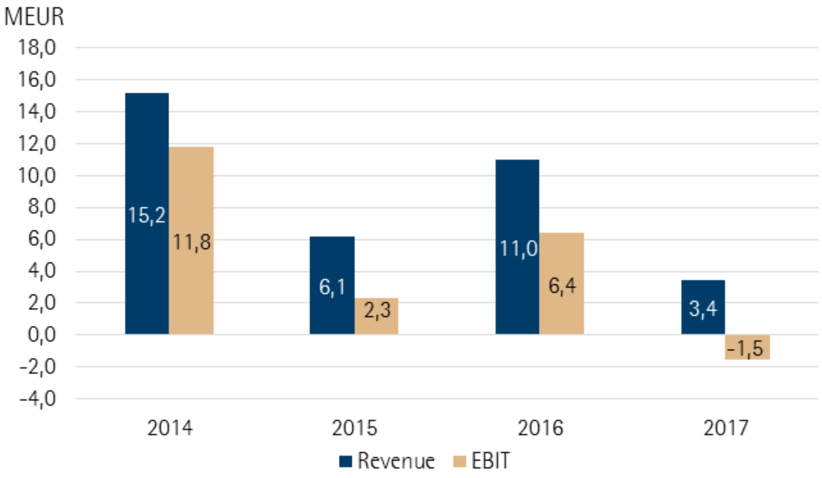
Other operations

The other operations consist of Taaleri's group administration functions and Taaleri's investments, consisting of investments out of the group's balance sheet and Taaleri's shares in associated companies. Taaleri invests from its balance sheet through Taaleri Investments, both directly and through co-investment. In the co-investments model, Taaleri and co-investors jointly invest in unlisted companies or projects through designated funds. The current co-investment objects are relatively new, having begun in 2016 or later, including investments into Aalto Shipping Company, FinnFleet, Rauma shipyard, and geothermal energy. The total investments at fair value made in other operations totalled EUR 26.9m in 2017.

Taaleri has also invested into several companies, listed below, with Taaleri's ownership percentage in brackets.

- Bonus Solutions (68 %) – Invoice payment services developer
- Fellow Finance (45.7 %) – Peer-to-peer lending services
- Ficolo (38.85 %) – Data centre developer
- Inderes (15 %) – Equity research company
- SuoraTyö – Employment management services provider

Figure 21: Other operations financial figures 2014-2017



Source: Taaleri

The other operations income consists mainly of value changes of investments and profits (loss) from sales of investment objects. Due to the nature of the income received the variability in income between different years can be very high. In 2016 Taaleri recorded a EUR 8.5m profit from the sale of Finsilva, while 2017 included a EUR 1.8m profit from the sale of Mattiovi Oy. Taaleri Investments will record a loss of approx. EUR 2.5m in H1/2018, relating to a geothermal project in Germany.

Financial targets

In considering Taaleri's financial targets Garantia's effects on equity requirements are worth noting. The requirements for equity capital have a limiting effect on ROE and given a capital structure more similar to those of peer financial services firms Taaleri would have been able to achieve a larger ROE.

Table 2: Taaleri's financial targets

Financial targets	Target	2016	2017
Operating profit, %	>20,0	27	34,1
Return on equity, %	>15,0	13,4	21,8
Equity ratio	>30,0	44	46,3
Capital adequacy ratio, %	>150,0	268,9	251,2

Source: Taaleri

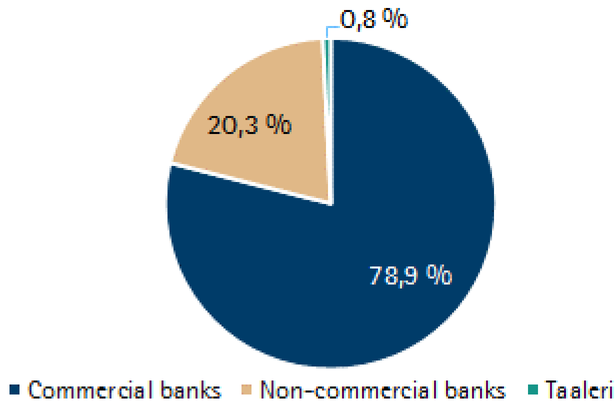
Taaleri strives to distribute a growing and competitive dividend, taking into account the company's financial and financing situation, as well as the special permission granted by the Finnish Financial Supervisory Authority. The special permission concerns the capital requirements of Taaleri and the company has assessed that a new special permission will not be required. We expect Taaleri to continue to grow dividend payments if possible, but believe that from Taaleri's perspective dividend payments are seen more as a secondary form of shareholder value creation. The company's strategy to our understanding revolves around linking value creation and ownership and being able to maintain an opportunistic approach in taking on new projects, which should show as a lower payout ratio and more earnings being used for new projects.

Market overview

Financial services market still dominated by large commercial banks

The Finnish market for financial services is largely dominated by the three largest commercial banks: Nordea, OP and Danske Bank. Of the total capital of roughly EUR 120 billion in Finnish fund management companies, these companies accounted for almost 70 percent.[7] Measured by size Taaleri is among the middle-sized companies together with listed investment and asset management companies such as Evli, eQ, and CapMan.

Figure 22: Fund management companies shares split per company type (31.12.2017)



Source: Financial Supervisory Authority

The Finnish market for financial services has been developing favorably in the past few years, following an overall good development of both the global and Finnish economy. The growth of the economy has been driven by increased demand both domestically and internationally, with low interest rate levels also playing a part. Measures to increase the competitiveness of labor and businesses in Finland, such as the Competitiveness Pact, have also been much needed as development in cost competitiveness has fallen behind in comparison to other EU countries. According to the Ministry of Finance the development of the Finnish economy is expected to remain favorable in the near-term, supported by the outlook of the global economy, with growth expected to see some slowing down after 2018 with the currently low inflation expectations starting to pick up.

Table 3: Key economic indicators

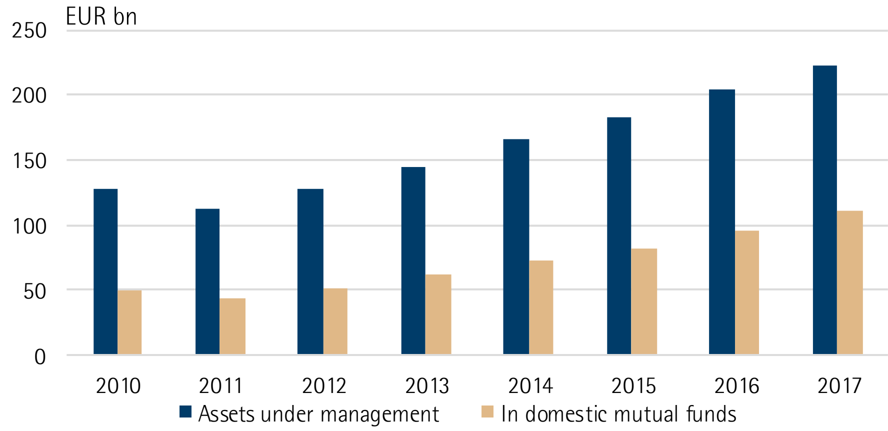
Finland	2013	2014	2015	2016	2017	2018E	2019E
GDP change, yearly change	-0,8	-0,6	0,1	2,1	2,6	2,6	2,2
Unemployment, year average	8,2	8,7	9,4	8,8	8,6	8,1	7,5
Consumer price index, average yearly change	1,5	1	-0,2	0,4	0,7	1,2	1,4
12 m. Euribor, year average	0,5	0,5	0,2	0	-0,1		

Source: Bank of Finland, Statistics Finland, Ministry of Finance

7 Financial Supervisory Authority: Fund management companies' market shares (31.12.2017)

The amount of assets under management in portfolio management and in funds have been on the rise. After declining in 2011 the funds in under management have grown quite steadily, at a CAGR between 2011 and 2017 of 12 %. The increases in assets under management have been partly due to both cash inflow and valuation increases. When comparing net subscriptions and value changes in Finnish investment funds after 2011, a slightly larger part of the increase in AUM has been due to net subscriptions into the investment funds.

