CapMan

Initiating coverage

Time to harvest the crop

Inderes Equity Research

28.10.2013

Inderes Equity Research & Business Analysis

Inderes is a fully employee owned independent research firm founded in 2009.

Our award-winning Equity Research provides in-depth fundamental research of OMX Helsinki listed companies for the capital markets. Our goal is to make OMX Helsinki a better market place for companies and investors.

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CapMan

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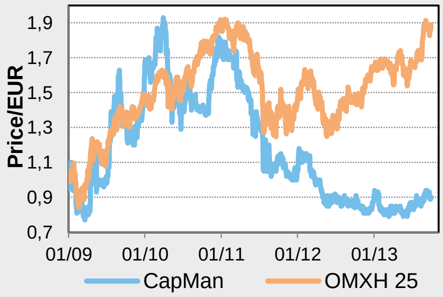
Initiating Coverage

- During the upcoming three years CapMan will be entering the phase when several of its larger funds will be starting to generate carried interest. This carried interest potential together with CapMan's significant holdings in its own funds (at the end of Q2'13 76 MEUR) should lead to a strong earnings growth during the period of 2014e-2017e.
- As we are not expecting CapMan to make any significant M&A during this period and as the balance sheet is already close to debt free, CapMan will most likely distribute these earnings for investors in form of dividends. We expect dividend yield to climb to a lucrative level and FY'14 and FY'15 dividend yield estimates are 8 % and 10 %.
- Due to the significant earnings potential and current low valuation of the share we initiate our coverage with a Buy recommendation and we set our target price to 1.25 EUR. We want to emphasize the fact that the realization of this potential will take a long time and thereby the share requires notable patience from investors.



Target Company: CapMan

Share price:	0.90 EUR
Target price	1.25 EUR
12m high / low EUR	0.78 / 0.95
Ticker	CPMBV
Number of shares (million)	84.282
Market cap	76 MEUR
Homepage	www.CapMan.com
Next interim report:	08.11.2013

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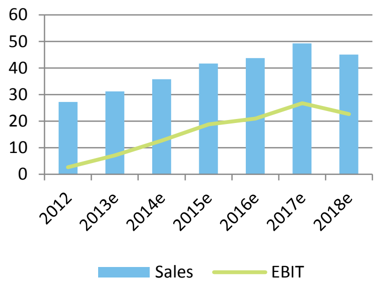
	2012	2013e	2014e	2015e	2016e	2017e
EBIT -%	9,6 %	22,9 %	35,4 %	45,1 %	48,1 %	54,2 %
AUM (MEUR)	3303	3300	3250	3300	3400	3500
Investments in own funds (MEUR)	74	76	77	78	80	83
Employees	109	105	105	107	108	110
Gearing -%	30,7 %	32,2 %	15,3 %	0,5 %	8,7 %	4,5 %
ROE -%	0,1 %	5,1 %	11,9 %	17,1 %	19,1 %	16,3 %
P/E	-	18,3	8,1	5,6	5,0	5,9
P/B (adjusted.)	-	1,4	1,4	1,6	1,4	1,6
EPS	0,00	0,05	0,11	0,16	0,18	0,15
Dividend per share	0,00	0,03	0,07	0,09	0,10	0,09
Dividend yield -%	0,0 %	3,3 %	7,7 %	9,9 %	11,0 %	9,9 %
Payout ratio -%	0,0 %	60,4 %	62,0 %	55,3 %	54,6 %	58,7 %
Equity per share (adjusted.)	0,62	0,64	0,65	0,56	0,66	0,57

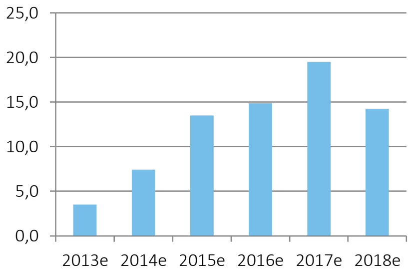
Performance metrics

Net sales & EBIT 2012-2018e



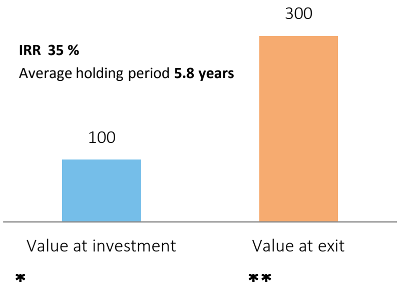
Source: Inderes

Carried interest earned by CapMan 2013e-2018e



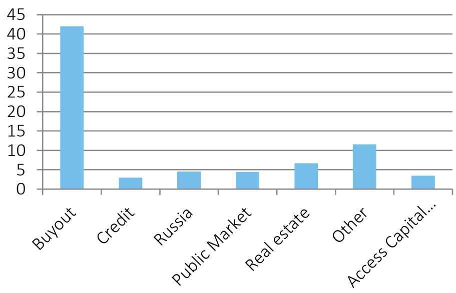
Source: Inderes

Return from Buyout funds



Source: CapMan

Investments in own funds



Source: CapMan

***** 78 exits by Buyout, Russia and Public Market funds (equity). Incl. dividends, interest income and sales revenue. Incl. exits made by Norum and by Alliance ScanEast Fund in Russia. Indexed (time of investment =100).

****** 28 exits from CapMan Real Estate I and CapMan Real Estate II funds and 3 exits by NEP Partners. The figures have been calculated for the invested equity capital (equity and bond) incl. net rental income. Indexed (time of investment =100).

Table of contents

1 Investment case

We initiate our coverage with a BUY recommendation and a target price of 1.25 EUR

We initiate our coverage in CapMan with a BUY recommendation and we set our target price to 1.25 EUR. We see CapMan clearly undervalued with respect for its future earnings and dividend paying potential.

We see significant earnings potential in CapMan which we expect to realize during the period of 2014-2017

During the next two years we expect CapMan to entering the phase where its major funds launched between 2005 and 2009 will start to generate carried interest. With our estimates these funds hold significant carried interest potential for CapMan and we are expecting these funds to generate over 60 MEUR of carried interest during the period of 2014-2017.

CapMan also has significant holdings in its own funds which gives investors significant margin of safety

Besides carried interest potential CapMan also has significant investments made in its own funds. In Q2'13 these investments were roughly 76 MEUR and exceeded the actual market capitalization of CapMan. These investments are mainly in those funds which has major carried interest potential and we expect them give significant boost for CapMan's earnings. Also these investments will give investors significant margin of safety as the amount of investments exceeds the current market capitalization.

Carried interest and gains from own investments are the main driver behind earnings growth

As the cost structure should be in balance with the management fees and other recurring revenue from H2/13 onwards, the carried interest and gains from own investments will move directly to EBIT-line. This earnings potential should start to realize during FY'14 and reach its full potential between FY'15 and FY'17. The realization of this potential will push the valuation of the share to an attractive level as the FY'14 and FY'15 P/E-ratios will be roughly 8x & 5x.

Valuation and dividend yield for upcoming years is at lucrative level

During this period we are not expecting CapMan to make any significant expansion or M&A. Instead we are expecting CapMan's focus to be on dividends and shareholder rewarding. With our estimates the expected dividend yield for upcoming years is at lucrative level. For FY'14 and FY'15 we are forecasting a dividend of 0.07 EUR and 0.09, which respectfully translate to a dividend yield of 8 % and 10 %.

Major risk related to possible economic downturn

The biggest risk regarding our investment case would be a severe economic downturn during FY'14-16. This downturn would dry up the exit markets and push down the valuation levels. This would have a negative impact on both carried interest and fair value gains forecasted.

We recommend the share for patient long term investors

We recommend the share for a long term investor who has the patience to wait the value to realize. Investors should not judge CapMan based on the development during a single quarter as the carried interest generated together with fair value gains and losses have significant volatility between quarters. Thereby investors should focus on the big picture and analyze the development based on the yearly figures.

Key figures of CapMan 2013e-2017e

	2013e	2014e	2015e	2016e	2017e
P/E	18,3	8,1	5,6	5,0	5,9
Dividend yield -%	3,3 %	7,7 %	9,9 %	11,0 %	9,9 %
Payout ratio -%	60,4 %	62,0 %	55,3 %	54,6 %	58,7 %
Gearing -%	32,2 %	15,3 %	0,5 %	8,7 %	4,5 %
EPS	0,05	0,11	0,16	0,18	0,15
Equity per share (adjusted.)	0,64	0,65	0,56	0,66	0,57
Dividend per share	0,03	0,07	0,09	0,10	0,09
Investments in own funds (MEUR)	76	77	78	80	83

Source: Inderes

2 About CapMan

CapMan is one of the leading private equity fund managers in Finland

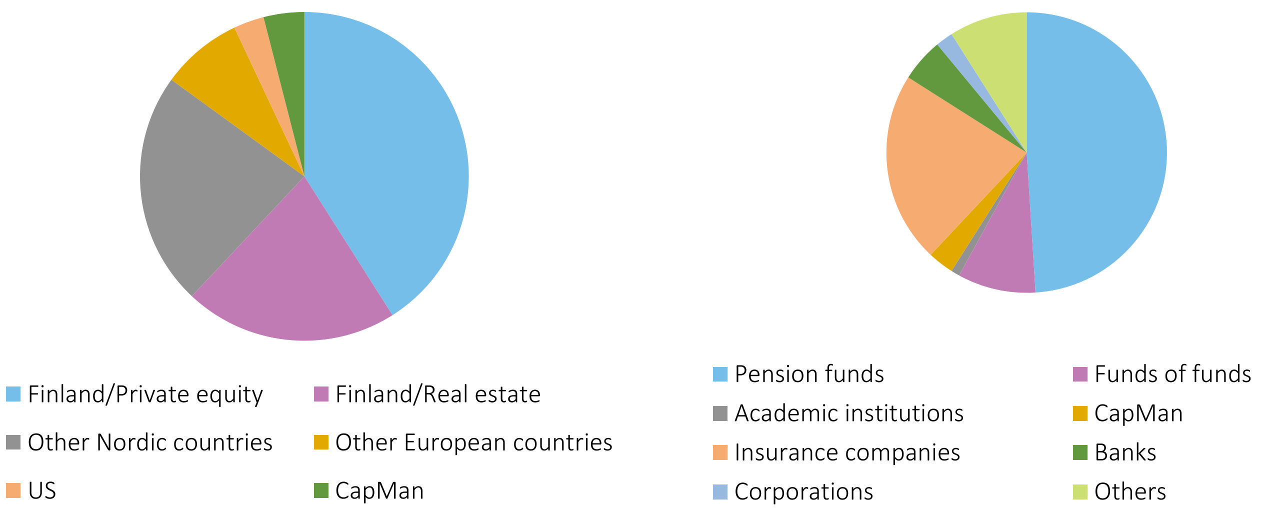
CapMan is one of the first private equity fund managers in Finland and it was established in 1989. During the past quarter of a century CapMan has grown from a small Finnish private equity fund manager to a major Nordic player in both private equity and real estate fund managing. Currently CapMan has operations in Nordics and Russia. In 2013 CapMan had roughly 3300 MEUR capital under management and it employed 105 people.

CapMan's capital under management is 3300 MEUR where majority comes from institutional investors

Private equity investment means making direct equity investments in companies and real estate. Investments are made through funds, which raise their capital primarily from institutional investors such as pension funds and foundations and the share of the 10 largest investors is approximately 50 % for the total capital under management of CapMan. The sources of capital committed by the investor type can be seen below.

