

Mandatum

Company report

11/13/2024 12:00 noon EET



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✓ Inderes corporate customer

This report is a summary translation of the report “Aika loikata takaisin kyytiin” published on 11/13/2024 at 8:30 am EET.

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Hopping back on board

Mandatum published a Q3 report that was slightly below our expectations in terms of earnings figures. The miss was due to quarter-on-quarter volatility in investment performance, and the Group's growth engine, the capital-light businesses, performed well ahead of our expectations. While the strong performance has raised the outlook for these businesses, our EBIT forecasts for the coming years have been slightly lowered due to the lower investment performance forecast. On the other hand, Mandatum's valuation has become attractive following the share price decline, so we raise our recommendation to Accumulate and reiterate our target price of EUR 4.5.

Sales still performing well in seasonally slower quarter

In Q3, the year continued strongly in the capital-light businesses. New sales of asset management, the Group's main source of growth, again performed well in a seasonally slower quarter, supported by improved cost efficiency. Life insurance results were also better than expected. The investment result was lower than expected, and the Group's other result was more negative than forecast, mainly due to non-recurring charges. These factors overshadowed the strong performance of the capital-light businesses, and the result that Mandatum's consolidated result ultimately fell short of our forecast. However, the takeaway from the earnings day is skewed to the positive side, as the forecast was mainly driven by quarterly fluctuations in investment income. The main reason for the lower-than-expected investment return was the deferred change in insurance liabilities due to the sharp decline in market interest rates.

We slightly lowered investment portfolio return forecasts

We have raised our forecasts for Mandatum's capital-light businesses due to improved cost efficiencies in asset management and a stronger performance in risk life insurance. However, due to investment income forecast revisions, our EBIT forecasts for the coming years were lowered by 3-5%. At the same time, we raised our profit distribution forecasts for the coming years slightly in line with Mandatum's increased payout capacity.

In our forecasts, the asset management result will continue to grow clearly, but the Group result will decline in the coming years as the decline in the interest rate base hits the return on the investment portfolio. Overall, we expect Mandatum's pre-tax profit to peak this year and gradually decline thereafter. Based on our current estimates, it will not be until closer to the turn of the decade that the growth in wealth management will offset the impact on earnings of lower interest rates and a shrinking with-profit portfolio.

Expected return has turned attractive

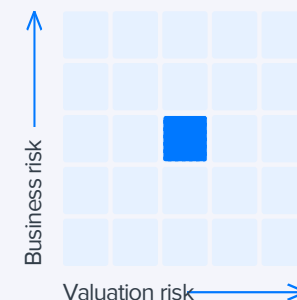
We have gauged Mandatum using the dividend model as it best reflects the company's high payout ratio and the unwinding of its overcapitalized balance sheet. Mandatum's expected return relies, somewhat exceptionally, to a large extent on a high dividend yield, as earnings will continue to decline structurally for several years to come. The value of the Mandatum share according to our dividend model, which takes into account our planned distribution and the additional capital on the balance sheet, is around EUR 4.6 (was EUR 4.5). The small increase is explained by higher dividend payout forecasts since the previous update. Our dividend model indicates that the stock is already moderately priced, so after the fall in the share price, the expected return has risen again to an attractive level.

Recommendation

Accumulate
(was Reduce)

EUR 4.50
(was EUR 4.50)

Share price:
4.16



Key figures

| | 2023 | 2024e | 2025e | 2026e |
|---------------------|-------|-------|-------|-------|
| PTP | 210.4 | 218.8 | 190.1 | 173.6 |
| Net income | 172.8 | 150.2 | 137.1 | 133.1 |
| EPS (adj.) | 0.32 | 0.34 | 0.30 | 0.27 |
| DPS | 0.33 | 0.34 | 0.35 | 0.27 |
| Payout ratio | 103% | 99% | 117% | 100% |
| ROE-% | 9.7% | 10.8% | 9.4% | 8.7% |

| | | | | |
|-------------------------|-------|-------|-------|-------|
| P/E (adj.) | 12.7 | 12.1 | 13.9 | 15.2 |
| P/B | 1.3 | 1.3 | 1.3 | 1.3 |
| Dividend yield-% | 8.1 % | 8.2 % | 8.4 % | 6.6 % |

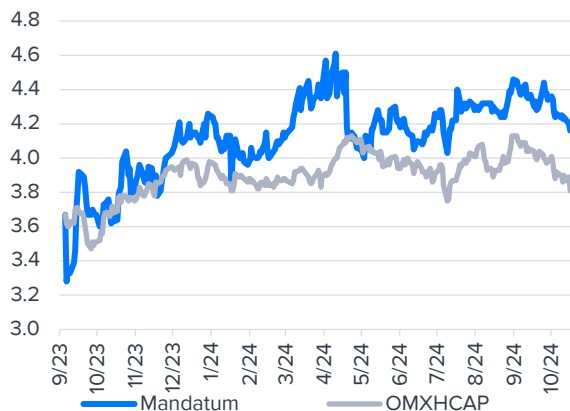
Source: Inderes

Guidance

(Unchanged)