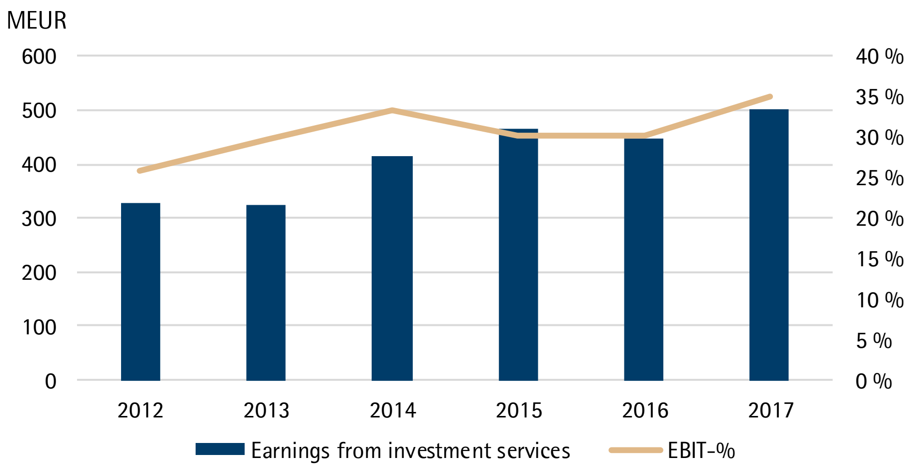
Figure 23: Development of assets in portfolio management 2010-2017



Source: Financial Supervisory Authority

The investment services sector in general has seen good profitability in recent years, with the average EBIT-margin in between 2012-2017 at 30 %. 2017 saw the strongest profitability for the sector in total during the observed period, with and EBIT-margin of 35 %. Profitability has been at very good levels, driven by among other things the low interest-rates shifting funds in cash deposits to more productive use along with generally favorable market development.

Figure 24: Development of Finnish investment services firms 2012-2017



Source: Financial Supervisory Authority

Increasing regulation affecting the market

The market for financial services, both domestic and international, has been experiencing changes in regulation most recently due to the MiFID II directive. Increases in regulation typically increases administration costs as more compliance, legal and training of personnel is required. Although increases in the amount of regulation will affect all firms in the sector, larger companies are better equipped to cope with the administrative burden than smaller companies. This will likely lead to some consolidation especially among the smaller companies.

Digitalization offering new opportunities

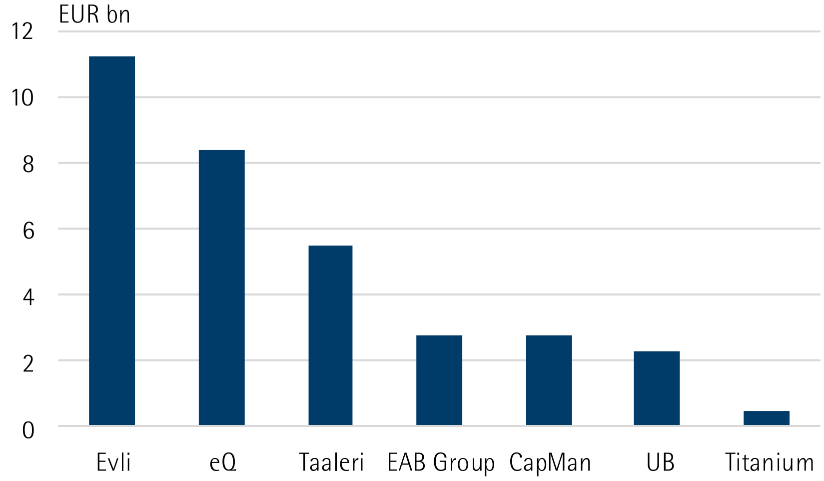
The rapid digitalization of services is also affecting the financial services market, posing both an opportunity and a threat for established companies and systems. The digitalization trend in some sense favors the larger companies, when it comes to the ability to finance the investments in digitalization, but due to their size the implementation of new ways to operate may be cumbersome and time-consuming, allowing smaller companies to faster react to customer demands and develop new services.

In the long run digitalization will also reduce costs, increase automation and introduce new services. Digitalization has also caused a decrease in prices for standardized products and services, thus challenging existing products and services. An example of this has been the growth in ETFs and passive investment styles, which have put pressure on the traditional asset managers and mutual funds.

Financial services companies

The public financial services companies in Finland, excluding commercial banks, are CapMan, EAB Group (former Elite Varainhoito), Evli, eQ, Taaleri, Titanium, and United Bankers. Taaleri is the third largest measured by AUM.

Figure 24: Peer companies AUM, 2017



Source: Company reports

The public Finnish financial services companies all offer to some degree similar services as Taaleri. EAB Group, Evli, eQ and United Bankers are by size and business focus areas the most comparable companies, with substantial shares of revenue from wealth and fund management. CapMan is mainly a private equity fund manager, without wealth management services similar to those of Taaleri and the other companies. Several of the companies also provide other related services such as brokerage, corporate finance and other investment banking services.

Table 4: Peer companies product offering

	Taaleri	CapMan	EAB Group	Evli	eQ	UB	Titanium
Wealth management	✓	×	✓	✓	✓	✓	✓
Mutual funds	✓	×	✓	✓	✓	✓	✓
Corporate finance	✓	×	×	✓	✓	✓	×
Brokerage	Internal	×	×	✓	×	✓	×
Private equity	✓	✓	✓	✓	✓	✓	×
Real estate	✓	✓	✓	✓	✓	✓	✓
Banking	×	×	×	✓	×	×	×
Structured products	✓	×	×	✓	✓	✓	✓

Source: Company websites and reports, Evli research

Development among the peer financial services companies has overall been very good during the last five years, with growing AUM and revenue. The profits for the four largest companies, Evli, Taaleri, CapMan and eQ, have also seen good development despite year to year fluctuations.