Private equity investors actively develop their portfolio companies and real estate by working closely with the management and tenants. Value creation is based on promoting companies' sustainable growth and strengthening their strategic position. Private equity investment is of a long term nature - investments are held for an average of four to six years and the entire life cycle of a fund is typically around 10 years. Over the long term, private equity funds have generated significantly higher levels of returns compared to other investment classes.

Regional distribution in capital committed and committed capital by investor type



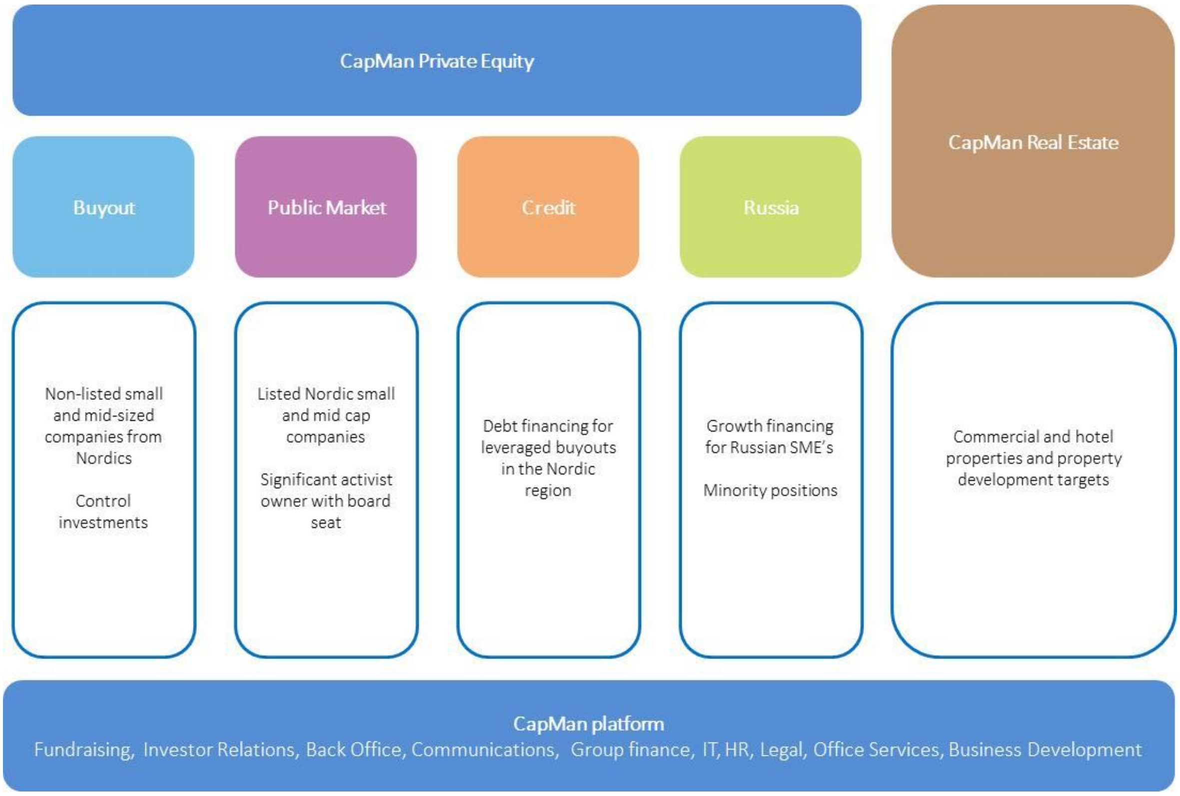
Source: CapMan

2.1 CapMan's business model

CapMan has 5 partnership based investment teams

CapMan's fund managing business can be dividend in two parts; Private Equity and Real Estate. Under Private Equity CapMan has four partnership based investment teams. In Real Estate CapMan has one investment team.

CapMan's corporate structure



Source: CapMan

CapMan platform supports investment teams in all non-core functions

All of these investment teams are supported by a CapMan platform, which offers all the necessary support functions for the investment teams. These support functions include services like back office, fundraising, IT and HR.

Each team has a dedicated and autonomous investment team in order to ensure the fast decision making and efficient usage of resources.

CapMan Buyout currently has 4 funds and it specializes in Nordic mid-market companies

CapMan Buyout has four Buyout funds and five Buyout/Technology funds under its management. Its funds make controlling investments in unlisted Nordic mid-market companies in various industries. The main targets set for Buyout companies are growth, improved profitability and strengthened strategic position. CapMan is looking for companies that have a competitive and sustainable market position, a unique business with standout products and services, clear growth potential and positive cash flow. CapMan Buyout has a team of 20 investment professionals in Finland, Sweden and Norway.

CapMan Russia has two funds and it provides finance for small and mid-sized businesses

CapMan Russia has two funds under its management. It provides growth financing for Russian small and mid-sized businesses. CapMan helps its portfolio companies to pursue growth both in Russia and internationally. CapMan makes minority investments with a focus in rural areas in industries with a minimal government involvement. CapMan Russia's team comprises approximately 10 investment professionals in Russia.

CapMan credit manages one Mezzanine fund

CapMan Credit currently manages one fund CapMan Mezzanine V, which makes mezzanine investments in leveraged buyouts in the Nordic region. Mezzanine is a flexible debt instrument that shares characteristics of both debt and equity. CapMan Credit invests in Nordic businesses with a strong and defendable market positions, positive and predictable cash flow and experienced management teams. CapMan Credit team comprises two investment professionals in Sweden.

CapMan Public Market fund manages one fund and its goal is to achieve genuine governance position through substantial minority investment

CapMan Public Market currently manages one fund. It invests in listed Nordic small and mid-cap companies, where it aims to obtain a genuine governance position through substantial minority investment. CapMan develops the companies through active ownership in co-operation with other owners and the board. CapMan Public Market team consists of four investment professionals in Sweden.

CapMan has 37 companies in its portfolios with a combined net sales of 5.5 BEUR

Overall in private equity side CapMan had 37 companies in its portfolio with combined net sales of 5.5 BEUR and 41800 personnel after the Q2'13. The largest holdings measured by revenue in CapMan's private equity funds are:

Largest private equity holdings by revenue

	Year of investment	Net sales	Personnel	Ownership-%
Walki	2007	286	982	86,0 %
Fortaco	2007	247	2584	47,8 %
Cederroth	2008	230	881	70,2 %
Maint partner	2006	161	1100	76,2 %
Solera	2011	154	110	78,7 %
Espira	2008	147	2000	91,8 %
Ljunghäll	2003	115	449	68,3 %

Source: CapMan

CapMan Real Estate manages 57 properties with a lettable area of 680 000m2.

In **CapMan Real Estate** manages four private equity real estate funds that invest in commercial and hotel properties. These five funds have 57 properties in combined with a lettable area of 680 000 m2. CapMan Real Estate team consists of 20 investment professionals located in Finland and Sweden.

2.2 Track record

CapMan has a strong track record from Buyout funds and average IRR from the past 78 deals has been 35 %

CapMan holds an impressive track record from its Buyout business. The internal rate of return (IRR) has been 35 % per annum and the average holding period for investment has been 5.8 years. Thereby the average return form Buyout deals has been 200 %. This track-record includes all the exits (78 in total) made from Buyout, Russia and Public Market funds since the establishment of CapMan. It is worth noticing that CapMan has a 25 year long track-record from Buyout business and thereby its track-record is reliable as a single exit will only have a limited impact for the total performance of the fund.

Track record is long which boosts up its creditability

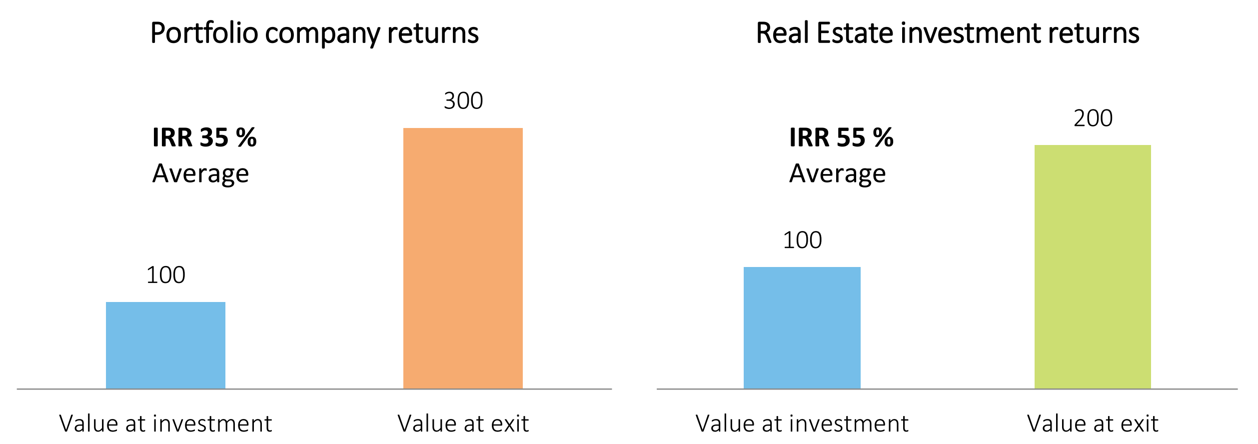
Due to the so called new normal economic environment, the future IRR returns will most likely come down in whole private equity industry

It is now widely accepted that the world's economy and especially developed world has moved to a period of slower economic growth called the new normal. Under this environment the economy will grow below its long term trend as developed countries are struggling with both structural and debt problems. The slower economic growth will also have an impact on future earnings as the expected revenue growth for companies will be lower than what we have used historically. This will also have a negative impact on future earnings growth as earnings and sales growth have historically had a strong correlation. This will also have an effect on the expected returns or IRR's of the private equity industry. Under the new normal economic conditions it is fair to assume that private equity's IRR returns will be below historical 20-30 %. Thereby we are assuming CapMan's IRR to fall from the current 35 %. However, we are still expecting CapMan to continue to outperform majority of its peers and have a top quartile performance.

In Real Estate CapMan's track record is even more impressive with an IRR of 55 %. Due to the short track record, the sustainability of this is still a question mark

In Real Estate investments, CapMan's track-record is also excellent and IRR has been 55 % and the average holding period has been 1.7 years. However, it is worth to notice that the track-record is fairly short and it only includes fairly small amount of deals. We are expecting IRR to come down closer to the average of the industry as the Real Estate funds I and II are moving towards the end of their lifecycles. Overall we believe that the reliability of Real Estate track record will be much higher after the first funds will come to an end of their lifecycle and only after that investors should examine more closely.