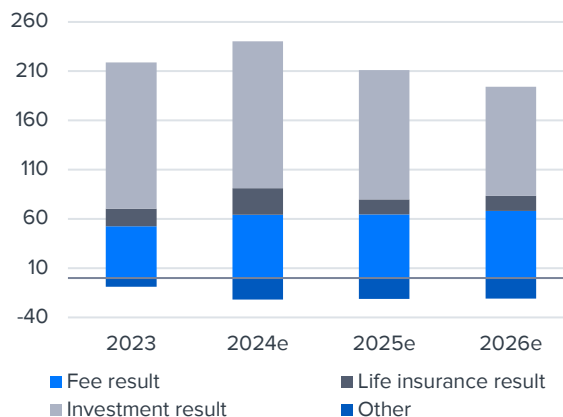
The fee result is expected to increase from 2023, assuming stable market conditions. The with-profit portfolio is expected to decline further.

Share price



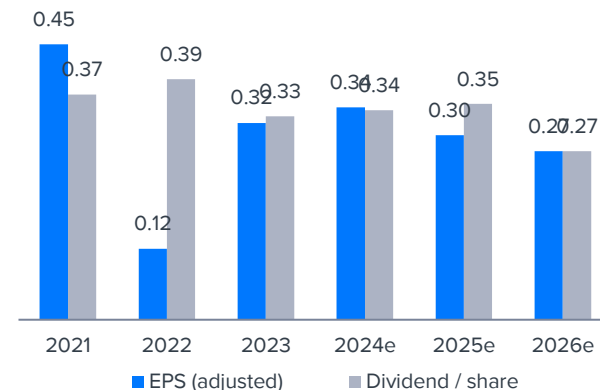
Source: Millstream Market Data AB

Mandatum's PTP breakdown (MEUR)



Source: Inderes

EPS and dividend



*Under IFRS17 since 2022

Source: Inderes



Value drivers

- Growth in capital-light Wealth management
- Relative profitability has clear improvement potential with revenue growth
- With the rise in interest rates, the with-profit business has become clearly more attractive than before
- Release of capital from the with-profit portfolio and from PE investments
- Value creating acquisitions in the domestic asset management sector



Risk factors

- The company's result remains highly dependent on investment returns
- A fall in interest rates would weaken solvency and make it more difficult to manage with-profit business
- Life insurance risks (especially biometric risks)
- Maintaining good return levels for funds
- Adverse changes in the tax legislation on investment insurance

| Valuation | 2024e | 2025e | 2026e |
|----------------------------|--------|---------|---------|
| Share price | 4.16 | 4.16 | 4.16 |
| Number of shares, millions | 501.8 | 501.8 | 501.8 |
| Market cap | 2087 | 2087 | 2087 |
| P/E (adj.) | 12.1 | 13.9 | 15.2 |
| P/E | 12.1 | 13.9 | 15.2 |
| P/B | 1.3 | 1.3 | 1.3 |
| Payout ratio (%) | 98.7 % | 117.0 % | 100.0 % |
| Dividend yield-% | 8.2 % | 8.4 % | 6.6 % |

Source: Inderes

Sales still performing well in a seasonally slower quarter

Asset management sales still doing well

The year continued strongly in the capital-light businesses. New sales of asset management, the Group's main source of growth, again performed well in a seasonally slower quarter, with net cash flows of 114 MEUR (0.9% of AUM) in Q3. The vast majority of sales were again to institutional and wealth management clients. As in the early part of the year, interest rate products were the best-selling products. As an operator specializing in fixed income investments, Mandatum has benefited from the current market situation in which the popularity of fixed income investments has increased due to rising interest rates.

Mandatum's financial targets are to achieve an annual net cash flow of 5% of assets under management at the beginning of the year. This has already been achieved for the current year, underlining the good sales momentum. In addition to

new sales, revaluations were also positive in the quarter, as expected, resulting in total client AUM increasing by just above 2% quarter-on-quarter and 18% year-on-year.

Profitability development was strong

Mandatum's fee and commission result in Q3 was well ahead of our expectations. There were no material surprises in assets under management or fee income, so a stronger-than-expected quarter was primarily driven by improved cost efficiency. The report shows that the cost/income ratio has fallen by up to 4 percentage points over the past 12 months. Mandatum's Q3 fee result was 18.1 MEUR, clearly beating our forecast of 14.9 MEUR.

Life insurance results were also better than expected. This was positively impacted by one-time gains of around 3.3 MEUR from the transfer of the life insurance portfolio of personal lines customers to If

P&C. In addition, expenses and claims rates developed favorable.

Investment result missed expectations

The investment result was lower than expected. In addition, the Group's other result was more negative than we had forecast. Part of this is due to exceptionally high interest costs, which were exacerbated by the temporary overlap of subordinated loans. We understand that the quarter also included non-recurring items.

