

MANDATUM

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INDERES CORPORATE CUSTOMER
COMPANY REPORT



Dividend paid, but valuation still tight

We update Mandatum's target price to EUR 4.9 per share (previously EUR 5.6) following the dividend payout. Our views on the company or its future outlook remain unchanged, so we have not made any changes to our earnings forecasts in connection with the update. The share remains quite tightly priced at its current level, so we reiterate our Reduce recommendation. We have detailed Mandatum's business in the recently published extensive report, which is freely available [here](#).

Operational development has been strong

Mandatum's stock market journey has gotten off to an excellent start, with strong growth in assets under management over the past two financial years and a corresponding increase in fee result. Interest rate products have been the spearhead of sales, and the fastest-growing customer segment has been international institutional clients. At the same time, the company has slowly reduced its with-profit insurance portfolio in line with its targets.

The current year also got off to a good start, as new sales of interest rate products continued to perform well, and asset management continued to improve in terms of cost efficiency. Thus far, the company has delivered on its IPO promises to grow asset management, shrink the with-profit business, and distribute generous profits. For the just-ended financial year, Mandatum distributed a dividend of EUR 0.66 per share, practically equivalent to the accumulated organic capital creation of the previous two years.

Still some time to go before earnings growth

We expect Mandatum's group profit before taxes to have peaked for the time being and to decline moderately in the coming years. In our estimates, wealth management earnings will continue to grow strongly, but the decline in the with-profit

portfolio will gradually reduce net finance result. With our estimates, growth in wealth management will only compensate for the earnings impact of the decline in the with-profit portfolio after the turn of the decade.

Profit distribution continues to be generous in the coming years, although at a much more moderate level than in the previous financial year. We estimate that the company will distribute all accumulated organic capital to its owners, consisting of earnings as well as capital released from the with-profit portfolio. We have not yet included the additional capital created by the divestment of PE investments in our dividend estimates, as there is uncertainty regarding the use of the capital received from these. These will ultimately be distributed either as extra dividends or used for acquisitions as part of the consolidation of the Finnish asset management sector.

Expectations on the stock are too ambitious

We have gauged the value of Mandatum first and foremost by using the dividend discount 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 (8-9% in the coming years), as earnings will continue to decline structurally for several years to come. The value of Mandatum's stock according to our dividend model, which considers the earnings generated by the business and the additional capital on the balance sheet, is around EUR 4.9 (was EUR 5.6). The decrease from our previous update is solely explained by the dividend payout (EUR 0.66), as our earnings and profit distribution forecasts remain unchanged. Although the business outlook is good, the share price already includes too optimistic expectations. Thus, our dividend discount model indicates that the stock is already fully priced, so at the current share price level, the expected return remains insufficient.

Recommendation

Reduce
(was Reduce)

Target price:
EUR 4.90
(was EUR 5.60)

Share price:
EUR 5.28

Business risk



Valuation risk



	2024	2025e	2026e	2027e
PTP	202.9	189.3	179.6	172.3
Net income	151.5	143.6	137.9	141.9
EPS (adj.)	0.33	0.30	0.29	0.27
DPS	0.66	0.47	0.44	0.40
Payout ratio	201%	156%	154%	146%
ROE-%	10.3%	10.0%	10.5%	10.7%

P/E (adj.)	16.5	17.5	18.5	19.3
P/B	1.7	1.9	2.0	2.1
Dividend yield-%	12.2 %	8.9 %	8.3 %	7.6 %