Portfolio company returns and Real Estate investment returns



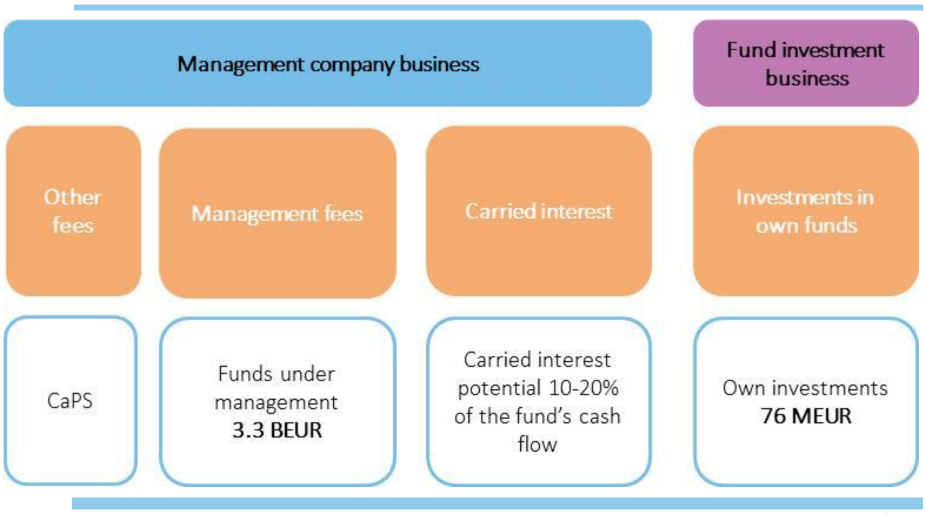
Source: CapMan (more detailed info regarding the calculation of the track record can be found on page 2)

2.3 Earnings logic

CapMan's earnings model contains four parts

CapMan's earnings model can be divided in to a four areas; management fees, carried interest, investments in own funds and other fees.

CapMan's earnings logic



Source: CapMan & Inderes

Management fees from funds are the break and butter of CapMan and visibility towards this income stream is excellent

On the equity funds the typical **management fee** is between 1.5 – 2.0 % and in real estate funds the typical management fee is between 0.5 – 1.0 %. In FY'12 CapMan earned some 24 MEUR of management fees. The management fees are CapMan's bread and butter as the visibility for the future management fee stream is extremely good. The fluctuation in capital under management is fairly small as capital under management decreases through exits and increases through new fund raising, where both CapMan is having a good visibility.

2.3.1 Fund management cycle

Fund management cycle can be dividend in four parts

In private equity fund management business the phase of the fund can be dividend in four parts.

In fundraising phase CapMan explores the market interest towards its new fund

During the fundraising period CapMan explores the interest of old and new clients to invest in its newly established fund. Fundraising period typically last approximately one year. After the size of the fund has reached a certain limit the fund will become operational and CapMan starts to receive management fees that are based on the original size of the fund (committed capital).

In investment phase CapMan invests investors' money which typically takes one to three years

The second phase is the investment phase, where CapMan identifies possible investment targets and eventually makes an investment for approximately 10-15 companies. This investment phase typically lasts approximately three years, depending on the market situation and availability of lucrative investment opportunities.

During the value creation phase CapMan

After the investment phase the fund and its companies will move to the value creation phase. The value creation can be divided in three parts;

tries to grow the value of the business through various methods. The value creation can be dividend in three parts: operational development, usage of leverage and multiple expansion

operational development, usage of leverage and multiple expansion. In operational development CapMan initiates a new strategy for the company, which it starts to execute. The aim is obviously to achieve higher growth and better profitability and the typical measures are strengthening its market position, move up in the value chain or expand geographically.

The efficient usage of leverage means that the company can accelerate its growth through aggressive usage of leverage, which it has access through CapMan. Simply put, the company can push down its cost of capital by lower usage of equity and higher usage of debt financing.

Finally the multiple expansion basically means that buyer in the exit phase is willing to pay higher multiples for the business than CapMan's fund paid, when it originally made the investment. This is possible if the operational development has been successful and the company.

In rough figures the value creation between these three parts can be divided as following: operational development 50 %, usage of leverage 30 % and multiple expansion 20 %. However, the distribution of these components varies greatly between individual cases.

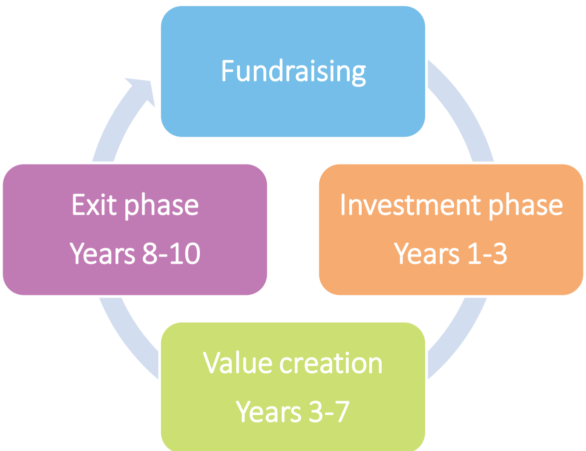
After the value creation phase CapMan will start to make divestments from its portfolio and return the capital to shareholders

Finally after the value creation phase CapMan starts to unwind the fund through the divestment of the companies. In this phase the management fees are calculated based on the acquisition cost of remaining portfolio companies.

Funds are not tied to any strict timetable, but CapMan stops receiving management fees after 10 years, which is thereby the ideal lifetime for the fund

Funds are not tied to any strict timetable. Thereby if the fund, for example, has not been able to find a decent buyer for all of its businesses the exit phase will continue after the year ten and no fire sale or any other speeded up winding down method is applied. However, CapMan stops receiving management fees from funds after year ten and thereby it is also in CapMan's interest to exit majority of the investments during the exit phase.

Fund management process



Source: Inderes

Carried interest are the profits which are distributed between fund investors and CapMan after the fund has achieved IRR target agreed earlier

Carried interest cannot be negative and thereby it can also be seen as a riskless upside from the shareholders point of view

Carried interest means the distribution of profits of a successful private equity fund among fund investors and the fund manager. In practice, carried interest means a share of a fund's cash flow received by the fund manager after the fund has transferred to carry. In order to transfer to carry, a fund must return its paid-in capital to investors and pay a preferential annual return on this. The preferential annual return is known as a hurdle rate, which is typically set at 8 % IRR p.a. When fund has transferred to carry, the remainder of its cash flow is distributed between the fund investors and the fund manager. Investors typically receive 80-90 % of the cash flows and the fund manager 10-20 %. It is important to understand that when the fund is in carry, fund manager receives carried interest income from all of the fund's cash flow generated, even if an exit would be made below its acquisition cost. Also it is worth noticing that carried interest cannot be negative and thereby it can be called "riskless upside". Historically an average time for CapMan funds to transfer to carry has been 6.6 years. The carried interest received by CapMan is then divided between actual fund managers and CapMan Plc. Typical distribution ratio between fund managers and CapMan Plc. is 50/50 with the current funds.

The idea behind carried interest is to align the interest of investors and fund managers

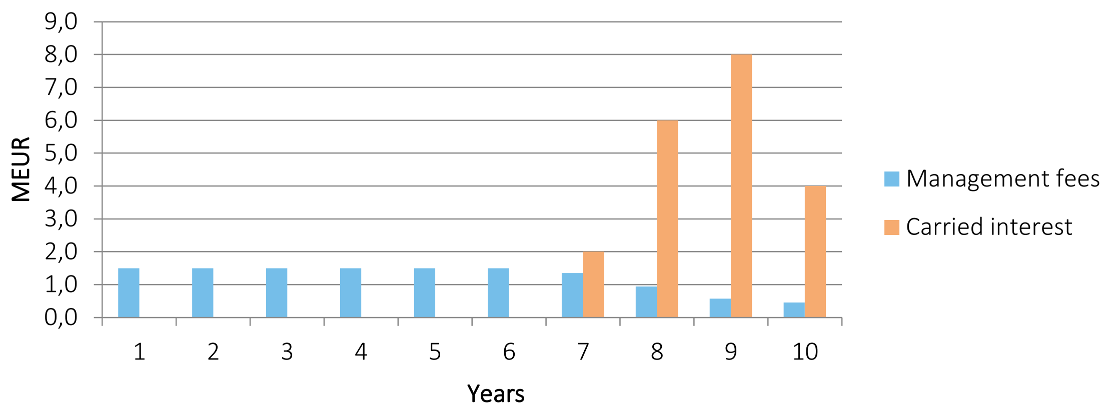
Carried interests are used to align the interests of investors and fund managers. As the earnings potential represented by carried interest is very significant for a fund manager and its investment professionals, it is in their interest to manage investment activities as profitably as possible. Investors benefit from investment professionals being motivated to maximize everyone's returns.

The graph below demonstrates the development of carried interest on example fund

As CapMan starts to receive carried interest only the fund has exceeded the preferential annual return or hurdle rate, the carried interest is heavily weighted towards the exit phase of the fund. On the graph below we have illustrated the carry potential from CapMan's perspective according to following assumptions:

- Fund size: 100 MEUR
- Management fee: 1.5 %
- Hurdle rate: 8 %
- Fund's IRR: 15 %
- CapMan's share of carried interest: 10 %

Demonstration of carried interest potential



Source: Inderes

Carried interest realization comes towards the end of the funds lifetime

As can be seen from the graph, CapMan starts to receive carried interest in year seven and the carried interest earned peaks between years eight and nine. Thereby the funds that CapMan will be launching in 2014 will not generate carried interest before the end of this decade. For investors it is important to understand that the earnings potential for the five year period of 2014-2018 comes from the funds established a lot earlier.

As a source of income, carried interest are significant as successful fund can earn significantly more through carried interest than through management fees

Other important thing investors should understand that the carried interest is a significant source of income for CapMan. In our illustrative example CapMan would earn some 12.5 MEUR for the management fees during the funds lifetime. The management fees will decline towards the end of fund's lifecycle as exits will shrink the size of the fund. During the same period CapMan would earn some 20 MEUR in carried interest, which is almost twice as much as the total management fees. The rule of thumb in private equity fund managing business is that the management fees should cover the costs, but the carried interest is the key for CapMan's earnings.

CapMan currently holds some 76 MEUR worth of investments in its own funds

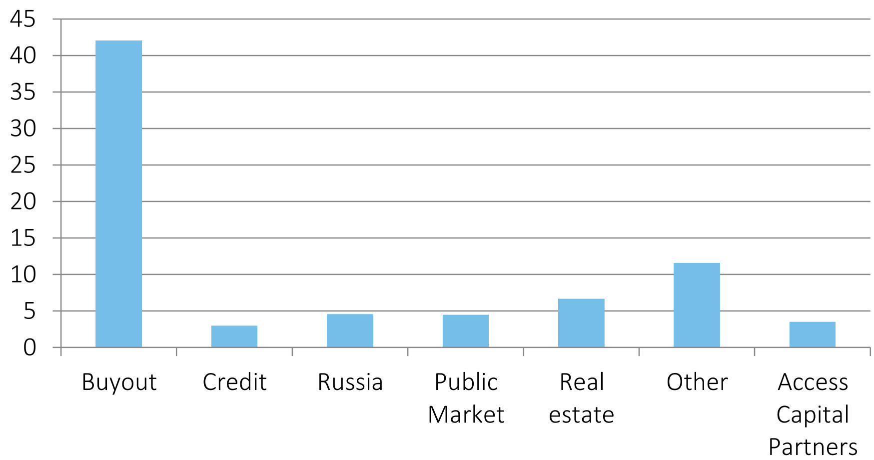
Through this investments CapMan wants to benefit more from its success in fund managing

In the future CapMan aims to invest 1-5 % of the original capital of the fund from its own balance sheet

Investment in own funds. Since 2002 CapMan has made significant investments in its own established funds and at the end of Q2'13 CapMan had almost 76 MEUR worth of investments made in its own funds from its own balance sheet. In these funds CapMan is a regular fund investors just like its clients and it does not receive any special benefits. The main idea behind these investments is that it will even out the potential fluctuations in CapMan's financial performance as the income from the investments are realized more steadily than carried interest income. Other idea behind these investments is naturally to allow CapMan's shareholders to get exposure for private equity market and benefit from CapMan's successful fund managing. Historically private equity investments have been providing higher returns than stock markets overall and CapMan has been performing well among its peers. In the future CapMan aims to invest between 1-5 % of the original capital of the future fund, depending on the demand for the fund and CapMan's own investment capacity.