Figure 25: Revenue development, 2013-2017

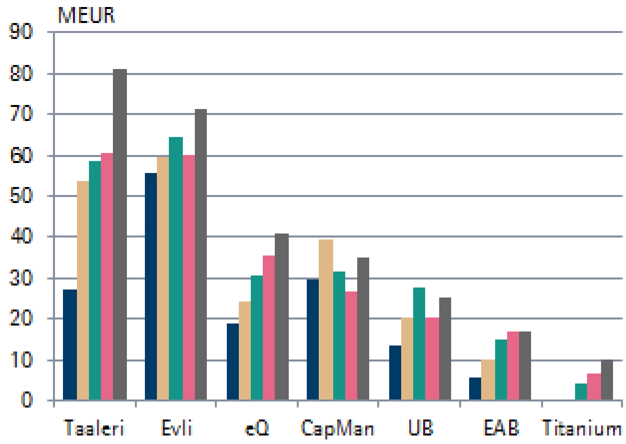


Figure 26: AUM development 2013-2017

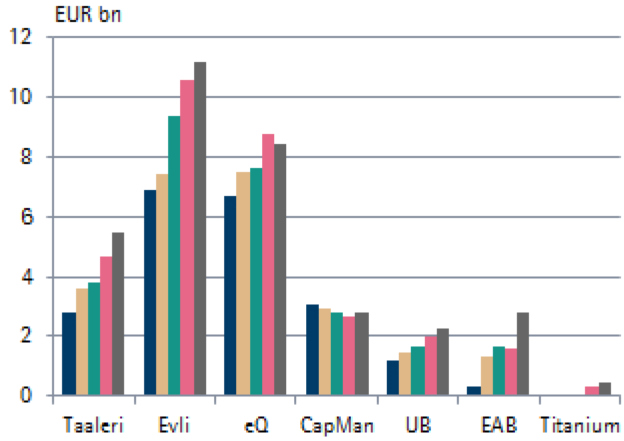


Figure 27: Operating profit development, 2013-2017

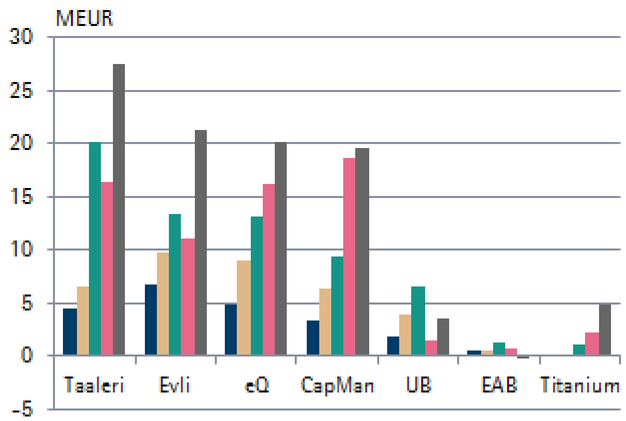
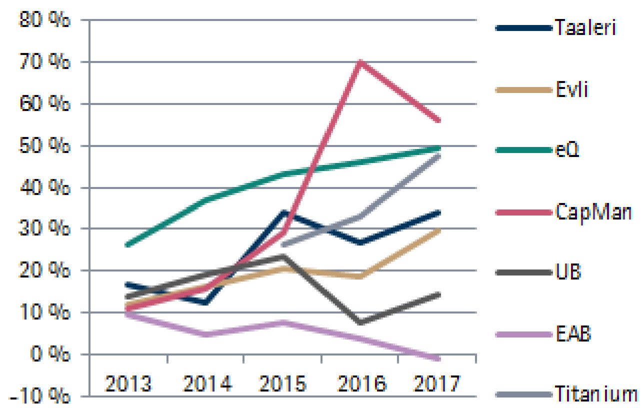


Figure 28: Operating margin development, 2013-2017



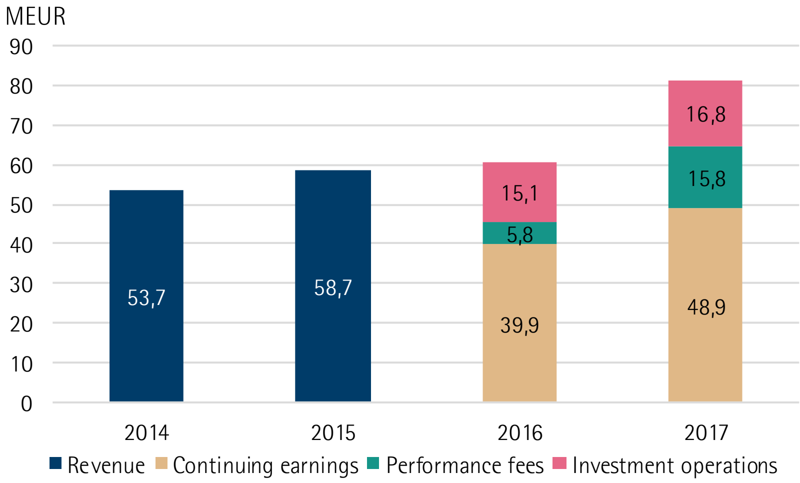
Source: Company reports, Evli research

Financial performance – Taaleri Group

Taaleri's revenue in 2017 saw strong development, after a few years of slower growth. Although AUM have been increasing at a good pace during 2014-2017, the decrease in higher fee structured products contributed to the slower development of fee income during 2014-2016.

The increase in continuing earnings in 2017 was driven largely by AUM increases in the higher fee private equity and mutual funds, while AUM in low fee consultative WM remained flat. Revenue from investment operations increased slightly, with the largest contribution from Garantia. Due to among other things the strong performance of Taaleri's mutual funds, performance fees grew significantly, pushing total revenue to EUR 81m, with growth of 34 % compared to 2016.

Figure 29: Taaleri Group's revenue development 2014-2017



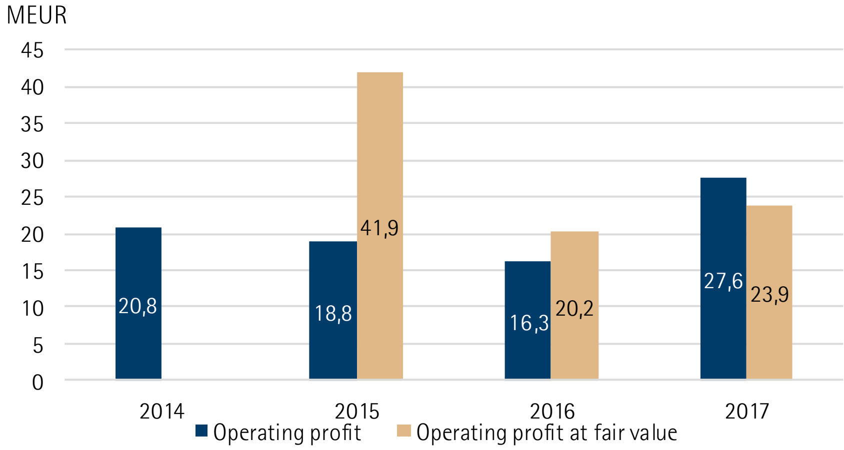
Source: Taaleri, Evli Research[8]

Operating profit margin 34.1 % in 2017

Taaleri has achieved good profitability in the recent years. With adjustments for the tax impact of Finsilva in 2014 and adjustments related to Garantia in 2015, the average operating profit margin during 2014-2017 would have been nearly 30 %. In 2017 Taaleri achieved a margin of 34.1 %. While revenue grew significantly in 2017, the performance-based salaries also increased, which mitigated some of the increases in profit margins.