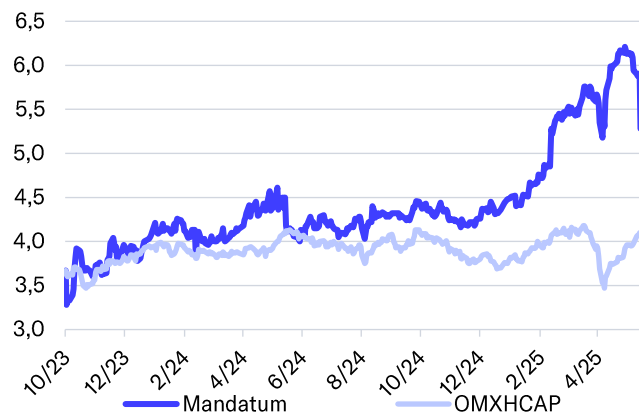
Source: Inderes

Guidance

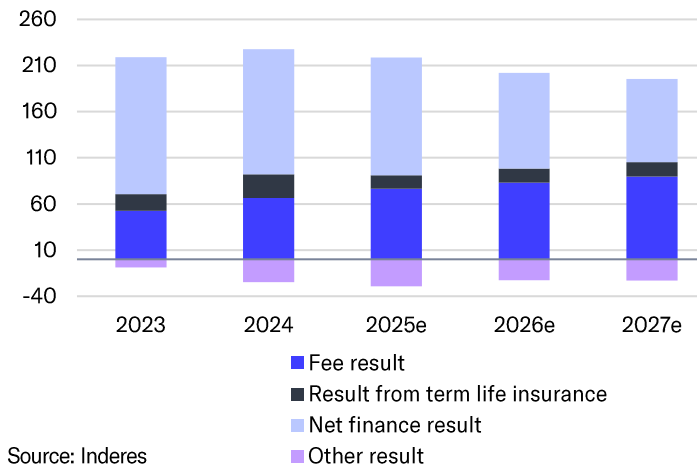
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The fee result is expected to increase from 2024, assuming stable market conditions. The with-profit portfolio is expected to decline further.

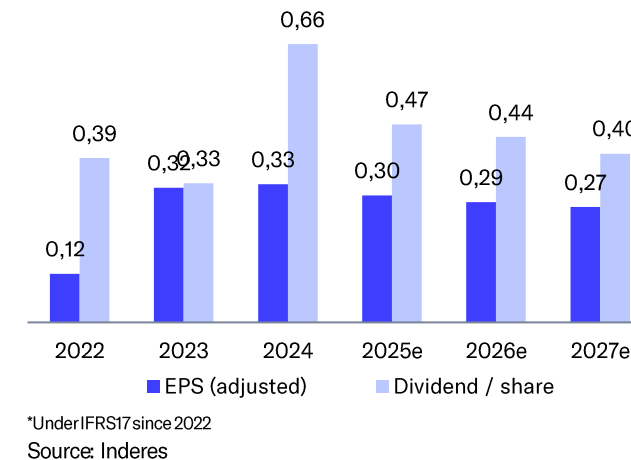
Share price



Mandatum's PTP breakdown (MEUR)



EPS and dividend



Value drivers

- Growth in capital-light Wealth management
- Relative profitability has 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
- Life insurance risks (especially biometric risks)
- Maintaining good return levels for funds
- Adverse changes in the tax legislation on investment insurance

Valuation	2025e	2026e	2027e
Share price	5.28	5.28	5.28
Number of shares, millions	502.7	503.2	503.7
Market cap	2654	2657	2660
P/E (adj.)	17.5	18.5	19.3
P/E	17.5	18.5	19.3
P/B	1.9	2.0	2.1
Payout ratio (%)	156.0 %	154.1 %	146.1 %
Dividend yield-%	8.9 %	8.3 %	7.6 %

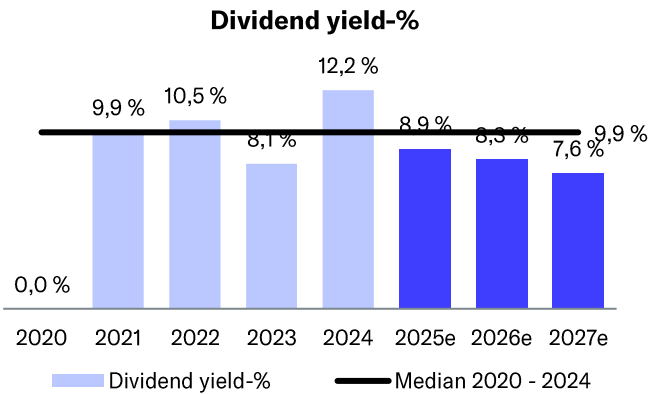
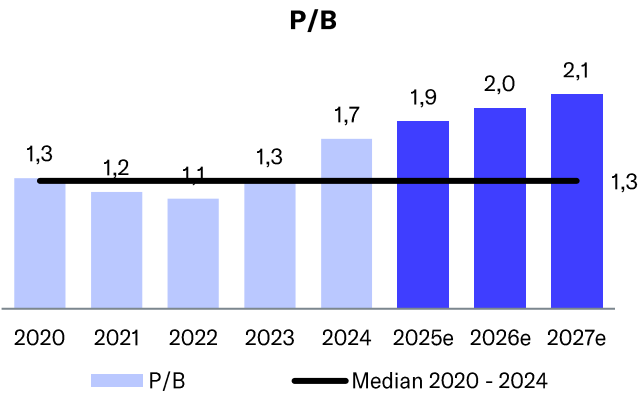
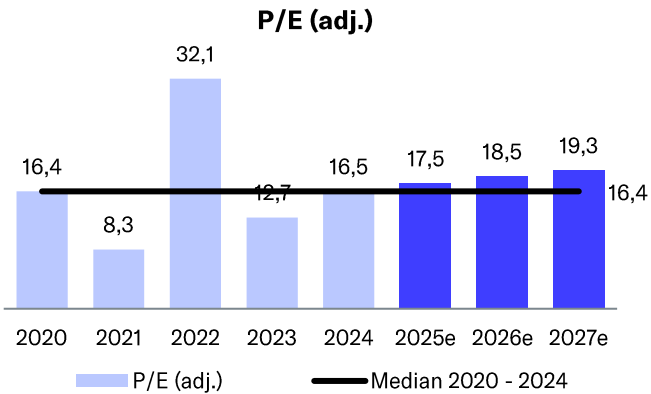
Source: Inderes