These factors overshadowed the strong performance of the capital-light businesses, and the result that Mandatum's consolidated result ultimately fell short of our forecast. However, the takeaway from the earnings day is skewed to the positive side, as the forecast was mainly driven by quarterly fluctuations in investment income.

| Estimates MEUR / EUR | Q3'23 | Q3'24 | Q3'24e | Q3'24e | Consensus | | Diff-% | 2024e |
|-----------------------------------|------------|------------|---------|-----------|-----------|-----|------------------|---------|
| | Comparison | Actualized | Inderes | Consensus | High | Low | Act. vs. Inderes | Inderes |
| Fee result | 12.7 | 18.1 | 14.9 | 15.2 | - | - | 21% | 59.8 |
| Result from term life insurance | 7.4 | 9.1 | 7.9 | 6.5 | - | - | 15% | 25.9 |
| Result from investment activities | 67.1 | 26.9 | 35.6 | 35.0 | - | - | -24% | 158.7 |
| Other result | -3.4 | -9.0 | -6.2 | -3.0 | - | - | -45% | -19.1 |
| PTP | 83.8 | 45.2 | 52.1 | 53.7 | - | - | -13% | 225.3 |
| EPS | 0.14 | 0.07 | 0.08 | 0.09 | - | - | -13% | 0.35 |

Source: Inderes, Vara Research (consensus)

Still a lot of capital in the balance sheet

Staff changes were not a cause for concern

The executive changes in asset management announced during the quarter have been the subject of much discussion recently, particularly in the financial media. However, there has been no turnover in investment teams, which we find very encouraging. This significantly reduces the likelihood that departing individuals will take clients and assets under management with them. Therefore, we estimate that the impact of the departures will be very modest for Mandatum.

Excess capital on the balance sheet

As expected, there was no material change in solvency and Mandatum's Solvency 2 ratio was in line with the previous quarter at 224%. The solvency ratio is still above the group's target range (170-200%). Compared to the upper limit of the target

level, we calculate that there is currently around 200 MEUR of excess capital. In addition, the exit from non-strategic investments (Saxo, Enento) and the gradual reduction of the with-profit portfolio will increase the amount of excess capital in the coming years. Overall, we estimate that Mandatum will have around 600-700 MEUR of excess distributable assets on its balance sheet by the end of 2027. In addition to these, the company is able to distribute all its earnings as dividends.

| Estimates MEUR / EUR | Q3'23 | Q3'24 | Q3'24e | Q3'24e | Consensus | | Diff-% | 2024e |
|-----------------------------------|------------|------------|---------|-----------|-----------|-----|------------------|---------|
| | Comparison | Actualized | Inderes | Consensus | High | Low | Act. vs. Inderes | Inderes |
| Fee result | 12.7 | 18.1 | 14.9 | 15.2 | - | - | 21% | 59.8 |
| Result from term life insurance | 7.4 | 9.1 | 7.9 | 6.5 | - | - | 15% | 25.9 |
| Result from investment activities | 67.1 | 26.9 | 35.6 | 35.0 | - | - | -24% | 158.7 |
| Other result | -3.4 | -9.0 | -6.2 | -3.0 | - | - | -45% | -19.1 |
| PTP | 83.8 | 45.2 | 52.1 | 53.7 | - | - | -13% | 225.3 |
| EPS | 0.14 | 0.07 | 0.08 | 0.09 | - | - | -13% | 0.35 |

Source: Inderes, Vara Research (consensus)

Mandatum Oyj, Audiocast with teleconference, Q3'24



We slightly lowered investment portfolio return forecasts

Estimate revisions

- We have increased our fee result forecasts for the next few years. This was mainly the result of a significant improvement in cost efficiency, as revenue growth was reflected in earnings at a better margin than we had previously expected. Our new sales forecast has remained almost unchanged.
- We also raised our risk life insurance profit forecasts. The increase in the forecast for the current year is mainly due to one-off factors, but we have also revised upwards our estimate of the normal profit level for life insurance to just above 15 MEUR (previously ~14 MEUR).
- Our investment performance forecasts have in turn been lowered to reflect our updated estimate of investment returns. However, the forecast risk associated with investment income has decreased since we initiated our coverage, as a significant portion of Mandatum's interest rate risk is hedged, e.g., through fixed income investments. In addition, the company has increased its reporting on interest rate sensitivity, which has improved the visibility of its earnings performance.
- Overall, our projections for Mandatum's pre-tax profit in the coming years have been reduced by approximately 3-5% due to investment income.
- At the same time, we revised our profit distribution forecasts for the coming years slightly in line with Mandatum's increased payout capacity.