[8] 2014-2015 show only total revenue due to incomparability with 2016-2017 arising from reporting changes

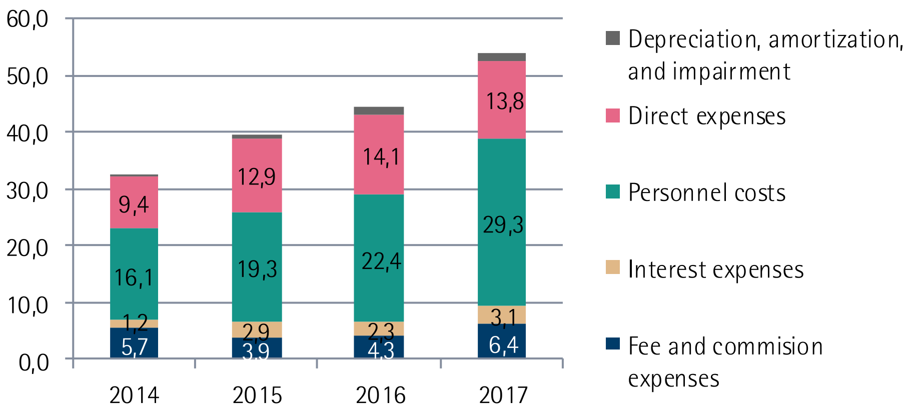
Figure 30: Taaleri Group's operating profit 2014-2017



Source: Taaleri, Evli Research

The largest costs for Taaleri have been personnel costs followed by direct expenses such as premise costs, ICT costs, marketing and communications costs and external services. Personnel costs have in recent years increased at a slightly faster pace than the amount of employees, while personnel costs were exceptionally high in 2017 due to performance-based wage components of some EUR 7.1m, nearly double that of 2016. Direct expenses have seen some increases mainly due to expanding operations along with investments into developing IT-systems.

Figure 31: Taaleri Group's costs 2014-2017

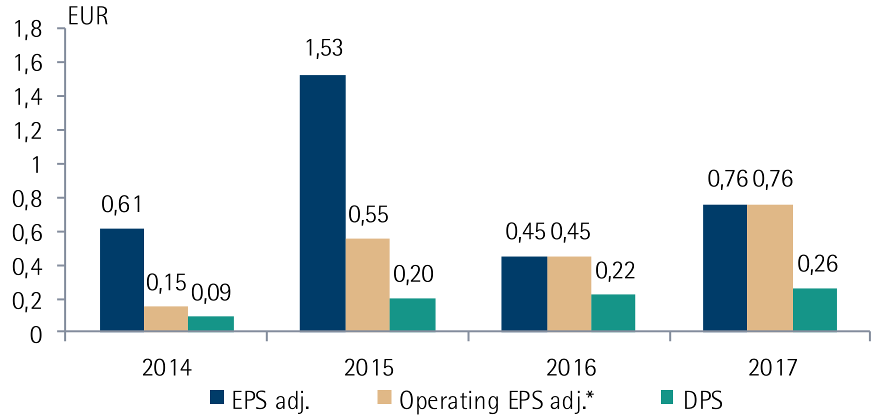


Source: Taaleri, Evli Research

70 % EPS growth in 2017, strives to distribute a growing and competitive dividend

Taaleri's earnings per share grew by some 70 % in 2017 following the strong financial performance. The dividend per share in 2017 was EUR 0.26 and earnings per share EUR 0.76, corresponding to a payout ratio of 34 %. Taaleri strives to distribute a growing and competitive dividend.

Figure 32: Taaleri's earnings and dividend per share, 2014-2017



*Adjusted for Finsilva and Garantia related fair value and tax effects in 2014 and 2015

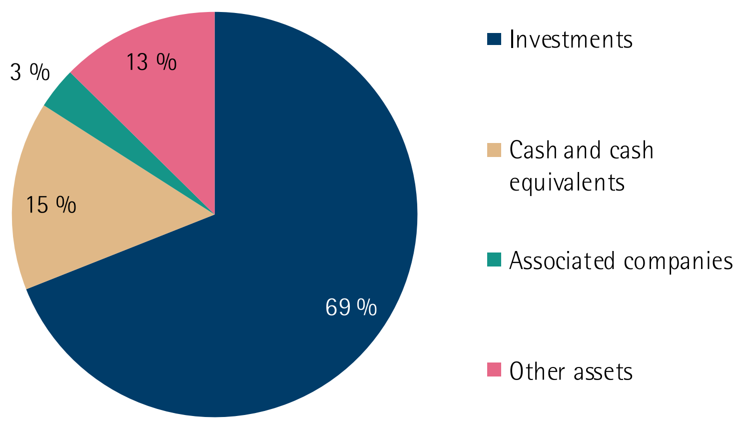
Source: Taaleri

Balance sheet

Garantia's investment portfolio accounts for over half of assets

Taaleri's balance sheet totaled EUR 229m in 2017. The large balance sheet is largely a result of the acquisition of Garantia, with Garantia's investment portfolio accounting for EUR 132m. Cash and cash equivalents consist solely of receivables from credit institutions. Goodwill on the balance sheet is minimal, at EUR 0.6m. Other assets mainly include receivables relating to management fees, wealth management fees, and performance fees.

Figure 33: Taaleri's assets, 2017

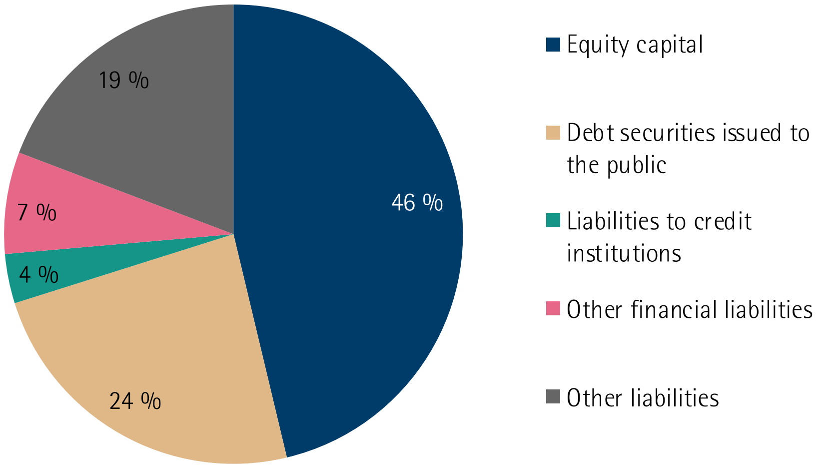


Source: Taaleri, Evli Research

Equity ratio 46.3 % in 2017, target of over 30 %

Taaleri's equity ratio in 2017 was 46.3 %, with the equity ratio target at above 30 %. Taaleri has two bonds outstanding at nominal value of EUR 20m and EUR 35m, maturing in 2019 and 2021 respectively. Liabilities arising from insurance operations amounted to EUR 20m in 2017.

Figure 34: Taaleri's equity and liabilities, 2017



Source: Taaleri, Evli Research

Valuation

Initiate coverage with BUY-rating and target price of EUR 11

We initiate coverage of Taaleri with a BUY-rating and target price of EUR 11. Our valuation relies on a sum of the parts approach and DCF model. Our SOTP approach implies an equity value of EUR 10.7 and DCF model an equity value of EUR 11.6. We assign more weight to our SOTP value given Taaleri's conglomerate structure.