The distribution of mentioned 76 MEUR can be seen on the graph below:

CapMan's investments in own funds (MEUR)



Source: CapMan

CapMan has major exposure for its Buyout funds and especially Buyout VIII fund where it holds a stake close to 40 MEUR

The valuation of these investments depends on the development of the funds, where capital is invested and moreover of the underlying businesses that the funds have been investing.

As can be seen on the graph above CapMan has a lot of exposure to the Buyout funds that represent some 55 % of the total investments. Moreover the Buyout fund VIII represents almost 90 % of the Buyout fund investments. Thereby it is fair to say that the Buyout fund VIII's development will have a significant impact on CapMan's earnings.

Other fees mainly contains income from CapMan purchasing Scheme (CaPS)

CaPS helps CapMan's portfolio companies to save money through centralized sourcing for non-core products and services

In **other fees** the main source of income is the CapMan Purchasing Scheme (CaPS). It is a service for portfolio companies that aims to drive down costs on non-strategic products and services. For example, this can mean that CapMan negotiates a deal with a telecom operator and under this deal all of CapMan's portfolio companies can get a discount from their telecom costs. CapMan has approximately 50 partners in its CaPS program and some 40 of its portfolio companies have been taking part in to the program. In 2012 under the CaPS program CapMan's portfolio companies achieved annual savings of over 10 MEUR in Finland and Sweden. In CaPS CapMan receives its fees from the suppliers and portfolio companies are not paying for any fees for CapMan. In 2013 we are expecting CapMan to earn some 2.2 MEUR under the CaPS program.

2.4 Strategy

Partnership based investment team together with strong and capable CapMan platform are in the core of the strategy

CapMan's strategy is to combine the strengths of entrepreneurial partnerships and all capabilities within CapMan to provide excellent return to its investors. In the center of CapMan strategy are its partnership based investment teams whose core competencies are: strong local presence, focus on small to mid-market deals and long track record from Nordic and Russian private equity markets. Through CapMan platform CapMan's investment teams can fully focus on investment activities as all of the non-core services are taken care through the platform. As CapMan is having large exposure for different markets through its fund managing business its teams can share this knowledge and market understanding with each other.

CapMan has been sharpening its focus and it has been divesting non-core operations and cutting down the organization

During the past two years CapMan has been focusing its operations and cutting down costs in order to cover the operational expenses with its management fees. From H2'13 onwards CapMan should have reached the stage, where the costs and management fees are in balance.

We are not expecting CapMan to pursue any significant growth during the upcoming years

We are not expecting CapMan to pursue any significant growth during the upcoming years. Instead we expect it to focus on delivering maximum returns for its current funds that are holding significant carried interest potential over the upcoming years.

On capital under management we expect CapMan's goal to be maintaining the current level of 3.3 BEUR

On capital under management side we believe that CapMan's unofficial target is to maintain the current capital under management level of roughly 3.3 BEUR.

2.5 Financial targets

CapMan has 3 financial targets

CapMan currently has following financial targets:

Return of equity over 20 % p.a.
Equity ratio of at least 60 %
Payout ratio of at least 50 % of net result

- Return of equity over 20 % p.a.
- Equity ratio of at least 60 %
- Payout ratio of at least 50 % of net result

ROE -%

ROE -% target does not fit too well for CapMan as its massive fund investments are dragging down the groups ROE -%

The underlying fund management business does not tie any significant capital and in a normal year its ROE -% should be in range of 50-100 %. However, since CapMan has significant amount of investments in its balance sheet, the ROE -% will be significantly lower. 20 % ROE target should be fairly realistic under its current balance sheet structure. However, the fluctuation in ROE -% will be significant as the carried interest together with fair value changes will be driving the net profit in the near future. We believe that investors should not focus too much on ROE -% with CapMan, as its information value is fairly low. For example, CapMan could sell significant amount of its investments and achieve higher ROE -% through this. This would have a negative effect on EPS, which would be negative from shareholder's perspective. Instead of ROE -% investor should focus on absolute development of EPS, which we believe is the best metric when evaluating the performance of CapMan from shareholder's perspective.

Investors should focus on absolute EPS growth instead of ROE -%

Equity ratio -%

CapMan has stated that its target is to maintain leverage free balance sheet which basically means equity ratio being in line with the strategic target

CapMan has stated that its target is to maintain strong financial position on both leverage and liquidity wise. We believe that CapMan's target level is to have a debt-free balance sheet. Debt-free balance sheet gives CapMan significant financial leeway and enables it to honor its fund investment commitments.

Payout ratio -%

We expect payout ratio-% to exceed the target as majority of earnings will be used for dividends

As we are not expecting CapMan to execute any significant M&A in the near future, we are expecting it to channel most of earnings to shareholders. Thereby we are expecting payout ratio to exceed 50 % clearly during the period of 2013-2015e.

2.6 Balance sheet structure

Assets

CapMan's business model does not require any notable assets, hence the operational balance sheet is light

CapMan's business model is extremely light in asset wise and thereby it does not require any significant assets to run.

We do not see the goodwill holding any impairment risk, as long as CapMan is able to raise new funds for its Russian fund

CapMan's balance sheet holds some 6.2 MEUR goodwill, which is related to the 2008 acquisition of Norum, a fund manager operating in Russia. Through this acquisition CapMan obtained a foothold in Russian private equity market. As CapMan has been able to raise new funds for its Russia Fund II, we don't see this goodwill to hold any major impairment risk.

Associated companies are related to the Maneq funds which are employee compensation vehicles.

These funds will wind down gradually and new Maneq funds will not be established

Assets also contain some 10 MEUR worth of holdings in associated companies. These holdings are related to the Maneq funds that are employee compensation and investment vehicles. CapMan has stated that it will not establish new Maneq funds and we are expecting these investment to wind down gradually during the period of 2013-2016e as the underlying funds will be entering to the exit phase. Basically CapMan will be receiving cash the amount of its current holdings and possibly some small performance based bonus that depends on the development of the underlying investments. Overall these investments will not be having any significant impact on CapMan's earnings.

Investments in own funds are the dominant part of the balance sheet

The most interesting assets in CapMan's balance sheet are its investments in its own funds. At the end of Q2'13 these investments were valued at 75.8 MEUR. We addressed these investments more closely in chapter 2.3.

Equity & liabilities

CapMan's equity contains a hybrid bond worth of 29 MEUR. This bond will be replaced with a new 15 MEUR hybrid bond during 2013

We expect CapMan to payback the new 15 MEUR hybrid bond back in 2016

CapMan's equity amounted at 82.4 MEUR during the end of Q2'13. This equity also contains a 29 MEUR hybrid bond. CapMan has the option to call this bond in 18th of December and we expect CapMan to use this option. CapMan will be issuing new 15 MEUR hybrid bond to replace the older one. Expected issue date for the bond is 11th of December and bond is expected to have a yield of 8%. CapMan has an option to call the bond in two years the earliest from the issue date. In our future estimates we assume that CapMan will use this option in the first date possible. Although hybrid bond is accounting wise addressed as an equity instrument, investors should see it as a debt instrument as CapMan pays yield for its holders. In our estimates we have addressed the hybrid bond according to accounting standards as an equity instrument.

Net gearing is low 9.4 %

On the debt side CapMan had about 14 MEUR on long term debt. However, this debt is mostly covered with cash& equivalents and the net gearing was 9.4 % at the end of Q2'13.

CapMan has made 25 MEUR worth of commitments for its own fund investments

We see these commitments as liabilities as CapMan must fulfill them from customer perspective

From the outside of the balance sheet, CapMan has made some 25 MEUR worth of commitments to invest in its own funds. Basically this means that CapMan has committed to invest for its future funds that are at the fundraising phase. This is part of CapMan's strategy and CapMan's aim is to invest 1-5 % of the fund's total value. Although these commitments could technically be avoided, it would be a severe indication of distrust regarding the future performance of the fund, which could have negative effects on CapMan's fundraising. Thereby we believe that CapMan must fulfill these commitments and they can be seen as liabilities.

Balance sheet is strong and equity ratio is above company's financial target

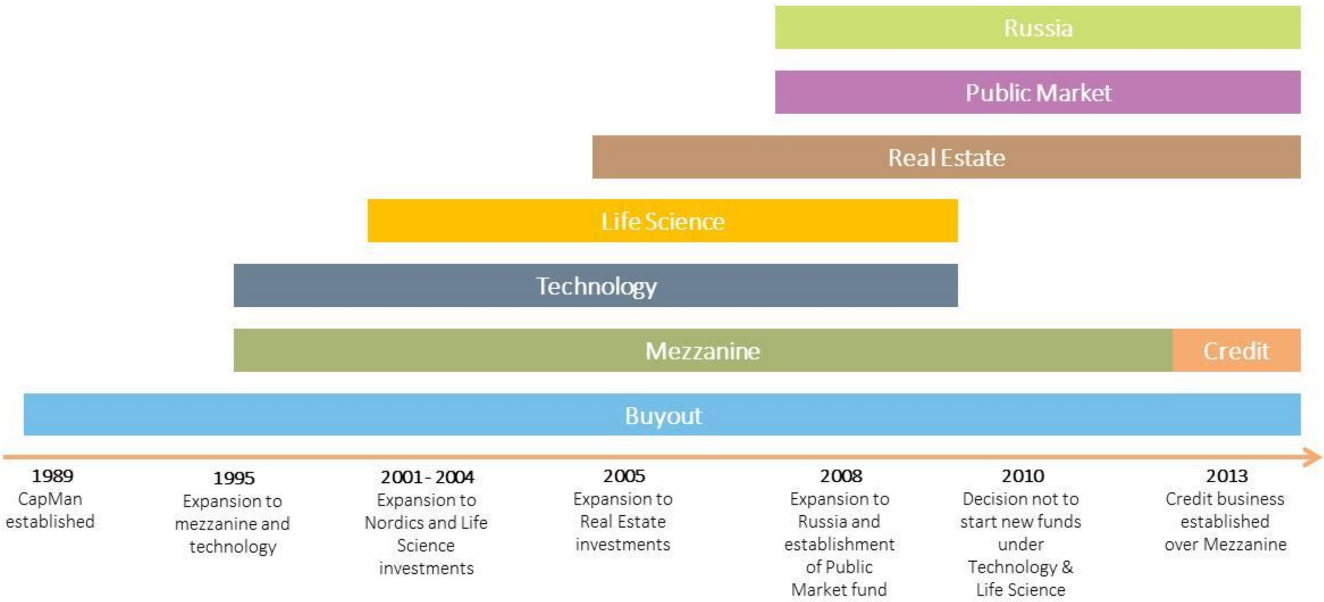
Overall CapMan's balance sheet is very strong with equity ratio of 68 %, which is above company's long term target of 60 %. We believe that CapMan's long term target is to maintain strong liquidity position and debt free balance sheet. Strong balance sheet gives CapMan flexibility to hold on to its commitments for fund investments and execute M&A if interesting opportunities would rise.

3 Historical development

CapMan was established in 1989 as one of the first private equity fund managers in Finland

CapMan was established in 1989 and was one of the first private equity fund managing companies in Finland. In 1990 it established its first private equity fund Finnventure Fund I and the fund's size was approximately 11 MEUR. Since the establishment of the company the Buyout funds have been the core of CapMan.