Operational earnings drivers

- Investment income still plays the key role in Mandatum's earnings development, but ramping down the with-profit portfolio will gradually reduce the weight of balance sheet investments. However, this will also contribute to the Group's earnings. We therefore expect the group's results to be in structural decline for several years to come.
- Asset management, on the other hand, will continue to grow strongly, thanks to both asset growth and new sales. We expect growth to mainly come from institutional asset management in Finland and in other Nordic countries. We also expect moderate growth in investment solutions for private and corporate customers (unit-linked pension and insurance products). The fee result is also supported by moderate scaling of the cost level.
- The development of term life insurance is expected to continue as stable, as market growth is modest and the market shares of key players are quite stable. Risk life insurance also plays a modest role in the Group's current structure, with premium income and investment activities accounting for the majority of revenue.
- Overall, we forecast Mandatum's pre-tax profit to peak this year and gradually decline thereafter. Our current rough estimate is that the growth in asset management will not offset the earnings impact of the contracting with-profit portfolio until closer to the turn of the decade.

| Estimate revisions | 2024e | 2024e | Change | 2025e | 2025e | Change | 2026e | 2026e | Change |
|-----------------------------------|-------|-------|--------|-------|-------|--------|-------|-------|--------|
| MEUR / EUR | Old | New | % | Old | New | % | Old | New | % |
| Fee result | 61.6 | 64.2 | 4% | 63.8 | 64.4 | 1% | 65.2 | 68.0 | 4% |
| Result from term life insurance | 24.9 | 27.0 | 9% | 14.1 | 15.5 | 10% | 14.1 | 15.5 | 10% |
| Result from investment activities | 161.6 | 149.1 | -8% | 142.7 | 131.3 | -8% | 119.3 | 110.8 | -7% |
| Other result | -16.9 | -21.8 | -29% | -20.0 | -21.1 | -6% | -19.0 | -20.8 | -9% |
| PTP | 229.5 | 218.8 | -5% | 200.5 | 190.1 | -5% | 179.6 | 173.6 | -3% |
| EPS | 0.36 | 0.34 | -5% | 0.32 | 0.30 | -5% | 0.28 | 0.27 | -3% |

Source: Inderes

Expected return has turned attractive

We have gauged Mandatum using the dividend model as it best reflects the company's high payout ratio and the upcoming unwinding of its overcapitalized balance sheet. Mandatum's expected return is slightly exceptionally primarily based on high dividend yields, as it will be challenging to achieve earnings growth in the coming years, and we believe that even maintaining current earnings would be an excellent performance for the company. However, the earnings distribution should improve clearly as the focus shifts from the structurally declining with-profit business to the growing capital-light business.

Our dividend model indicates that the stock is already moderately priced, so after the fall in the share price, the expected return has risen again to an attractive level.

Dividend model (DDM)

We believe that the dividend model works very well for Mandatum due to the company's modest investment needs (and thus high payout ratio) and the overly strong balance sheet that the company intends to unwind as the with-profit portfolio gradually decreases and when it exits from investments. Our dividend model takes into account not only the basic dividend (payout ratio 100%) generated by the operating business, but also the excess capital resulting from the liquidation of the balance sheet, so we believe that the method gives a fairly good picture of Mandatum's fair value. We therefore consider the DDM to be preferred method in Mandatum valuation.

Structurally, the usefulness of multiples is undermined by several years of declining earnings. A peer analysis is also not optimal for the company, as the downward-sloping earnings curve, combined with the significant

share of earnings attributable to the with-profit portfolio, makes comparisons with key peers difficult.

In our dividend model, we have also outlined the development of Mandatum's structural performance in the longer term. On this basis, the Group's income level will decline to around 110 MEUR towards 2030, after which the growth in Wealth management should already offset the decline in the with-profit portfolio. With a strong balance sheet and a solvency ratio above the target level, we expect Mandatum to distribute, on average, its full financial year earnings as dividends. We have also taken into account the excess capital on the balance sheet, which we estimate will be freed up by around 600-800 MEUR by 2027. Capital will be released as a result of the reduction of the with-profit portfolio, the reduction of the solvency to the company's target range and the sale of PE investments. Our detailed profit distribution forecasts can be found on page 12 of the report.

We have used a 1.5% growth assumption for the terminal period, as the decline in capital-light businesses by 2033 should more than offset the negative impact on earnings of the significantly reduced with-profit portfolio. However, some of the portfolio remains in our forecasts at this point, so the contraction in the portfolio will mitigate the impact of the growth in asset management on earnings for some time to come.

The rate of return on equity we apply is 8.7%. Our DDM model indicates a value of some EUR 4.6 per share for Mandatum. The small increase is explained by higher profit distribution forecasts since the last update, as operational forecast changes remained quite moderate after the Q3 report.

| Valuation | 2024e | 2025e | 2026e |
|----------------------------|--------|---------|---------|
| Share price | 4.16 | 4.16 | 4.16 |
| Number of shares, millions | 501.8 | 501.8 | 501.8 |
| Market cap | 2087 | 2087 | 2087 |
| P/E (adj.) | 12.1 | 13.9 | 15.2 |
| P/E | 12.1 | 13.9 | 15.2 |
| P/B | 1.3 | 1.3 | 1.3 |
| Payout ratio (%) | 98.7 % | 117.0 % | 100.0 % |
| Dividend yield-% | 8.2 % | 8.4 % | 6.6 % |