Table 5: Wealth Management - Finnish financial services peer multiples

	MCAP	P/E			P/B			EV/EBIT		
TAALERI PEER GROUP	MEUR	18E	19E	20E	18E	19E	20E	18E	19E	20E
CapMan	225	17,1x	11,8x	11,0x	1,8x	1,8x	1,7x	13,6x	9,7x	9,4x
EAB Group	42	10,3x	7,7x	6,3x	1,7x	1,6x	1,4x	5,2x	3,9x	3,2x
Evli Bank	248	10,8x	11,0x	11,0x	2,8x	2,7x	2,5x			
eQ	320	17,0x	15,2x	14,0x	5,1x	5,0x	4,9x	12,6x	11,3x	10,1x
Titanium	69	9,8x	11,1x	10,9x	4,6x	4,7x	4,6x	7,4x	8,6x	7,1x
United Bankers	55	11,1x	8,9x	8,5x	2,3x	2,2x	2,1x	7,9x	5,9x	5,4x
Peer Group Average	160	**12,7x**	**10,9x**	**10,3x**	**3,1x**	**3,0x**	**2,9x**	**9,3x**	**7,9x**	**7,1x**
Peer Group Median	147	**11,0x**	**11,0x**	**10,9x**	**2,6x**	**2,4x**	**2,3x**	**7,9x**	**8,6x**	**7,1x**
Taaleri Group (Evli est.)	**277**	**17,9x**	**12,3x**	**10,1x**	**2,4x**	**2,2x**	**1,9x**	**15,7x**	**10,6x**	**8,4x**
Prem./disc. to peer median		*63 %*	*12 %*	*-8 %*	*-6 %*	*-12 %*	*-19 %*	*98 %*	*23 %*	*19 %*

Source Bloomberg, Evli research

For Taaleri's Wealth Management segment we have derived an implied value of EUR 189m, based on peer multiple comparison. In our view Taaleri's WM should be valued at a premium to the peer group median as Taaleri has been among the top performers in recent years. We value Taaleri WM at a 2019E 10.4x EV/EBIT, which we consider fair compared to peers. This reflects a slight discount to eQ, which has both a solid PE exposure and has been able to achieve exceptionally good profitability levels, above that of Taaleri.

Table 6: Financing - Nordic insurance companies multiples

	MCAP	P/E			P/B			ROE-%		
NORDIC INSURANCE CO's	MEUR	18E	19E	20E	18E	19E	20E	18E	19E	20E
Protector Forsikring	644	16,7x	10,9x	9,1x	2,1x	1,8x	1,5x	12,9 %	17,8 %	18,5 %
Tryg	5975	20,4x	18,0x	17,0x	4,0x	3,8x	3,8x	17,7 %	22,8 %	23,6 %
Sampo	23802	14,4x	14,6x	14,2x	1,8x	1,8x	1,8x	13,2 %	12,2 %	12,3 %
Gjensidige Forsikring	6653	16,6x	14,4x	14,0x	2,7x	2,6x	2,6x	16,8 %	19,0 %	18,9 %
Topdanmark	3526	18,3x	18,0x	17,7x	4,1x	4,0x	4,2x	23,9 %	24,5 %	24,6 %
Alm Brand	1491	16,3x	14,9x	14,7x	2,1x	2,2x	2,1x	13,1 %	14,1 %	14,4 %
Peer Group Average	7015	**17,1x**	**15,1x**	**14,4x**	**2,8x**	**2,7x**	**2,7x**	**16,2 %**	**18,4 %**	**18,7 %**
Peer Group Median	4750	**16,7x**	**14,8x**	**14,4x**	**2,4x**	**2,4x**	**2,4x**	**15,0 %**	**18,4 %**	**18,7 %**

Source Bloomberg

Taaleri purchased Garantia in 2015 for EUR 60m and made a write-up of EUR 28.6m directly after the purchase. Even without taking into account the recent favourable development of Garantia we see that the acquisition was a bargain for Taaleri. In table 6 we have constructed a peer group of Nordic insurance companies. We note that although Garantia per se is not an insurance company the business models can largely be seen as comparable. We see that Garantia should be valued at the upper end of the range of peer P/E multiples. When looking at the combined ratio Garantia's performance has been exceptionally good in comparison to the insurance companies (2017: Garantia 60.3 %, peer insurance companies 82-93 %), along with strong investment returns. Garantia's substantially smaller size is something we have accounted for in the valuation. We value the Financing segment at 18.0x 2019E P/E (corresponding to a 14.4x 2019E

EV/EBIT), giving an implied value of EUR 144m. This puts valuation at an acceptable premium to Garantia's own funds, which were EUR 106.8m at the end of 2017.

In valuing the Energy-segment we derive a preliminary valuation range of EUR 10-20m based on cash flow scenarios, one in which we assume only the SolarWind fund and one where we assume another fund of 1.5x the equity of the SolarWind fund with otherwise similar aspects to be launched before 2020. As the Energy-segment both invests in and develops projects, directly comparable peers are limited. In table 7 we have constructed a peer group of Nordic and German renewable energy developers. The peer group median 2019E EV/EBIT is at 7.5x. We see that the global focus and projects in countries that should offer higher yields along with the private equity fund management role would afford higher multiples compared to a Europe-focused renewable energy developer. However, as the Energy-segment is still in such an early stage and yet to show profitability we see that a discount is still necessary. In our sum of the parts valuation we use a 2019E 7.0x EV/EBIT multiple, thus giving a value of around EUR 11m.

Table 7: Energy - Renewable energy developer's multiples

RENEWABLE ENERGY	MCAP	EV/EBIT			EV/Sales			P/E		
DEVELOPERS	MEUR	18	19	20	18	19	20	18	19	20
ABO Wind	101	7,6x	7,2x		1,0x	0,9x		8,9x	8,6x	
Energiekontor	219	14,2x	7,5x	6,6x	3,2x	1,6x	1,4x	34,1x	10,6x	9,5x
PNE WIND	191	10,8x	4,3x	2,7x	1,1x	0,9x	0,9x	18,2x	6,7x	4,0x
Scatec Solar	581	14,6x	9,1x	6,7x	7,7x	5,0x	3,8x	110,6x	33,5x	20,7x
Eolus Vind	85	7,5x	10,9x		0,8x	0,6x		7,7x	11,9x	
Peer Group Average	235	**10,9x**	**7,8x**	**5,3x**	**2,8x**	**1,8x**	**2,0x**	**35,9x**	**14,3x**	**11,4x**
Peer Group Median	191	**10,8x**	**7,5x**	**6,6x**	**1,1x**	**0,9x**	**1,4x**	**18,2x**	**10,6x**	**9,5x**

Source Bloomberg

We have valued the investments made in other operations at reported 2017 fair value adjusted for the estimated effect of additions/disposals, at a total value of EUR 30m. We account for other operations costs at 2019E EBIT effect of EUR -4.5m on a multiple of 10x.

Table 8: Valuation summary

VALUATION	EBIT 19E	EV/EBIT 19E	EV	Per share
Wealth Management	18.2	10.4x	189	6,7
Financing	10	14.4x	144	5,1
Energy	1.5	7.0x	11	0,4
Other operations	-4.5	10x	-45	-1,6
Investments, other			30	1,1
Net debt			-26	-0,9
Equity value (SOTP)			303	10,7
Equity value (DCF)				11,6
Target price (EUR)				**11,0**

Source: Evli Research

Estimates summary

MEUR	2016	H1/17	H2/17	2017	H1/18E	H2/18E	2018E	2019E	2020E
Wealth Management									
Revenue	**37,1**	23,9	30,7	**54,6**	23,2	28,0	**51,2**	**56,4**	**61,9**
EBIT	**6,2**	7,9	8,8	**16,6**	6,1	8,7	**14,8**	**18,2**	**21,9**
AUM	**4679**			**5451**			**5900**	**6300**	**6650**
Financing									
Revenue	**12,3**	11,7	10,1	**21,8**	9,0	9,5	**18,5**	**18,8**	**20,5**
EBIT	**7,7**	5,7	4,6	**10,3**	4,8	5,2	**10,0**	**10,1**	**11,5**
Insurance portfolio	**1320**			**1491**			**1620**	**1755**	**1870**
Investment returns, %	**5,8 %**			**6,6 %**			**5,4 %**	**4,4 %**	**4,4 %**
Combined ratio, %	**64 %**			**60 %**			**56 %**	**56 %**	**54 %**
Energy									
Revenue	**0,3**	0,8	1,0	**1,8**	1,5	1,9	**3,4**	**6,2**	**7,4**
EBIT	**-0,9**	-0,7	-0,9	**-1,5**	-0,4	-0,2	**-0,6**	**1,5**	**2,0**
AUM							**150**	**370**	**560**
Other									
Revenue	**11,0**	2,6	0,9	**3,4**	-1,7	0,8	**-0,9**	**2,0**	**2,0**
EBIT	**6,4**	0,4	-1,9	**-1,5**	-3,5	-1,2	**-4,7**	**-1,6**	**-1,1**
Group									
Revenue	**60,7**	38,9	42,6	**81,6**	32,0	40,2	**72,2**	**83,4**	**91,8**
EBIT	**20,2**	13,2	10,7	**23,9**	7,0	12,5	**19,5**	**28,1**	**34,4**