Historical development of CapMan 1989 - 2013



Source: CapMan

In 1995 CapMan expanded in to the Mezzanine and Technology funds

During the past quarter of a century CapMan has also expanded its offering beyond regular Buyout funds. In 1995 CapMan expanded in to the Mezzanine and Technology funds in order to create more focused Buyout funds.

CapMan become publicly listed company in 2001 and during the period 2001-2004 it expanded its operations to all Nordic countries

In 2001 CapMan listed in Helsinki Stock Exchange in order to accelerate its growth and to expand to other Nordic markets. During the period of 2001-2004 CapMan expanded to Denmark, Sweden and Norway through acquisitions. In funds CapMan expanded its Buyout offering in to the Life Science funds.

In 2005 CapMan expanded in to the Real Estate fund managing business in Finland

In 2005 CapMan expanded in to the Real Estate fund managing business in Finland. This decision reflects in strong capital under management growth in 2007-2008, when the Real Estate funds I, II and Hotels were established.

Final expansion was made in 2008 when CapMan expanded in to Russia and it launched the first Public Market fund

In 2008 CapMan made its final expansion when it expanded to Russia through acquisition of Norum and established Public Market fund.

During 2010 CapMan made a decision not to start new funds in Life Science and Technology

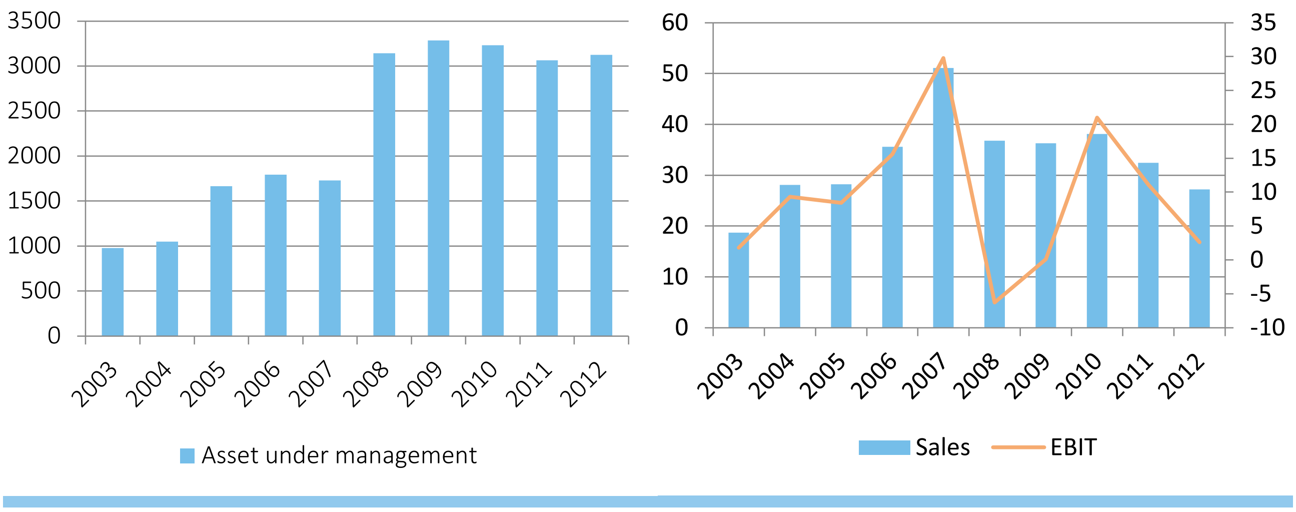
In 2010 CapMan made a decision to not to start new funds under Life Science and Technology business due to the insufficient returns. CapMan will manage the current Life Science and Technology funds as usual until the end of the funds lifecycle.

Aggressive growth also reflects in strong growth at capital under management and average growth has been 28 % during the past 23 years

During 2013 CapMan changed the name of its Mezzanine business to Credit and management has hinted their interest towards the establishment of a new credit fund.

The aggressive growth during the past quarter century can be seen in capital under management which have grown from 11 MEUR in 1990 to approximately 3.3 BEUR in 2013.

Development of Asset under management and Sales & EBIT



Source: Inderes

Historical financials offers only limited visibility for CapMan's future development

Instead investors should focus on the historical track record of investment teams

For investors it is important to understand that CapMan historical financials will only offer a very limited insight for its future performance. This is due to the fact the underlying funds have changes a lot during the years and CapMan's business model has also gone through some changes (i.e. divestment of real estate consulting and establishment of CaPS). We believe that instead of group's financials it is much more informative to analyze historical track record of CapMan's investment teams.

4 Fundraising market outlook

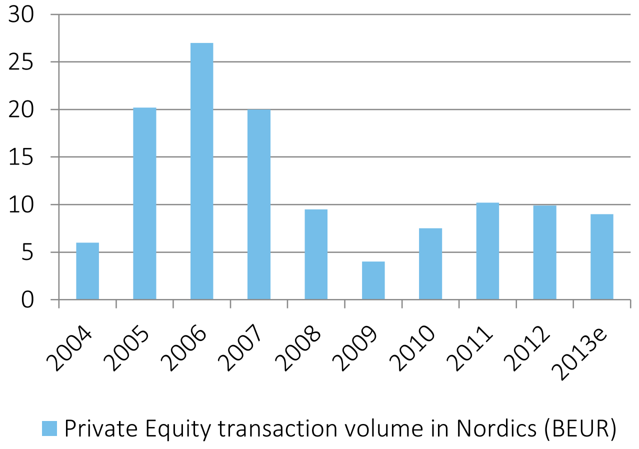
Overall situation in fundraising market is challenging

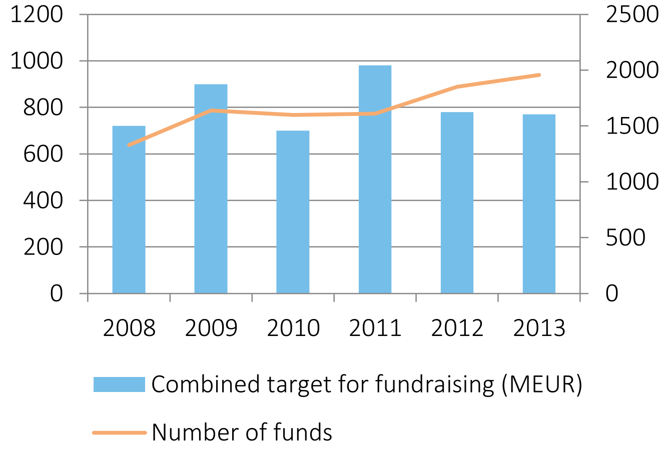
There are too many funds seeking huge amount of capital, while the capital has become scarce

Due to the ongoing economic problems the situation will continue to remain difficult

The current situation in fund raising market is challenging. There is still huge number of funds in the market seeking a significant amount of capital. As the exit market has been difficult for prolonged period of time, the average holding period for investments has grown. This has led to a situation, where investors are not able to make new commitments for new funds as their capital has been tied for longer time than originally anticipated. Also the new regulation has forced some investors (especially banks) to cut down their equity exposures. On the graph below we can see that the number of funds have been growing and the same time the transaction volume has been coming down drastically from the levels of boom years of 2006-2008. The situation in fundraising market is most likely going to remain difficult as the economic problems in developed countries will prevail and exit periods will remain prolonged.

Private equity transaction volumes in Nordics and funds on the road globally





Source: Inderes

Despite the challenging fundraising market, CapMan has performed well

We are expecting CapMan to achieve its combined target of 700 MEUR for its three new funds

In 2014 we expect CapMan to establish new Credit fund. PMF II fund will be independent from CapMan

CapMan is currently raising funds for three new funds; Buyout X, Nordic Real Estate and Russia Fund II. At the end of Q2'13 Buyout X had raised 206 MEUR, Nordic Real Estate 50 MEUR and Russia 97 MEUR of new equity. The combined target for all three funds is over 700 MEUR. CapMan has not laid out any specific targets for each fund but we believe that the targets are close to the closing amounts of the previous funds. By using the sizes of the previous funds the target sizes would approximately be: Buyout X 300 MEUR, Russia II 120 MEUR and Nordic Real Estate 280 MEUR. Fundraising for Buyout X should be finished by December 2013, Russia II by February 2014 and for Nordic Real Estate by May 2014. As the fundraising has progressed according to plan and retention rate among investors has stayed at good level, we are expecting CapMan to reach its target of 700 MEUR. After the current fundraising for these three funds will be over, we expect CapMan to establish new Credit fund where the fundraising is likely to start during the H2'14. There will also be new Public Market Fund (PMF II) in 2014 New PMF II fund would be independent from CapMan. However the fund will be paying management fees and possibly carried interest for CapMan according to capital commitments made through CapMan.

5 Future estimates

Short term 2013-2014

CapMan has gone through major changes during the first half of the year

During the first half of 2013 CapMan has been going through some major changes. Heikki Westerlund was appointed as a CEO (starting 7.8.2013) and CapMan sold its Maneq investments in order to strengthen up its balance sheet. Company has also been going through some cost savings during the past 12 months and it has finally reached a stage, where the management fees together with other income (mainly related to the CapMan Purchasing Scheme or CaPS) will be in balance with the operating expenses.

Operationally H1'13 was burdened by onetime costs and too heavy cost structure

During the H1'13 CapMan also made various exits that generated 2.8 MEUR worth of carried interest for the company. Also during H1'13 CapMan earned 1.2 MEUR on other income (CaPS). The fair value gains on own investments were some 3.9 MEUR representing a 5 % increase in market values. All in all, the EBIT for the H1'13 was 4 MEUR and adjusted for one-time items the EBIT would have been 5.5 MEUR.

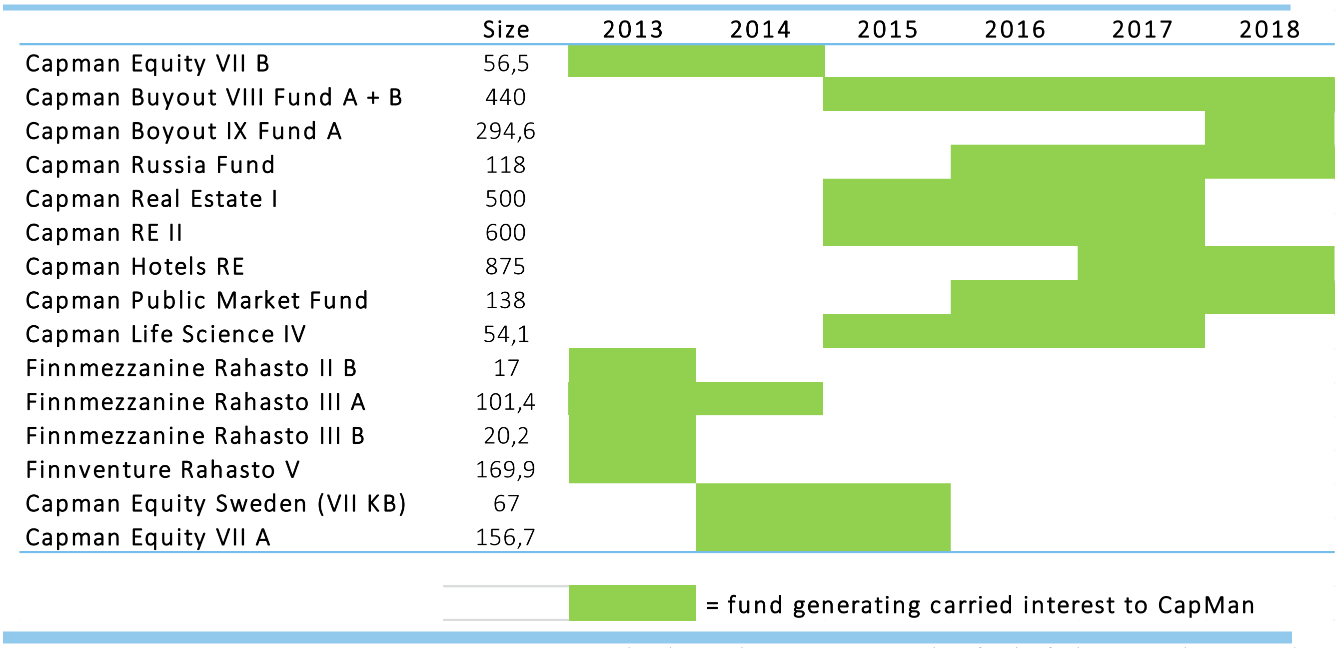
During H2 costs and fees should be in balance