Source: Inderes

Summary of estimates

| | 2022 | Q1'23 | Q3'23 | Q3'23 | Q4'23 | 2023 | Q1'24 | Q2'24 | Q3'24 | Q4'24e | 2024e | 2025e | 2026e | 2027e |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|--------------|--------------|--------------|--------------|
| Income statement | | | | | | | | | | | | | | |
| Fee result | 43.3 | 14.0 | 12.4 | 12.7 | 13.4 | 52.5 | 15.2 | 14.7 | 18.1 | 16.2 | 64.2 | 64.4 | 68.0 | 71.7 |
| Insurance service result | 10.2 | 7.8 | 7.6 | 7.2 | 8.7 | 31.3 | 7.2 | 7.4 | 8.4 | 7.5 | 30.5 | 28.0 | 28.0 | 28.0 |
| Result from investment contracts | 33.1 | 6.2 | 4.9 | 5.5 | 4.7 | 21.3 | 8.0 | 7.3 | 9.7 | 8.7 | 33.7 | 36.4 | 40.0 | 43.7 |
| Result from term life insurance | 9.2 | 2.9 | -0.3 | 7.4 | 8.0 | 18.0 | 2.2 | 11.9 | 9.1 | 3.9 | 27.0 | 15.5 | 15.5 | 15.5 |
| Result from investment activities | 50.3 | 13.4 | 43.2 | 67.1 | 24.9 | 148.6 | 29.9 | 55.1 | 27.0 | 37.2 | 149.1 | 131.3 | 110.8 | 101.1 |
| Other result | -27.2 | 1.7 | -7.0 | -3.4 | -0.1 | -8.8 | -0.6 | -5.8 | -9.0 | -6.4 | -21.8 | -21.1 | -20.8 | -19.8 |
| PTP | 75.7 | 32.0 | 48.2 | 83.9 | 46.3 | 210.4 | 46.7 | 75.8 | 45.2 | 50.9 | 218.8 | 190.1 | 173.6 | 168.6 |
| Taxes | - | -8.4 | -8.7 | -15.8 | -17.1 | -50.0 | -9.1 | -18.1 | -8.7 | -10.2 | -46.0 | -40.0 | -36.5 | -35.4 |
| Net profit | 58.0 | 23.6 | 39.5 | 68.1 | 29.2 | 160.4 | 37.9 | 57.8 | 36.4 | 40.7 | 172.8 | 150.2 | 137.1 | 133.1 |
| Earnings per share (EPS) | 0.11 | 0.05 | 0.08 | 0.14 | 0.06 | 0.32 | 0.08 | 0.12 | 0.07 | 0.08 | 0.34 | 0.30 | 0.27 | 0.27 |
| Dividend per share | 0.39 | - | - | - | - | 0.33 | - | - | - | - | 0.34 | 0.35 | 0.27 | 0.27 |
| Equity (IFRS) | 1692 | - | - | - | - | 1599 | 1637 | 1529 | 1566 | 1606 | 1607 | 1586 | 1548 | 1544 |
| ROE | 3.4% | - | - | - | - | 10.0% | 9.3% | 15.1% | 9.3% | 10.1% | 10.8% | 9.5% | 8.9% | 8.6% |
| AUM | 2022 | Q1'23 | Q3'23 | Q3'23 | Q4'23 | 2023 | Q1'24 | Q2'24 | Q3'24 | Q4'24e | 2024e | 2025e | 2026e | 2027e |
| Group AUM (BNEUR) | 10.3 | 10.8 | 11.2 | 11.2 | 11.9 | 11.9 | 12.5 | 13.0 | 13.3 | 13.6 | 13.6 | 14.5 | 15.5 | 16.5 |
| Institutional and wealth management customers | 5.3 | 5.6 | 5.9 | 6.0 | 6.4 | 6.4 | 6.7 | 7.0 | 7.2 | 7.4 | 7.4 | 8.2 | 8.9 | 9.5 |
| Corporate clients | 2.0 | 2.1 | 2.2 | 2.1 | 2.3 | 2.3 | 2.4 | 2.5 | 2.5 | 2.6 | 2.6 | 2.7 | 2.8 | 3.0 |
| Retail clients | 3.0 | 3.1 | 3.1 | 3.1 | 3.2 | 3.2 | 3.4 | 3.5 | 3.5 | 3.5 | 3.5 | 3.7 | 3.8 | 4.0 |
| Group's fee result (MEUR) | 131 | 33.4 | 34.0 | 37.0 | 34.0 | 138.4 | 36.6 | 39.2 | 37.9 | 40.3 | 154.0 | 168.9 | 179.2 | 189.4 |
| Solvency | 2022 | Q1'23 | Q3'23 | Q3'23 | Q4'23 | 2023 | Q1'24 | Q2'24 | Q3'24 | Q4'24e | 2024e | 2025e | 2026e | 2027e |
| Solvency 2 ratio | 266% | - | 296% | 317% | 221% | 221% | 221% | 233% | 237% | 220% | 220% | 224% | 275% | 280% |
| Solvency 2 own funds (MEUR) | 2532 | - | 2378 | 2412 | 2140 | 2140 | 2158 | 2173 | 2198 | 2198 | 2198 | 2172 | 2172 | 2172 |
| Solvency capital requirement (SCR) | 943 | - | 803 | 761 | 966 | 966 | 997 | 970 | 980 | 997 | 997 | 969 | 790 | 777 |
| Excess capital at target level** | - | - | 892 | 1004 | 353 | 353 | 314 | 379 | 383 | 353 | 353 | 379 | 710 | 735 |
| Excess capital per share at target level** | - | - | 1.8 | 2.0 | 0.7 | 0.70 | 0.62 | 0.75 | 0.76 | 0.70 | 0.70 | 0.76 | 1.41 | 1.47 |