Valuation table

Valuation	2020	2021	2022	2023	2024	2025e	2026e	2027e	2028e
Share price	3.70	3.70	3.70	4.07	5.40	5.28	5.28	5.28	5.28
Number of shares, millions	556.6	548.0	501.8	501.8	502.7	502.7	503.2	503.7	504.2
Market cap	2059	2028	1857	2042	2715	2654	2657	2660	2662
P/E (adj.)	16.4	8.3	32.1	12.7	16.5	17.5	18.5	19.3	18.8
P/E	16.4	8.3	32.1	12.7	16.5	17.5	18.5	19.3	18.8
P/B	1.3	1.2	1.1	1.3	1.7	1.9	2.0	2.1	2.2
Payout ratio (%)	0.0 %	81.7 %	338.6 %	103.4 %	201.2 %	156.0 %	154.1 %	146.1 %	131.4 %
Dividend yield-%	0.0 %	9.9 %	10.5 %	8.1 %	12.2 %	8.9 %	8.3 %	7.6 %	7.0 %

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 MEUR	EV MEUR	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%		P/B
			2025e	2026e	2025e	2026e	2025e	2026e	2025e	2026e	2025e	2026e	2025e
Alexandria	102	97	7.9	7.0	6.7	6.1	1.9	1.7	10.9	10.0	8.8	9.2	3.0
Aktia	703								8.8	8.6	8.7	10.3	1.0
CapMan	327	310	10.3	7.7	9.9	7.4	5.0	4.4	15.6	12.1	8.1	8.7	1.7
Evli	491	494	12.1	10.4	11.1	9.7	4.6	4.2	17.2	14.6	6.5	6.7	3.3
eQ	470	439	14.5	11.3	13.9	11.0	7.0	5.9	19.6	15.7	5.1	6.4	6.2
Taaleri	208	181	7.8	6.3	7.6	6.3	3.2	2.9	14.2	10.0	4.2	6.0	0.9
Titanium	72	60	8.6	9.5	7.8	8.5	2.9	2.9	13.2	14.4	7.9	7.3	4.6
United Bankers	188	173	11.7	9.4	10.0	8.4	3.2	2.9	16.9	13.8	6.7	7.0	3.1
Mandatum (Inderes)	2654	2241	11.8	13.0	11.8	13.0	13.5	13.0	17.5	18.5	8.9	8.3	1.9
Average			10.4	8.8	9.6	8.2	4.0	3.6	14.5	12.4	7.0	7.7	3.0
Median			10.3	9.4	9.9	8.4	3.2	2.9	14.9	12.9	7.3	7.2	3.0
Diff-% to median			14%	38%	19%	55%	317%	346%	18%	43%	22%	16%	-38%

Source: Refinitiv / Inderes

Income statement

Income statement	2023	Q1'24	Q2'24	Q3'24	Q4'24	2024	Q1'25	Q2'25e	Q3'25e	Q4'25e	2025e	2026e	2027e	2028e
Fee result	52.5	15.2	14.7	18.1	18.6	66.6	18.8	18.8	19.3	19.7	76.5	83.0	89.7	96.3
Result related to risk policies	18.0	2.2	11.9	9.1	2.2	25.4	2.3	4.1	4.1	4.1	14.6	15.5	15.5	15.5
Net finance result	148.6	29.9	55.1	27.0	23.7	135.7	51.8	27.5	25.7	22.5	127.5	103.7	90.1	82.2
Other result	-8.8	-0.6	-5.8	-9.0	-9.4	-24.8	-10.9	-7.1	-5.4	-5.9	-29.3	-22.6	-23.0	-20.9
PTP	210.4	46.7	75.8	45.2	35.1	202.9	61.9	43.2	43.8	40.3	189.3	179.6	172.3	173.1
Taxes	-50.0	-9.1	-18.1	-8.7	-2.2	-38.0	-12.4	-8.6	-8.8	-8.1	-37.9	-35.9	-34.5	-31.2
Net profit	160.4	37.9	57.8	36.4	32.9	164.9	49.6	34.6	35.0	32.3	151.5	143.6	137.9	141.9
Earnings per share (EPS)	0.32	0.08	0.12	0.07	0.07	0.33	0.10	0.07	0.07	0.06	0.30	0.29	0.27	0.28
Organic capital creation per share	0.54	-	-	-	-	0.44	-	-	-	-	0.47	0.44	0.41	0.40
Dividend per share	0.33	-	-	-	-	0.66	-	-	-	-	0.47	0.44	0.40	0.37
Equity (IFRS)	1599	-	-	-	-	1601	-	-	-	-	1421	1328	1245	1185
ROE	10.0 %	-	-	-	-	10.3 %	-	-	-	-	10.7 %	10.8 %	11.1 %	12.0 %