Source: Taaleri, Evli Research

Appendices

Table 9: Garantia's income statement 2013-2017

	2013	2014	2015	2016	2017
Gross premiums written	10,6	11,3	10,0	12,2	15,2
Other items*	0,2	-0,2	-0,2	-2,8	-4,6
Earned premiums	10,8	11,1	9,8	9,5	10,6
Claims incurred	-2,4	-0,4	-1,5	-1,2	-1,1
Operating expenses	-3,9	-4,6	-4,8	-5,0	-5,3
Change to equalisation provision	-4,5	-6,1	-3,5	1,2	1,1
Balance on technical account	0,0	-0,9	0,1	4,5	5,3
Non-technical account					
Investment income, net	6,2	5,3	8,5	3,2	11,5
Other income and expenses	-	-	-	-	0,0
Taxes	-1,5	-1,0	-1,7	-1,5	-3,5
Net profit	4,7	4,2	6,8	6,1	13,3

*Reinsurers share and change to provisions for unearned premiums

Reported in accordance with FAS, Taaleri reports in accordance with IFRS

Source: Garantia

VALUATION RESULTS		BASE CASE DETAILS		VALUATION ASSUMPTIONS		ASSUMPTIONS FOR WACC	
Current share price	9.74	PV of Free Cash Flow	162	Long-term growth, %	2.0	Risk-free interest rate, %	2.25
DCF share value	11.64	PV of Horizon value	196	WACC, %	8.7	Market risk premium, %	5.8
Share price potential, %	19.5	Unconsolidated equity	-1	Spread, %	0.5	Debt risk premium, %	2.8
Maximum value	12.7	Marketable securities	35	Minimum WACC, %	8.2	Equity beta coefficient	1.10
Minimum value	10.8	Debt - dividend	-63	Maximum WACC, %	9.2	Target debt ratio, %	20
Horizon value, %	54.7	Value of stock	330	Nr of shares, Mn	28.4	Effective tax rate, %	20

DCF valuation, EURm	2017	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	Horizon
Net sales	81	72	83	92	96	101	106	111	115	118	121	123
Sales growth, %	*33.7*	*-10.9*	*15.6*	*10.2*	*5.0*	*5.0*	*5.0*	*4.0*	*4.0*	*3.0*	*2.0*	*2.0*
Operating income (EBIT)	27	19	28	34	36	33	32	33	34	36	36	37
EBIT margin, %	*33.4*	*26.9*	*33.8*	*37.4*	*37.4*	*32.5*	*30.0*	*30.0*	*30.0*	*30.0*	*30.0*	*30.0*
+ Depreciation+amort.	1	1	1	1	1	1	1	1	1	1	1	
- Income taxes	-7	-4	-6	-7	-7	-7	-6	-7	-7	-7	-7	
- Change in NWC	5	1	-2	-2	-1	-1	-1	-1	-1	-1	0	
NWC / Sales, %	*1.2*	*0.3*	*3.0*	*4.5*	*5.3*	*6.0*	*6.6*	*7.2*	*7.7*	*8.0*	*8.2*	
+ Change in other liabs	5	0	0	0	0	0	0	0	0	0	0	
- Capital Expenditure	-10	-1	-1	-1	-1	-1	-1	-1	-1	-1	-1	-1
Investments / Sales, %	*12.0*	*1.5*	*1.5*	*1.3*	*1.2*	*1.2*	*1.2*	*1.2*	*1.2*	*1.2*	*1.2*	*1.2*
- Other items	-1	0	0	0	0	0	0	0	0	0	0	
= Unlevered Free CF (FCF)	21	17	20	26	28	25	24	26	27	28	28	436
= Discounted FCF (DFCF)		16	18	21	21	17	15	15	14	14	13	196
= DFCF min WACC		16	18	21	21	18	16	15	15	14	13	222
= DFCF max WACC		16	17	20	20	17	15	14	14	13	12	175

INTERIM FIGURES

EVLI ESTIMATES, EURm	2017Q1	2017Q2	2017Q3	2017Q4	2017	2018Q1E	2018Q2E	2018Q3E	2018Q4E	2018E	2019E	2020E
Net sales	0	39	0	42	81	0	32	0	40	72	83	92
EBITDA	0	16	0	12	28	0	8	0	13	21	29	35
EBITDA margin (%)	0.0	41.3	0.0	29.2	35.0	0.0	23.5	0.0	32.9	28.8	35.0	38.5
EBIT	0	15	0	12	27	0	7	0	12	19	28	34
EBIT margin (%)	0.0	39.8	0.0	27.5	33.4	0.0	21.7	0.0	31.0	26.9	33.8	37.4
Net financial items	0	0	0	0	1	0	0	0	0	0	0	0
Pre-tax profit	0	16	0	12	28	0	7	0	12	19	28	34
Tax	0	-3	0	-3	-6	0	-1	0	-2	-4	-6	-7
Tax rate (%)	0.0	19.9	0.0	23.7	21.5	0.0	20.0	0.0	20.0	20.0	20.0	20.0
Net profit	0	13	0	9	22	0	6	0	10	16	23	27
EPS	0.00	0.44	0.00	0.33	0.77	0.00	0.20	0.00	0.35	0.55	0.79	0.97
EPS adjusted (diluted no. of shares)	0.00	0.44	0.00	0.33	0.77	0.00	0.20	0.00	0.35	0.55	0.79	0.97
Dividend per share	0.00	0.00	0.00	0.00	0.26	0.00	0.00	0.00	0.00	0.29	0.32	0.34
SALES, EURm												
Wealth management	0	24	0	31	55	0	23	0	28	51	56	62
Financing	0	12	0	10	22	0	9	0	9	19	19	20
Energy	0	1	0	1	2	0	1	0	2	3	6	7
Other & share of associates	0	2	0	1	3	0	-2	0	1	-1	2	2
Total	0	39	0	42	81	0	32	0	40	72	83	92
SALES GROWTH, Y/Y %												
Wealth management	0.0	36.0	0.0	57.5	47.3	0.0	-2.8	0.0	-8.9	-6.2	10.1	9.9
Financing	0.0	101.3	0.0	54.3	76.4	0.0	-22.7	0.0	-5.7	-14.8	1.5	9.0
Energy	0.0	0.0	0.0	200.6	431.5	0.0	80.4	0.0	88.1	84.8	87.9	19.4
Other & share of associates	0.0	-77.6	0.0	2.2	-73.7	0.0	-173.9	0.0	46.3	-131.6	-322.2	0.0
Total	0.0	14.8	0.0	57.4	33.7	0.0	-17.4	0.0	-5.1	-10.9	15.6	10.2
EBIT, EURm												
Wealth management	0	8	0	9	17	0	6	0	9	15	18	22
Financing	0	8	0	6	14	0	5	0	5	10	10	12
Energy	0	-1	0	-1	-2	0	0	0	0	-1	2	2
Other & share of associates	0	0	0	-2	-2	0	-3	0	-1	-5	-2	-1
Total	0	15	0	12	27	0	7	0	12	19	28	34
EBIT margin, %												
Wealth management	0.0	32.9	0.0	28.6	30.5	0.0	26.3	0.0	31.1	28.9	32.2	35.4
Financing	0.0	67.6	0.0	59.6	63.9	0.0	53.6	0.0	54.6	54.1	53.6	56.1
Energy	0.0	-87.3	0.0	-85.9	-86.5	0.0	-35.7	0.0	-12.1	-22.1	24.2	27.4
Other & share of associates	0.0	13.0	0.0	-415.8	-69.3	0.0	205.6	0.0	-149.4	521.1	-80.0	-55.0
Total	0.0	39.8	0.0	27.5	33.4	0.0	21.7	0.0	31.0	26.9	33.8	37.4