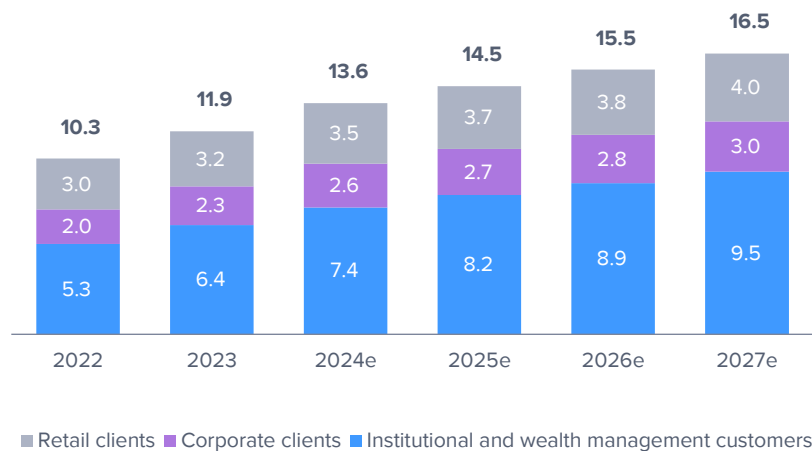
*Includes also comprehensive income items with retrospective effect, IFRS 17 comparable

**Annualized

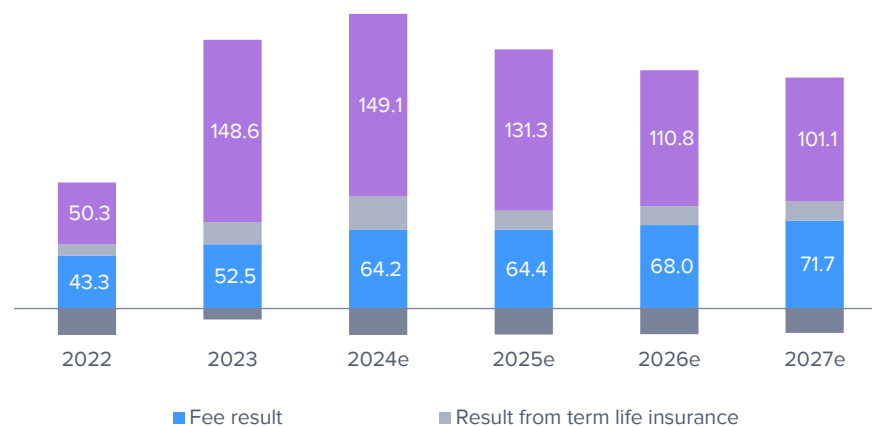
***The midpoint of the company's solvency target (170-200%)

Key figures for Mandatum

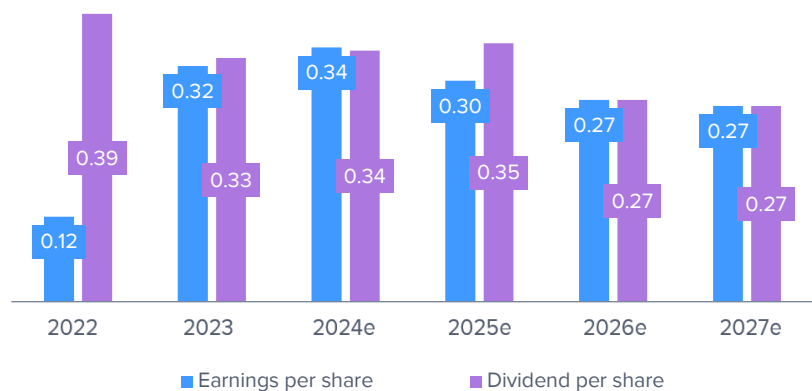
Development of AUM (BNEUR)



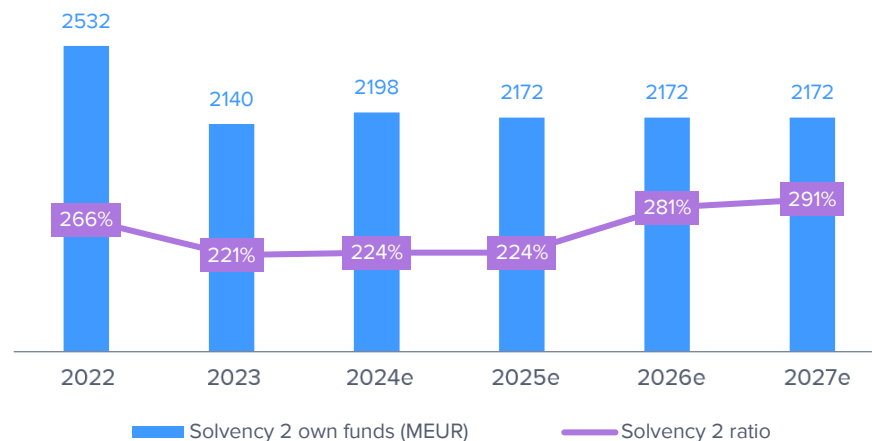
Mandatum's profit before tax (MEUR)