We are not expecting any major carried interest for H2

Fair values will continue to climb as the equity market situation remains favorable

During the H2'13 we expect CapMan's management fees to reach 13 MEUR, this together with expected 1.0 MEUR other income (CaPS) should be enough to cover the operating expenses which we expect to be ~14 MEUR. Thereby the H2'13 result depends greatly on the carried interest earned and fair value gains on own investments. During the Q3 CapMan had not made any exits that would generate any carried interest. Thereby the Q3 result will depend on the changes on the fair value of CapMan's own investments. During Q4 we expect CapMan to make some exits that will generate small amount of carried interest and due to the still favorable equity environment; we expect fair values to continue to climb. For the H2'13 we expect EBIT to be 3 MEUR and for the full year we are expecting an EBIT of 7.2 MEUR.

Funds generating carried interest between 2013-2018



Source: Inderes (CapMan has not given out any guidance for when funds are expected to enter carry)

In 2014 various funds should start to generate carried interest

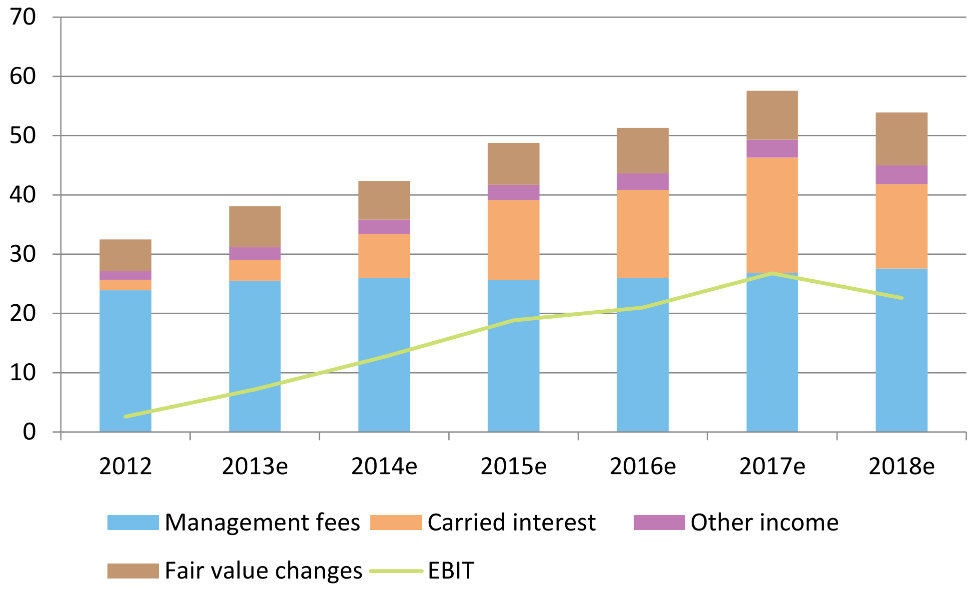
In 2014 we expect more funds to start earning carried interest for CapMan as can be seen on the table above. Also we expect Equity VII B and Finnmezzanine Fund III A to finish their exit phases. Overall, we are forecasting FY'14 carried interest received by CapMan to reach 7.4 MEUR (FY'13e: 3.5 MEUR). With our cautious estimates the CapMan's own investments will appreciate some 8 % during FY'14 returning ~6.5 MEUR. As the company will continue its tight cost control, we expect the adjusted cost structure to stay flat. Thereby the carried interest together with positive fair value changes should lead to an EBIT of 12.7 MEUR. The detailed breakdown of net fees and EBIT can be seen in graph below.

Overall the growth in carried interest together with leaner cost structure will be the main driver for earnings growth in 2014

Capital under management should stay relatively flat

We expect capital under management to come down some 50 MEUR as we are expecting exits to exceed the new capital raised to Russia II and Nordic Real Estate funds.

Estimated development of net fees and EBIT



Source: Inderes

Long term 2015-2017

In 2015 we expect CapMan to reach its current potential on earnings wise, as Buyout VIII fund should start to generate carried interest

Also various other funds which holds smaller carry potential will be starting to generate carried interest

The year 2015 will be a crucial for CapMan as we expect the Buyout VIII fund to start to generate carried interest. Due to the large size (original size 440 MEUR) of the fund and the catch-up based carried interest earnings model, the fund provides significant earnings potential for CapMan through carried interest. CapMan is also major owner in the fund and it currently has some 35 MEUR invested in it. Thereby the positive performance of Buyout VIII will have a double impact on CapMan's earnings. As Buyout VIII is still in the early exit stage, we are cautious with our estimates. We currently expect CapMan to earn over 30 MEUR in carried interest between 2015 and 2018 from Buyout VIII. Other notable Buyout fund to start generating carried interest in 2015 is CapMan Life Science IV. Funds investment performance has been decent and it offers moderate carried interest potential for CapMan. In life science business the true exit potential of the investments is

Also Real Estate I and II are starting to generate carried from 2015 onwards

extremely difficult to analyze and we are very cautious with our estimates regarding the future carried interest.

The strong growth in carried interest will boost CapMan's EBIT close to 19 MEUR with a corresponding EPS of 0.16 EUR

Besides these buyout funds, we are expecting both Real-estate Fund I and II to enter to start to generate carried interest from 2015 onwards. CapMan has already received notable carried interest from Real Estate I back in 2007 and thereby its carried interest potential is somewhat more limited. For Real Estate II we see moderate carried interest potential, which we expect to realize between 2015 and 2017. For FY'15 we are expecting fund investments to continue to appreciate some 8 % and CapMan's EBIT to climb to 18.8 MEUR.

Capital under management is expected to remain flat

Assets under management should remain stable at 3300 MEUR at the end of the year. Even though we are expecting CapMan to make significant amount of exits during the year, we are also expecting company to start new funds where the amount raised should offset the decline coming from exits. As already discussed in chapter 4 we expect CapMan to kick off a new Public Market fund and a new Credit fund during the 2014-2015.

With our current estimates CapMan's earnings will peak in 2016 and EBIT exceeds 21 MEUR

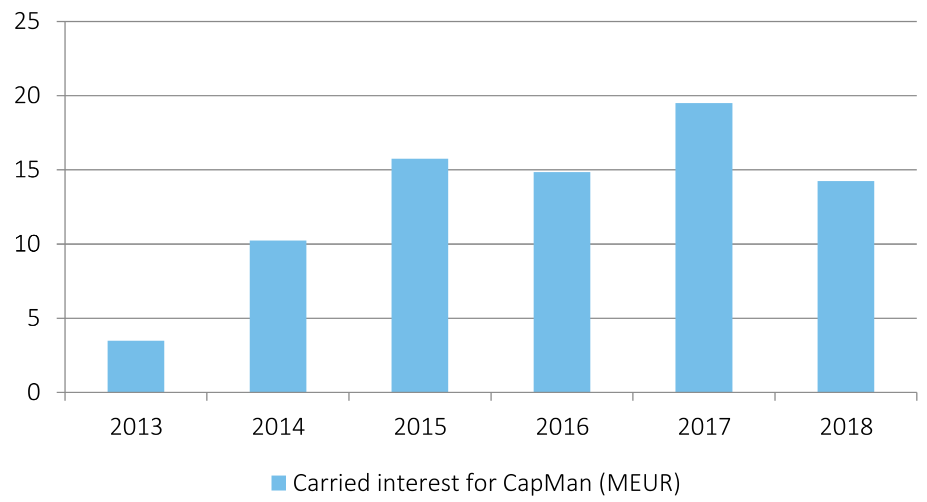
In 2016 Russia Fund I and CapMan Public Market Fund I should both start to generate carried interest for the group and exit phases in Life Science, Buyout VIII and both Real Estate funds to continue. Our FY'16 EBIT estimate is 21 MEUR.

As the majority of carried interest is still years away, we are very cautious with our estimates

Also the actual timing for the realization of the carry potential can vary

Overall it is important to understand that the exact determination of the actual timing of the realization of the carried interest is almost impossible, as it depends on various factors. However, it is much more important for investors to understand that these funds hold major carried interest potential for CapMan and we are expecting CapMan to receive some 50 MEUR of carried interest from these funds during the period of 2015-2017. Even if the exit phase would last longer than expected the potential does not go anywhere, it just postpones the actual realization.

Estimated development of carried interest between 2013-2017



Source: Inderes

6 Valuation

With our estimates CapMan is significantly undervalued

P/E ratio for next few are at lucrative level of 8x and 6x

We believe that CapMan is significantly undervalued compared to its future earnings and dividend paying potential. P/E ratio for FY'14 will be around 8x and for FY'15 around 6x. Corresponding dividend yield estimates are ~8 % and ~10 %. Due to the 76 MEUR worth of investments in its balance sheet, we believe that CapMan's share holds exceptional margin of safety at current price levels as these investments themselves match the current market value of the company.

Due to the low CAPEX and strong balance sheet, the majority of earnings can be distributed for investors

We are expecting dividend yield to climb to 10 % level in 2015

CapMan's business model does not require any significant maintenance CAPEX and we estimate average annual CAPEX to be around 0.4 MEUR between 2013 and 2017. Thereby the all of the earnings can be used in either rewarding of the shareholders, to make investment in own funds or to expand through acquisitions. In the near future we are not expecting CapMan to make any significant expansion and the focus to be instead on the development of the current business. Therefore the earnings will be used mainly in dividends, where we are expecting payout ratio to be in range of 50-70% during the period of 2013-2017. CapMan will most likely try to maintain the current level of investments in own funds and thereby and thereby the excess earnings after dividends will be used to strengthen the balance sheet and to repay the hybrid bond in 2016.

We recommend the share for patient investors

Investors should not look CapMan's development on quarterly basis and instead focus on longer term development

For investors it is also important to understand that the realization of the earnings depends greatly on the timing of the exits in certain funds. Currently it is impossible to say the exact time of when some funds will enter in to the carried interest mode and when their earnings potential will be realized. Thereby we recommend the share for patient investors, who are willing to hold the share for a longer period of time and wait the earnings potential to realize. Also we want to emphasize that investors should not focus on CapMan's development by a single quarter basis and instead focus on the longer term development. This is due to the fact that quarterly fluctuations in both carried interest and fair value changes are significant.