INCOME STATEMENT, EURm	2013	2014	2015	2016	2017	2018E	2019E	2020E
Sales	27	54	59	61	81	72	83	92
Sales growth (%)	*35.1*	*95.7*	*9.5*	*3.3*	*33.7*	*-10.9*	*15.6*	*10.2*
Costs	-22	-32	-39	-43	-53	-51	-54	-56
Reported EBITDA	5	21	20	18	28	21	29	35
Extraordinary items in EBITDA	0	0	0	0	0	0	0	0
EBITDA margin (%)	*18.2*	*39.9*	*33.6*	*29.0*	*35.0*	*28.8*	*35.0*	*38.5*
Depreciation	0	-1	-1	-1	-1	-1	-1	-1
EBITA	5	21	19	16	27	19	28	34
Goodwill amortization / writedown	0	0	0	0	0	0	0	0
Reported EBIT	5	21	19	16	27	19	28	34
EBIT margin (%)	*16.5*	*38.9*	*32.1*	*26.7*	*33.4*	*26.9*	*33.8*	*37.4*
Net financials	0	0	0	0	1	0	0	0
Pre-tax profit	5	21	19	16	28	19	28	34
Extraordinary items	0	0	29	4	-4	0	0	0
Taxes	-1	-4	-3	-4	-6	-4	-6	-7
Minority shares	0	0	0	0	0	0	0	0
Net profit	3	17	44	17	18	16	23	27
BALANCE SHEET, EURm								
Assets								
Fixed assets	4	86	164	137	168	174	181	189
% of sales	*14*	*160*	*280*	*227*	*207*	*242*	*218*	*205*
Goodwill	1	1	1	1	1	1	1	1
% of sales	*3*	*1*	*1*	*1*	*1*	*1*	*1*	*1*
Inventory	0	0	0	0	0	0	0	0
% of sales	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Receivables	12	35	23	20	25	25	27	28
% of sales	*43*	*65*	*40*	*32*	*31*	*34*	*32*	*31*
Liquid funds	12	32	28	55	35	29	33	37
% of sales	*42*	*59*	*48*	*91*	*43*	*40*	*40*	*40*
Total assets	28	153	217	213	229	229	243	256
Liabilities								
Equity	23	38	97	94	106	114	129	147
% of sales	*83*	*71*	*165*	*155*	*131*	*158*	*154*	*160*
Deferred taxes	0	3	18	17	16	16	16	16
% of sales	*0*	*5*	*30*	*28*	*20*	*22*	*19*	*17*
Interest bearing debt	0	100	75	74	63	55	54	48
% of sales	*0*	*187*	*128*	*122*	*77*	*76*	*65*	*52*
Non-interest bearing current liabilities	0	0	0	0	0	0	0	0
% of sales	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Other interest free debt	5	12	27	29	45	45	45	45
% of sales	*20*	*23*	*46*	*48*	*55*	*62*	*54*	*49*
Total liabilities	28	153	217	213	229	229	243	256
CASH FLOW, EURm								
+ EBITDA	5	21	20	18	28	21	29	35
- Net financial items	0	0	0	0	1	0	0	0
- Taxes	-1	-2	12	-5	-7	-4	-6	-7
- Increase in Net Working Capital	-9	-16	13	4	5	1	-2	-2
+/- Other	0	-13	-26	11	3	0	0	0
= Cash flow from operations	-6	-9	19	28	29	18	21	27
- Capex	-1	0	-115	-11	-10	-1	-1	-1
- Acquisitions	0	0	0	0	0	0	0	0
+ Divestments	0	0	0	0	0	0	0	0
= Net cash flow	-7	1	-57	11	14	17	20	26
+/- Change in interest-bearing debt	0	100	-25	-1	-11	-8	0	-6
+/- New issues/buybacks	13	-1	15	-17	0	0	0	0
- Paid dividend	0	0	0	-3	-6	-7	-8	-9
+/- Change in loan receivables	0	0	13	2	5	0	0	0
Change in cash	6	100	-54	-8	3	1	11	10

KEY FIGURES	2014	2015	2016	2017	2018E	2019E	2020E
M-cap	56	123	233	293	276	276	276
Net debt	69	47	19	28	26	21	11
Enterprise value	127	173	253	323	303	298	288
Sales	54	59	61	81	72	83	92
EBITDA	21	20	18	28	21	29	35
EBIT	21	19	16	27	19	28	34
Pre-tax	21	19	16	28	19	28	34
Earnings	17	16	13	22	16	23	27
Book value	36	95	93	106	114	128	147
Valuation multiples							
EV/sales	2.4	3.0	4.2	4.0	4.2	3.6	3.1
EV/EBITDA	5.9	8.8	14.4	11.4	14.6	10.2	8.2
EV/EBITA	6.1	9.2	15.6	11.9	15.6	10.6	8.4
EV/EBIT	6.1	9.2	15.6	11.9	15.6	10.6	8.4
EV/operating cash flow	-13.8	9.1	8.9	11.2	17.2	14.0	10.8
EV/cash earnings	6.5	5.5	19.5	14.9	18.0	12.7	10.1
P/E	9.7	15.0	18.3	13.5	17.8	12.3	10.0
P/E excl. goodwill	9.7	15.0	18.3	13.5	17.8	12.3	10.0
P/B	1.5	1.3	2.5	2.8	2.4	2.2	1.9
P/sales	3.0	4.0	3.9	3.6	3.8	3.3	3.0
P/CF	-17.4	12.5	8.2	10.2	15.7	13.0	10.3
Target EV/EBIT	*0.0*	*0.0*	*0.0*	*0.0*	*17.4*	*11.8*	*9.4*
Target P/E	*0.0*	*0.0*	*0.0*	*0.0*	*20.1*	*13.9*	*11.3*
Target P/B	*0.0*	*0.0*	*0.0*	*0.0*	*2.7*	*2.4*	*2.1*
Per share measures							
Number of shares	25,172	28,306	28,306	28,351	28,351	28,351	28,351
Number of shares (diluted)	25,172	28,306	28,306	28,351	28,351	28,351	28,351
EPS	0.66	0.56	0.45	0.77	0.55	0.79	0.97
EPS excl. goodwill	0.66	0.56	0.45	0.77	0.55	0.79	0.97
Cash EPS	0.78	1.12	0.46	0.76	0.59	0.83	1.00
Operating cash flow per share	-0.37	0.67	1.01	1.02	0.62	0.75	0.94
Capital employed per share	0.92	3.40	3.56	3.55	3.52	3.61	3.67
Book value per share	1.45	3.35	3.30	3.73	4.02	4.52	5.17
Book value excl. goodwill	1.42	3.33	3.28	3.71	3.99	4.50	5.15
Dividend per share	0.01	0.10	0.22	0.26	0.29	0.32	0.34
Dividend payout ratio, %	1.2	18.6	48.8	33.8	53.0	40.3	35.1
Dividend yield, %	0.1	1.2	2.7	2.7	3.0	3.3	3.5
Efficiency measures							
ROE	56.4	24.1	13.6	21.9	14.1	18.6	20.0
ROCE	25.9	12.1	9.6	16.4	11.5	16.0	18.2
Financial ratios							
Capex/sales, %	-0.2	195.9	17.9	12.0	1.5	1.5	1.3
Capex/depreciation excl. goodwill,%	-30.2	13,207.7	782.9	738.5	83.0	120.0	121.8
Net debt/EBITDA, book-weighted	3.2	2.4	1.1	1.0	1.2	0.7	0.3
Debt/equity, market-weighted	1.8	0.6	0.3	0.2	0.2	0.2	0.2
Equity ratio, book-weighted	24.8	44.8	44.0	46.3	49.8	52.8	57.5
Gearing	1.82	0.49	0.20	0.27	0.23	0.16	0.08
Number of employees, average	153	175	179	184	189	194	200
Sales per employee, EUR	350,085	335,200	338,374	440,158	381,598	429,673	459,120
EBIT per employee, EUR	136,124	107,497	90,341	146,897	102,656	145,034	171,820