EPS and DPS



Solvency development

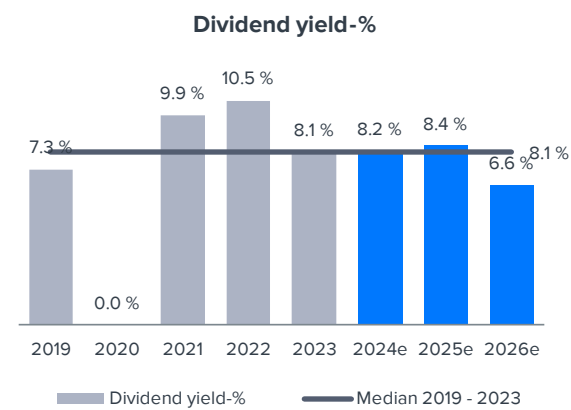
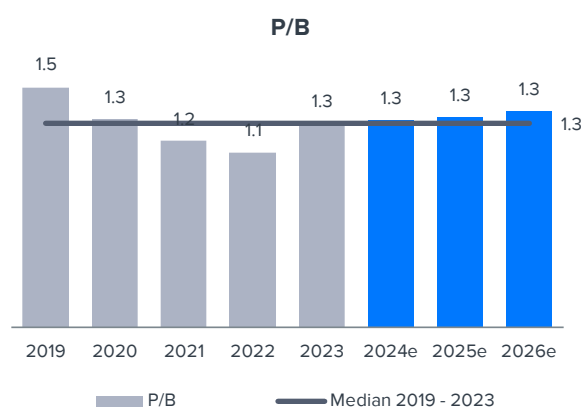
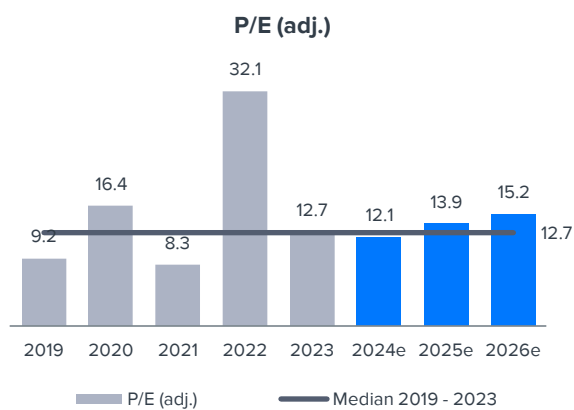


Valuation table

| Valuation | 2019 | 2020 | 2021 | 2022 | 2023 | 2024e | 2025e | 2026e | 2027e |
|----------------------------|-------|-------|-------|--------|--------|-------|--------|--------|--------|
| Share price | 3.70 | 3.70 | 3.70 | 3.70 | 4.07 | 4.16 | 4.16 | 4.16 | 4.16 |
| Number of shares, millions | 556.6 | 556.6 | 548.0 | 501.8 | 501.8 | 501.8 | 501.8 | 501.8 | 501.8 |
| Market cap | 2059 | 2059 | 2028 | 1857 | 2042 | 2087 | 2087 | 2087 | 2087 |
| P/E (adj.) | 9.2 | 16.4 | 8.3 | 32.1 | 12.7 | 12.1 | 13.9 | 15.2 | 15.7 |
| P/E | 9.2 | 16.4 | 8.3 | 32.1 | 12.7 | 12.1 | 13.9 | 15.2 | 15.7 |
| P/B | 1.5 | 1.3 | 1.2 | 1.1 | 1.3 | 1.3 | 1.3 | 1.3 | 1.4 |
| Payout ratio (%) | 67.1% | 0.0% | 81.7% | 338.6% | 103.4% | 98.7% | 117.0% | 100.0% | 100.0% |
| Dividend yield-% | 7.3% | 0.0% | 9.9% | 10.5% | 8.1% | 8.2% | 8.4% | 6.6% | 6.4% |

Source: Inderes

Note! Historical share price used is the closing price on the first trading day.