Key figures 2013e-2017e

	2013e	2014e	2015e	2016e	2017e
EBIT -%	22,9 %	35,4 %	45,1 %	48,1 %	54,2 %
AUM (MEUR)	3300	3250	3300	3400	3500
Investments in own funds (MEUR)	76	77	78	80	83
Employees	105	105	107	108	110
Gearing -%	32,2 %	15,3 %	0,5 %	8,7 %	4,5 %
ROE -%	5,1 %	11,9 %	17,1 %	19,1 %	16,3 %
P/E	18,3	8,1	5,6	5,0	5,9
P/B (adjusted.)	1,4	1,4	1,6	1,4	1,6
EPS	0,05	0,11	0,16	0,18	0,15
Dividend per share	0,03	0,07	0,09	0,10	0,09
Dividend yield -%	3,3 %	7,7 %	9,9 %	11,0 %	9,9 %
Payout ratio -%	60,4 %	62,0 %	55,3 %	54,6 %	58,7 %
Equity per share (adjusted.)	0,64	0,65	0,56	0,66	0,57

Source: Inderes

6.1 peer group valuation

If CapMan can live up with our estimates and market would price the share according to peer group, the share holds significant upside potential

From the peer group perspective we can also see that CapMan is clearly undervalued with our future estimates. When comparing CapMan's FY'14 P/E ratio for median peer figure we can see that the share is current trading at a discount of 15 %. The discount steepens to 35 % in FY'15 as CapMan should start to show the true potential of its current portfolio. The same discount continues when we move to examine the dividend-% based valuation. With FY'14 dividend estimate CapMan is undervalued some 25 % comparing to its peer group. If CapMan is able to live up with our dividend expectations and markets would value the share according to peer group, share should double its market price before 2015.

Portfolio company returns and Real Estate investment returns

			P/E		Dividend-%	
Company	Share price	MCAP (MEUR)	2014e	2015e	2014e	2015e
The Blackstone Group	27,25	22806	9,5	8,1	6,0 %	6,8 %
Apollo Global Management	32,89	3411	10,9	10,9	7,3 %	6,5 %
KKR	22,01	11102	9,4	8,6	6,3 %	6,3 %
Carlyle Group	30,95	7059	9,7	8,3	6,9 %	8,4 %
Partners Group	225,4	4819	18,3	15,4	3,5 %	4,0 %
GIMV	36,96	904	8,4	-	6,6 %	6,6 %
3i Group	3,661	4148	7,8	8,5	2,3 %	2,2 %
Ratos	56,9	2166	18,4	15,2	6,2 %	6,3 %
CapMan	**0,89**	**69**	**8,1**	**5,6**	**7,9 %**	**10,1 %**
Average			**11,2**	**10,1**	**5,9 %**	**6,4 %**
Median			**9,5**	**8,6**	**6,3 %**	**6,5 %**

Source: Inderes& Reuters

7 Major risks

Economic downturn is the single largest risk for CapMan

Economic downturn would dry up the exit market and push down the exit valuations

Economic downturn. We believe that the single biggest risk for CapMan would be the economic downturn and the escalation of the euro crisis. This would most likely push stock indices down and would lower the exit multiples and valuations. Also this economic downturn would exacerbate the exit market as there would be fewer buyers due to the lower availability of funding for M&A deals. After 2014 CapMan will be entering the phase, where several of its major funds are transferring in to carry. As both debt and structural problems in Europe prevail, the risk of the economic downturn remains elevated. In our analysis this reflects as higher risk premiums towards the future carried interests.

If CapMan would lose its strong track record, the future fundraising would become more difficult

Significant weakening of the track record. In fund managing business track record is the one single most crucial factor. Without a decent track record the fundraising will become more and more difficult as the retention rate among current investors would become lower and new investors would be harder to allure. CapMan currently holds strong track record from both Buyout and Real Estate fund managing (please see chapter 2.2). As CapMan has been building its track record throughout the past quarter century, a weak performance by a single fund will have only minor negative effect for CapMan's track-record and thereby it would require a wider stream of disappointments in order to significantly weaken the track record.

If CapMan would start to lose its talented personnel, it would most likely to have a negative effect on future performance

Losing talent. In fund managing business the key to success is skilled and talented personnel. Losing these personnel would most likely have a negative effect on CapMan's funds future performance and thereby the low turnover of personnel is extremely important. Historically CapMan's employee turnover has been low and it has been able to maintain its position as a desirable employer. Also it is worth noticing that CapMan's investment teams are not relying on any single individuals.

Losing a large customer would most likely cause some drop in capital under management at least temporarily

Losing a major customer. Ten largest customers of CapMan represent over 50 % of its capital under management. Thereby losing one of these major customers would lead to a notable decline in capital under management. However these large customers have diversified their investments in various CapMan funds' and it would take years before they could secede from CapMan. Also historically CapMan client retention rate has stayed at high level, which decreases this risk even further.

Appendixes

Appendix 1: Interim figures

INTERIM FIGURES												
MEUR	2012Q1	2012Q2	2012Q3	2012Q4	2012	2013Q1	2013Q2	2013Q3e	2013Q4e	2013e	2014e	2015e
Net sales	7	7	8	6	27	7	10	7	8	31	36	42
EBITDA	3	-1	0	1	3	2	2	1	2	8	14	19
EBITDA margin (%)	*43.3*	*-9.2*	*2.5*	*15.4*	*12.5*	*32.0*	*22.7*	*18.8*	*29.5*	*25.6*	*38.7*	*46.1*
EBIT	3	-1	0	1	3	2	2	1	2	7	13	19
EBIT margin (%)	*40.3*	*-12.3*	*0.0*	*11.7*	*9.5*	*29.4*	*20.9*	*15.9*	*26.9*	*23.2*	*37.0*	*45.1*
Net financial items	1	-1	0	1	1	1	0	0	0	0	0	0
Pre-tax profit	4	-2	0	1	3	3	2	1	2	7	13	18
Tax	0	1	0	-1	-1	0	0	0	0	0	-2	-3
Tax rate (%)	*17.2*	*45.5*	*0.0*	*116.9*	*22.8*	*6.9*	*-11.3*	*18.0*	*18.0*	*6.7*	*18.0*	*18.5*
Net profit	3	-3	2	-2	0	3	1	1	0	4	10	14
EPS	0.04	-0.03	0.02	-0.02	0.00	0.03	0.01	0.01	0.00	0.05	0.11	0.16
EPS adjusted (diluted no. of shares)	0.04	-0.03	0.02	-0.02	0.00	0.03	0.01	0.01	0.00	0.05	0.11	0.16
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.03	0.07	0.09
SALES, MEUR												
CapMan	7	7	8	6	27	7	10	7	8	31	36	42
Total	7	7	8	6	27	7	10	7	8	31	36	42
SALES GROWTH, Y/Y %												
CapMan	*-18.3*	*-14.5*	*-17.3*	*-12.2*	*-15.8*	*1.5*	*49.2*	*-14.8*	*29.9*	*14.3*	*14.8*	*16.4*
Total	*-18.3*	*-14.5*	*-17.3*	*-12.2*	*-15.8*	*1.5*	*49.2*	*-14.8*	*29.9*	*14.3*	*14.8*	*16.4*
EBIT, MEUR												
CapMan	3	-1	0	1	3	2	2	1	2	7	13	19
Total	3	-1	0	1	3	2	2	1	2	7	13	19
EBIT margin, %												
CapMan	*40.3*	*-12.3*	*0.0*	*11.7*	*9.5*	*29.4*	*20.9*	*15.9*	*26.9*	*23.2*	*37.0*	*45.1*
Total	*40.3*	*-12.3*	*0.0*	*11.7*	*9.5*	*29.4*	*20.9*	*15.9*	*26.9*	*23.2*	*37.0*	*45.1*

Appendix 2: Financial statements

INCOME STATEMENT, MEUR	2008	2009	2010	2011	2012	2013e	2014e	2015e
Sales	37	36	38	32	27	31	36	42
Sales growth (%)	*-28.0*	*-1.4*	*5.2*	*-15.1*	*-15.8*	*14.3*	*14.8*	*16.4*
Costs	-42	-35	-13	-21	-24	-23	-22	-22
Reported EBITDA	-6	2	26	12	3	8	14	19
Extraordinary items in EBITDA	0	0	0	0	0	0	0	0
EBITDA margin (%)	*-15.5*	*4.4*	*67.1*	*36.7*	*12.5*	*25.6*	*38.7*	*46.1*
Depreciation	-1	-1	-1	-1	-1	-1	-1	0
EBITA	-6	1	25	11	3	7	13	19
Goodwill amortization / writedown	0	-1	-4	0	0	0	0	0
Reported EBIT	-6	0	21	11	3	7	13	19
EBIT margin (%)	*-17.1*	*0.3*	*55.0*	*34.2*	*9.5*	*23.2*	*37.0*	*45.1*
Net financials	-4	1	3	3	1	0	0	-1
Pre-tax profit	-11	1	24	14	3	7	13	18
Extraordinary items	0	0	0	0	0	0	0	0
Taxes	3	0	-6	-3	-1	0	-2	-3
Minority shares	0	0	-3	-3	-3	-3	-1	-1
Net profit	-8	1	15	8	0	4	10	14

BALANCE SHEET, MEUR	2008	2009	2010	2011	2012	2013e	2014e	2015e
Assets								
Fixed assets	60	70	80	85	83	89	87	86
Goodwill	12	10	6	6	6	6	6	6
Inventory	0	0	0	0	0	0	0	0
Receivables	38	36	29	25	29	11	11	11
Liquid funds	25	20	35	22	7	9	18	24
Total assets	138	142	156	143	129	120	127	133
Liabilities								
Equity	69	78	91	88	79	83	76	84
Deferred taxes	0	2	3	3	2	2	2	2
Interest bearing debt	46	47	42	35	33	18	30	25
Non-interest bearing current liabilities	16	12	17	15	13	15	17	20
Other interest free debt	7	3	3	1	1	1	1	1
Total liabilities	138	142	156	143	129	120	127	133

CASH FLOW, MEUR	2008	2009	2010	2011	2012	2013e	2014e	2015e
+ EBITDA	-6	2	26	12	3	8	14	19
- Net financial items	-4	1	3	3	1	0	0	-1
- Taxes	3	0	-6	-3	-1	0	-2	-3
- Increase in Net Working Capital	-27	-1	12	1	-6	20	2	2
+/- Other	0	0	0	0	0	0	0	0
= Cash flow from operations	-34	1	34	13	-2	27	13	18
- Capex	-19	-5	-11	-4	-2	-3	-1	-2
- Acquisitions	0	0	0	0	0	0	0	0
+ Divestments	0	0	0	0	0	0	0	0
= Net cash flow	-53	-4	24	9	-4	24	12	15
+/- Change in interest-bearing debt	30	1	-5	-7	-3	-14	12	-5
+/- New issues/buybacks	22	8	1	-1	-3	0	-14	0
- Paid dividend	-13	0	-3	-10	-6	0	-3	-6
+/- Change in loan receivables	6	-4	-1	0	0	0	0	0
Change in cash	-8	0	15	-8	-15	10	7	4