COMPANY DESCRIPTION: Taaleri is a Finnish company operating in wealth management, financing and investments. Taaleri operates through three segments; Wealth Management, Financing, and Energy, and its clients are wealthy private individuals, institutional investors and companies. Taaleri is headquartered in Finland and was founded in 2007. The company listed on Helsinki First North in 2013 and moved to the Nasdaq Helsinki main list in 2016.

INVESTMENT CASE:

OWNERSHIP STRUCTURE	SHARES	EURm	%
Oy Hermitage Ab	2,503,128	24.380	8.8%
Veikko Laine Oy	2,430,694	23.675	8.6%
Elomaa Heikki Juhani	1,804,175	17.573	6.4%
Lombard International Assurance S.A.	1,486,036	14.474	5.2%
Haaparinne Karri Erik	1,448,092	14.104	5.1%
Fennia Life Insurance Company Ltd	1,168,398	11.380	4.1%
Swiss Life Luxembourg Sa	1,059,095	10.316	3.7%
Berling Capital Ltd	745,842	7.265	2.6%
Lampinen Petri	508,328	4.951	1.8%
Capercaillie Capital Oy	437,861	4.265	1.5%
Ten largest	13,591,649	132.383	48%
Residual	14,758,971	143.752	52%
Total	28,350,620	276.135	100%

EARNINGS CALENDAR	
August 16, 2018	Q2 report

OTHER EVENTS

COMPANY MISCELLANEOUS	
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CFO: Minna Smedsten	Tel: +358 46 714 7100
IR: Sophie Jolly	

DEFINITIONS

P/E $$\frac{\text{Price per share}}{\text{Earnings per share}}$$	EPS $$\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes} + \text{minority interest}}{\text{Number of shares}}$$
P/Sales $$\frac{\text{Market cap}}{\text{Sales}}$$	DPS Dividend for the financial period per share
P/BV $$\frac{\text{Price per share}}{\text{Shareholders' equity} + \text{taxed provisions per share}}$$	CEPS $$\frac{\text{Gross cash flow from operations}}{\text{Number of shares}}$$
P/CF $$\frac{\text{Price per share}}{\text{Operating cash flow per share}}$$	EV/Share $$\frac{\text{Enterprise value}}{\text{Number of shares}}$$
EV (Enterprise value) Market cap + net debt + minority interest at market value – share of associated companies at market value	Sales/Share $$\frac{\text{Sales}}{\text{Number of shares}}$$
Net debt Interest bearing debt – financial assets	EBITDA/Share $$\frac{\text{Earnings before interest, tax, depreciation and amortisation}}{\text{Number of shares}}$$
EV/Sales $$\frac{\text{Enterprise value}}{\text{Sales}}$$	EBIT/Share $$\frac{\text{Operating profit}}{\text{Number of shares}}$$
EV/EBITDA $$\frac{\text{Enterprise value}}{\text{Earnings before interest, tax, depreciation and amortisation}}$$	EAFI/Share $$\frac{\text{Pretax profit}}{\text{Number of shares}}$$
EV/EBIT $$\frac{\text{Enterprise value}}{\text{Operating profit}}$$	Capital employed/Share $$\frac{\text{Total assets} - \text{non interest bearing debt}}{\text{Number of shares}}$$
Div yield, % $$\frac{\text{Dividend per share}}{\text{Price per share}}$$	Total assets Balancesheet total
Payout ratio, % $$\frac{\text{Total dividends}}{\text{Earnings before extraordinary items and taxes} - \text{income taxes} + \text{minority interest}}$$	Interest coverage (x) $$\frac{\text{Operating profit}}{\text{Financial items}}$$
Net cash/Share $$\frac{\text{Financial assets} - \text{interest bearing debt}}{\text{Number of shares}}$$	Asset turnover (x) $$\frac{\text{Turnover}}{\text{Balancesheet total (average)}}$$
ROA, % $$\frac{\text{Operating profit} + \text{financial income} + \text{extraordinary items}}{\text{Balancesheet total} - \text{interest free short term debt} - \text{long term advances received and accounts payable (average)}}$$	Debt/Equity, % $$\frac{\text{Interest bearing debt}}{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions}}$$
ROCE, % $$\frac{\text{Profit before extraordinary items} + \text{interest expenses} + \text{other financial costs}}{\text{Balancesheet total} - \text{non interest bearing debt (average)}}$$	Equity ratio, % $$\frac{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions}}{\text{Total assets} - \text{interest free loans}}$$
ROE, % $$\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes}}{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions (average)}}$$	CAGR, % Cumulative annual growth rate = Average growth per year

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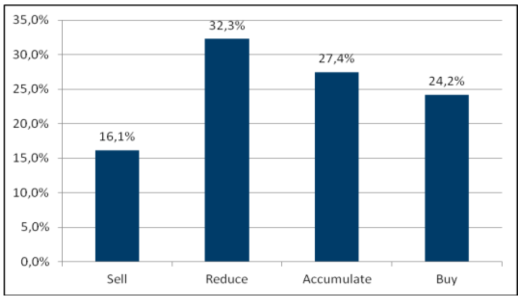
https://research.evli.com/JasperAllModels.action?authParam=key;461&authParam=x;G3rNagWrtf7K&authType=3
Detailed information about the valuation or methodology and the underlying assumptions is accessible via ERP:
http://research.evli.com
Investment recommendations are defined as follows:

Target price compared to share price	Recommendation
< -10 %	SELL
-10 – (+10) %	HOLD
> 10 %	BUY

ERP's investment recommendation of the analyzed company is in general updated 2 – 4 per year.



The graph above shows the distribution of ERP's recommendations of companies under coverage in 22nd of February 2017. If recommendation is not given, it is not mentioned here.

Name(s) of the analyst(s): Salokivi

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