Peer group valuation

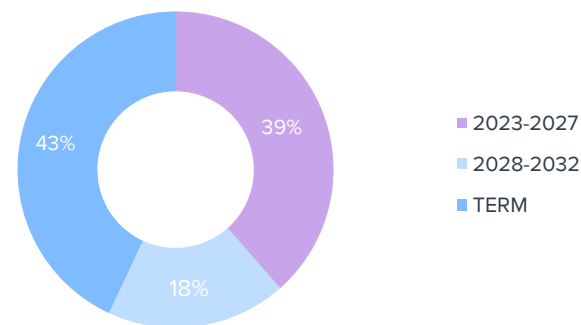
| Peer group valuation Company | Market cap | EV | EV/EBIT | | EV/EBITDA | | EV/S | | P/E | | Dividend yield-% | | P/B |
|---------------------------------|-------------|-------------|-------------|------------|------------|------------|-------------|-------------|-------------|-------------|------------------|------------|-------------|
| | MEUR | MEUR | 2024e | 2025e | 2024e | 2025e | 2024e | 2025e | 2024e | 2025e | 2024e | 2025e | 2024e |
| Alexandria | 88 | 87 | 8.1 | 7.8 | 6.7 | 6.5 | 1.9 | 1.8 | 10.9 | 11.4 | 7.1 | 7.5 | 2.6 |
| Aktia | 665 | | | | | | | | 6.9 | 7.4 | 9.3 | 8.8 | 0.9 |
| CapMan | 306 | 286 | 17.8 | 9.3 | 15.7 | 8.8 | 4.9 | 4.5 | 77.6 | 15.0 | 8.1 | 8.2 | 1.6 |
| Evli | 484 | 490 | 11.1 | 11.1 | 7.8 | 10.0 | 4.0 | 4.6 | 15.4 | 14.6 | 7.7 | 8.2 | 3.4 |
| eQ | 542 | 514 | 14.0 | 11.3 | 13.6 | 11.0 | 7.5 | 6.5 | 18.6 | 15.4 | 5.6 | 6.7 | 7.1 |
| Taaleri | 235 | 248 | 6.7 | 5.9 | 6.5 | 5.8 | 3.6 | 3.2 | 8.6 | 8.7 | 7.0 | 6.9 | 1.1 |
| Titanium | 103 | 89 | 9.3 | 9.4 | 8.7 | 8.6 | 4.0 | 3.9 | 13.5 | 13.5 | 8.2 | 8.2 | 6.0 |
| United Bankers | 190 | 171 | 8.0 | 8.4 | 7.2 | 7.4 | 2.9 | 2.7 | 11.9 | 13.1 | 6.3 | 6.6 | 3.2 |
| Mandatum (Inderes) | 2087 | 1910 | 8.7 | 8.6 | 8.7 | 8.6 | 12.4 | 9.6 | 12.1 | 13.9 | 8.2 | 8.4 | 1.3 |
| Average | | | 10.7 | 9.0 | 9.4 | 8.3 | 4.1 | 3.9 | 20.4 | 12.4 | 7.4 | 7.6 | 3.2 |
| Median | | | 9.3 | 9.3 | 7.8 | 8.6 | 4.0 | 3.9 | 12.7 | 13.3 | 7.4 | 7.8 | 2.9 |
| Diff-% to median | | | -6% | -8% | 12% | -1% | 214% | 150% | -5% | 5% | 11% | 7% | -56% |

Source: Refinitiv / Inderes

Dividend model (DDM)

| DDM valuation (MEUR) | 2024e | 2025e | 2026e | 2027e | 2028e | 2029e | 2030e | 2031e | 2032e | 2033e | TERM |
|--------------------------------|------------|-------|--------|-------|-------|-------|-------|-------|-------|-------|------|
| Mandatum's net profit | 173 | 173 | 150 | 137 | 133 | 120 | 110 | 110 | 110 | 110 | |
| Dividend paid by Mandatum | 171 | 173 | 150 | 137 | 133 | 120 | 110 | 110 | 110 | 110 | 1556 |
| Payout ratio | 99% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | |
| Growth % of Mandatum dividend | 3.0% | 1.3% | -13.1% | -8.7% | -2.9% | -9.9% | -8.3% | 0.0% | 0.0% | 0.0% | 1.5% |
| Discounted dividend | 164 | 152 | 122 | 102 | 92 | 76 | 64 | 59 | 54 | 50 | 706 |
| Discounted cumulative dividend | 1640 | 1477 | 1324 | 1202 | 1100 | 1009 | 933 | 869 | 810 | 755 | 706 |
| Excess capital | 650 | | | | | | | | | | |
| Equity value, DDM | 2290 | | | | | | | | | | |
| Per share EUR | 4.6 | | | | | | | | | | |

Cash flow breakdown



Cost of capital

| | |
|-----------------------|-------------|
| Risk-free interest | 2.5% |
| Market risk premium | 4.8% |
| Beta | 1.30 |
| Liquidity premium | 0.0% |
| Cost of equity | 8.7% |
| WACC-% | 8.7% |

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| | |
|------------|--|
| Buy | The 12-month risk-adjusted expected shareholder return of the share is very attractive |
| 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 |
|------------|----------------|--------|-------------|
| 10/12/2023 | Buy | 4.20 € | 3.70 € |
| 11/8/2023 | Buy | 4.20 € | 3.62 € |
| 2/14/2024 | Buy | 4.40 € | 3.84 € |
| 5/10/2024 | Accumulate | 4.50 € | 4.36 € |
| 8/14/2024 | Reduce | 4.50 € | 4.38 € |
| 11/13/2024 | Accumulate | 4.50 € | 4.16 € |



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