Appendix 3: Key figures & multiples

KEY FIGURES	2009	2010	2011	2012	2013e	2014e	2015e
M-cap	113	150	85	71	76	76	76
Net debt	27	7	13	26	9	12	0
Enterprise value	141	157	98	96	84	87	76
Sales	36	38	32	27	31	36	42
EBITDA	2	26	12	3	8	14	19
EBIT	0	21	11	3	7	13	19
Pre-tax	1	24	14	3	7	13	18
Earnings	1	15	8	0	4	10	14
Book value	78	91	88	79	83	76	84
Valuation multiples							
EV/sales	3.9	4.1	3.0	3.5	2.7	2.4	1.8
EV/EBITDA	87.9	6.1	8.2	28.1	10.6	6.3	4.0
EV/EBITA	175.9	6.3	8.8	37.0	11.7	6.6	4.0
EV/EBIT	1 407.2	7.5	8.8	37.0	11.7	6.6	4.0
EV/operating cash flow	-168.1	4.6	9.0	-26.2	3.1	6.5	4.2
EV/cash earnings	93.8	6.3	8.0	36.6	11.2	7.7	5.0
P/E	112.9	10.0	10.0	655.5	18.1	8.0	5.5
P/E (adj.)	66.4	8.0	10.0	655.5	18.1	8.0	5.5
P/B	1.5	1.7	1.0	0.9	0.9	1.0	0.9
P/sales	3.1	3.9	2.6	2.6	2.4	2.1	1.8
P/CF	-134.9	4.4	7.8	-19.3	2.8	5.7	4.2
Target EV/EBIT	*0.0*	*0.0*	*0.0*	*0.0*	*1.2*	*0.9*	*0.0*
Target P/E	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*
Target P/B	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*
Per share measures							
Number of shares	84 282	84 282	84 282	84 282	84 282	84 282	84 282
Number of shares (diluted)	84 282	84 282	84 282	84 282	84 282	84 282	84 282
EPS	0.01	0.18	0.10	0.00	0.05	0.11	0.16
EPS (adj.)	0.02	0.22	0.10	0.00	0.05	0.11	0.16
Cash EPS	0.02	0.29	0.15	0.03	0.09	0.13	0.18
Operating cash flow per share	-0.01	0.41	0.13	-0.04	0.32	0.16	0.22
Capital employed per share	1.17	1.08	1.10	1.18	0.98	0.96	0.96
Book value per share	0.92	1.07	1.05	0.94	0.99	0.91	1.00
Book value excl. goodwill	0.80	1.00	0.97	0.87	0.92	0.83	0.93
Dividend per share	0.04	0.12	0.07	0.00	0.03	0.07	0.09
Dividend payout ratio, %	337.1	67.4	69.5	0.0	60.4	62.0	55.3
Dividend yield, %	3.0	6.7	6.9	0.0	3.3	7.8	10.0
Efficiency measures							
ROE	1.4	17.8	9.5	0.1	5.1	11.9	17.1
ROCE	1.2	18.2	10.3	2.7	6.9	13.1	18.8
Financial ratios							
Capex/sales, %	15.2	27.9	11.1	5.6	9.3	3.9	5.8
Capex/depreciation excl. goodwill,%	800.0	1 325.0	469.9	185.2	386.7	233.3	538.7
Net debt/EBITDA, book-weighted	17.0	0.3	1.1	7.4	1.1	0.8	0.0
Debt/equity, market-weighted	0.4	0.3	0.4	0.5	0.2	0.3	0.2
Equity ratio, book-weighted	55.1	58.3	61.9	61.6	69.4	62.9	68.5
Gearing	0.3	0.1	0.1	0.3	0.1	0.2	0.0
Number of employees, average	150	150	122	109	105	105	107
Sales per employee, EUR	242 000	254 667	265 902	250 495	297 143	341 126	389 814
EBIT per employee, EUR	667	140 000	90 984	23 881	68 838	126 330	175 730

Appendix 4: Summary of current funds

30.6.2013	Established	Original size	Fund's current portfolio At cost	Fund's current portfolio At fair value	Net cash	Amount needed for fund to transfer in to carry
Buyout						
Capman Equity VII B	2002	56,5	0	16	0	0
Capman Buyout VIII Fund A + B	2006	440	252,4	314	0,4	393,1
Capman Boyout IX Fund A	2009	294,6	215,1	293,8	1,7	290,1
Capman Buyout X Fund	2013	206,6		Still at fundraising phase		
Russia						
Capman Russia Fund	2007	118	71,3	95,7	1,1	123,8
Capman Russia II Fund	2013	97,2		Still at fundraising phase		
Tecnology						
Capman Equity VII C	2002	23,1	0	0	0	0
Capman Technology Fund 2007 B + A	2007	99,6	40,9	60,9	2,1	92,4
Finnventure Rahasto V ET Ky	1999	34	0	0	0	0
Swedestart Tech KB	2000	87,2	0	0	0	0
Real Estate	0	0	0	0	0	0
Capman Real Estate I	2005	500	131,6	112,3	2,4	73,5
Capman RE II	2006	600	335	340,8	0,3	152,6
Capman Hotels RE	2008	875	878,6	810,5	4,1	407,9
Capman Yrjönkatu 17	2010	13	11,3	14,4	0,1	3
Capman Nordic Real Estate	2013	125		Still at fundraising phase		
Public Market						
Capman Public Market Fund	2008	138	97,2	124,9	0	107
Life Science						
Capman Life Science IV	2006	54,1	35,8	36,9	0	59,7
Swedestart Life Science KB	2000	55		No carried interest potential		
Credit						
Finnmezzanine Rahasto II B	1998	17	0	0,3	0	0
Finnmezzanine Rahasto III A	2000	101,4	18,4	16,2	2,4	2,7
Finnmezzanine Rahasto III B	2000	20,2	0	0,3	0	0
Capman Mezzanine IV	2004	240		No carried interest potential		
Capman Mezzanine V	2010	95	17,8	23	0,3	0
Finnmezzanine Rahasto II A	1998	20,4		No carried interest potential		
Finnmezzanine Rahasto II C	1998	34		No carried interest potential		
Finnmezzanine Rahasto II D	1998	17		No carried interest potential		
Finnmezzanine Rahasto III C	2000	13,9		No carried interest potential		
Buyout/Tecnology						
Finnventure Rahasto V	1999	169,9	0	3,5	0	0
Capman Equity Sweden (VII KB)	2002	67	18,9	10,9	2,8	7,4
Capman Equity VII A	2002	156,7	44,1	25,6	6,4	13,9
Finnventure Rahasto IV	1998	59,5		No carried interest potential		
Finnventure Rahasto V ET	1999	34		No carried interest potential		
Generalist						
Fenno Program/Skandia	1997	8,4	0	0,3	0	0
Fenno Rahasto	1997	42,5	0	0,3	0	0

Appendix 5: DCF

VALUATION RESULTS		BASE CASE DETAILS		VALUATION ASSUMPTIONS		ASSUMPTIONS FOR WACC	
Current share price	0.90	PV of Free Cash Flow	103	Long-term growth, %	2.0	Risk-free interest rate, %	4.50
DCF share value	2.17	PV of Horizon value	105	WACC, %	8.1	Market risk premium, %	4.8
Share price potential, %	141.1	Unconsolidated equity	0	Spread, %	0.5	Debt risk premium, %	-0.5
Maximum value	2.4	Marketable securities	7	Minimum WACC, %	7.6	Equity beta coefficient	1.00
Minimum value	2.0	Debt - dividend	-32	Maximum WACC, %	8.6	Target debt ratio, %	20
Horizon value, %	50.3	Value of stock	183	Nr of shares, Mn	84.3	Effective tax rate, %	19

DCF valuation, MEUR	2012	2013e	2014e	2015e	2016e	2017e	2018e	2019e	2020e	2021e	2022e	Horizon
Net sales	27	31	36	42	44	45	46	48	49	51	52	53
Sales growth, %	*-15.8*	*14.3*	*14.8*	*16.4*	*4.7*	*3.0*	*3.0*	*3.0*	*3.0*	*3.0*	*2.0*	*2.0*
Operating income (EBIT)	3	7	13	19	21	17	16	16	16	15	15	16
EBIT margin, %	*9.5*	*23.2*	*37.0*	*45.1*	*48.1*	*38.0*	*35.0*	*33.0*	*32.0*	*30.0*	*30.0*	*30.0*
+ Depreciation+amort.	1	1	1	0	0	0	0	0	0	0	0	
- Income taxes	-1	0	-2	-3	-4	-3	-3	-3	-3	-3	-3	
- Change in NWC	-6	20	2	2	1	1	1	1	1	1	0	
NWC / Sales, %	*55.3*	*-14.4*	*-17.8*	*-21.1*	*-22.0*	*-22.5*	*-23.1*	*-23.6*	*-24.1*	*-24.6*	*-24.9*	
+ Change in other liabs	0	0	0	0	0	0	0	0	0	0	0	
- Capital Expenditure	-2	-3	-1	-2	-3	-3	-4	0	0	0	-1	-1
Investments / Sales, %	*5.6*	*9.3*	*3.9*	*5.8*	*7.8*	*7.6*	*9.5*	*0.8*	*0.8*	*0.8*	*1.4*	*1.4*
- Other items	0	0	0	0	0	0	0	0	0	0	0	
= Unlevered Free CF (FCF)	-5	24	12	16	15	11	10	13	13	13	13	214
= Discounted FCF (DFCF)		24	11	13	12	8	7	8	8	7	6	105

= DFCF min WACC		24	11	13	12	8	7	9	8	7	6	119
= DFCF max WACC		24	11	13	11	8	6	8	7	7	6	93

Appendix 6: Ownership structure & earnings calendar

COMPANY DESCRIPTION: CapMan Group is a private equity fund manager with operations in the Nordic countries and Russia. Our mission is to build successful businesses contributing to the enrichment of society. We manage funds with capital raised mainly from institutional investors, and our investment partnerships invest this capital further in Nordic and Russian companies and real estate.

OWNERSHIP STRUCTURE	SHARES	MEUR	%
Gimv NV	8 428 200	7.670	10.0%
Ilmarinen Mutual Pension Insurance Company	7 180 826	6.535	8.5%
OY Inventiainvest AB	6 995 406	6.366	8.3%
Eläkekassa Verso	5 191 771	4.725	6.2%
Winsome Oy + Tuomo Raasio	3 750 549	3.413	4.5%
Varma Mutual Pension Insurance Company	3 674 695	3.344	4.4%
Vesasco Oy	3 371 280	3.068	4.0%
Joensuun Kauppa ja Kone Oy	3 194 288	2.907	3.8%
Åbo Akademi University Foundation	3 000 439	2.730	3.6%
Heiwes Oy** + Heikki Westerlund*	2 975 155	2.707	3.5%
Ten largest	47 762 609	43.464	57%
Residual	36 519 391	33.233	43%
Total	84 282 000	76.697	100%

EARNINGS CALENDAR	
February 06, 2014	FY 2013 Results
May 08, 2014	Q1 report
August 07, 2014	Q2 report
November 06, 2014	Q3 report
OTHER EVENTS	
March 19, 2014	AGM

COMPANY MISCELLANEOUS	
CEO: CEO: Heikki Westerlund	Korkeavuorenkatu 32, 00130 Helsinki, Finland
CFO:	Tel: +358 207 207 500
IR: Manager, Communications and IR: Linda Tierala	

RECOMMENDATION HISTORY, last 12 months

Date	Recommendation	Target	Share price
28.10.2013	Buy	1.25	0.91

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Recommendations of Inderes are divided in the following categories and given based on the estimated upside potential of the share in the next 6 months. Note that possible dividends are also included in the potential.

Recommendation	Upside potential*
Buy	> 15 %
Accumulate	5 - 15 %
Reduce	-5 - 5 %
Sell	< -5 %

* Potential regarding to 6 month target price

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