AUM	2023	Q1'24	Q2'24	Q3'24	Q4'24	2024	Q1'25	Q2'25e	Q3'25e	Q4'25e	2025e	2026e	2027e	2028e
Group AUM (BNEUR)	11.9	12.5	13.0	13.3	14.0	14.0	14.0	14.4	14.6	15.0	15.0	16.2	17.5	18.8
Institutional and wealth management clients	6.4	6.7	7.0	7.2	7.8	7.8	8.0	8.2	8.4	8.6	8.6	9.5	10.5	11.4
Corporate clients	2.3	2.4	2.5	2.5	2.6	2.6	2.7	2.7	2.7	2.8	2.8	3.0	3.2	3.3
Retail clients	3.2	3.4	3.5	3.5	3.5	3.5	3.4	3.5	3.5	3.5	3.5	3.7	3.8	4.0
Group's fee result (MEUR)	138.4	36.6	39.2	37.9	39.3	153.0	40.4	41.2	42.0	42.9	166.5	179.1	193.5	208.3

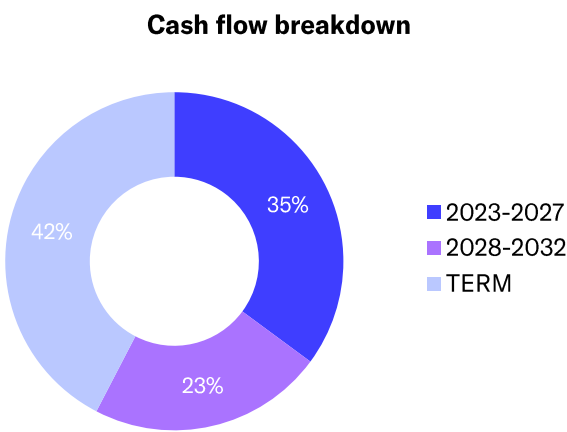
Solvency	2023	Q1'24	Q2'24	Q3'24	Q4'24	2024	Q1'25	Q2'25e	Q3'25e	Q4'25e	2025e	2026e	2027e	2028e
Solvency 2 ratio	221%	216%	224%	224%	210%	210%	207%	206%	213%	242%	242%	252%	254%	261%
Solvency 2 own funds (MEUR)	2140	2158	2173	2198	2048	2048	2041	2032	2032	1948	1948	1870	1806	1762
Solvency capital requirement (SCR)	966	997	970	980	973	973	984	986	955	804	804	742	712	674
Excess capital at target level*	353	314	379	383	249	249	222	208	266	460	460	496	488	515
Excess capital per share at target level*	0.70	0.62	0.75	0.76	0.49	0.49	0.44	0.41	0.53	0.91	0.91	0.99	0.97	1.02

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

Dividend model (DDM)

DDM valuation (MEUR)	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	TERM
Mandatum's net profit	151	144	138	142	140	139	137	136	138	
Dividend paid by Mandatum	236	221	201	187	177	177	157	147	127	1780
Payout ratio	156%	154%	146%	131%	126%	127%	114%	108%	92%	
Dividend growth-%	-28.8 %	-6.3 %	-9.0 %	-7.4 %	-5.3 %	0.1 %	-11.3 %	-6.4 %	-13.7 %	1.5 %
Discounted dividend	217	187	157	134	116	107	87	75	60	839
Discounted cumulative dividend	1980	1763	1576	1419	1285	1169	1062	974	899	839
Excess capital	500									
Equity value, DDM	2480									
Per share EUR	4.9									

Cost of capital	
Risk-free interest	2.5%
Market risk premium	4.8%
Beta	1.3
Liquidity premium	0.0%
Cost of equity	8.7%



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Reduce	The 12-month risk-adjusted expected shareholder return of the share is 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 €
2/14/2025	Reduce	4,80 €	5,28 €
4/11/2025	Reduce	5,40 €	5,61 €
5/9/2025	Reduce	5,60 €	6,09 €
5/19/2025	Reduce	4,90 €	5,28 €



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