EVLI

CAPMAN

Diversified Financial Services/Finland, March 20, 2019
Company report

Gaining momentum

CapMan has been continuing to show signs of its business moving in the right direction, having successfully launched several important funds and signed new and additional mandates and recently seen AUM again passing the EUR 3bn mark. 2018 saw earnings fall due to negative returns on the non-core market portfolio but the earnings outlook for 2019 onwards remains attractive with core business area earnings picking up pace. We retain our BUY rating with an ex-div target price of EUR 1.80 (1.75).

Additional earnings stability through increased fee income

CapMan is seeking to create a healthier earnings base, with the role of volatile carried interest decreasing and the more stable fee income increasing. CapMan is further seeking to expand its investor base, currently consisting mainly of local tier 1 investors. 2018 in our view was a year of clear signs of the business improving as intended, although profitability fell due to negative returns on the non-core market portfolio. Several important funds have been launched in the past few years along with the signing of new and additional mandates, for instance the additional EUR 320m BVK mandate, that will have a positive impact on growth and earnings in early 2019 and over time.

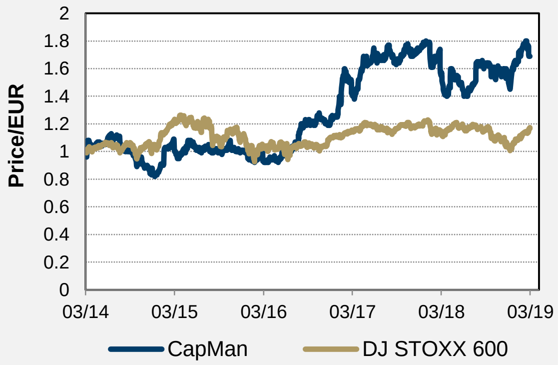
Dividends an important part of the investment case

CapMan has raised the absolute DPS now six years in a row and revised its dividend policy, targeting to annually increase DPS. We expect CapMan to distribute a dividend of EUR 0.13 per share in 2019E, corresponding to an estimated dividend yield of 7.7%.

BUY with a target price of EUR 1.80 (1.75)

Our sum-of-the-parts approach implies a fair value of EUR 1.75 per share. On earnings-based multiples, primarily P/E, valuation compared to the three by size comparable peers appears fair. The dividend yield on our estimates however shows a clear disparity, with CapMan's dividend yield on our estimates approx. 20% above the peers. We retain our BUY-rating with an ex-div (post equity repayment of EUR 0.06) target price of EUR 1.80 (1.75).

Rating: BUY



Share price, EUR (Last trading day's closing price)	1.69
Target price, EUR	1.8
Latest change in recommendation	27-Apr-18
Latest report on company	20-Mar-19
Research paid by issuer:	YES
No. of shares outstanding, '000's	152,454
No. of shares fully diluted, '000's	152,454
Market cap, EURm	258
Free float, %	75.0
Exchange rate EUR	1.000
Reuters code	CAPMAN.HE
Bloomberg code	CAPMAN FH
Average daily volume, EURm	0.2
Next interim report	25-Apr-19
Web site	www.capman.com

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BUY HOLD SELL

KEY FIGURES

	Sales EURm	EBIT EURm	EBIT %	Ptx profit EURm	EPS EUR	P/E (x)	EV/Sales (x)	P/CF (x)	EV/EBIT (x)	DPS EUR
2017	35	19	55.9%	16	0.10	13.1	8.1	9.1	14.5	0.11
2018	36	12	33.2%	9	0.05	26.8	6.2	6.7	18.6	0.12
2019E	46	24	51.7%	21	0.13	13.2	5.8	4.7	11.3	0.13
2020E	50	29	58.6%	27	0.16	10.4	5.4	7.2	9.2	0.14
2021E	54	33	62.0%	30	0.18	9.2	5.1	8.3	8.2	0.15

Market cap, EURm	258	BV per share 2019E, EUR	0.8	CAGR EPS 2018-21, %	49.9
Net debt 2019E, EURm	8	Price/book 2019E	2.1	CAGR sales 2018-21, %	14.1
Enterprise value, EURm	267	Dividend yield 2019E, %	7.7	ROE 2021E, %	16.1
Total assets 2019E, EURm	208	Tax rate 2019E, %	7.0	ROCE 2021E, %	13.2
Goodwill 2019E, EURm	5	Equity ratio 2019E, %	59.0	PEG, P/E 19/CAGR	0.9

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

Investment summary

Diversified private assets focused asset manager

CapMan is a private assets focused asset manager with a solid investment capacity of its own, supported by its service business aimed towards assisting CapMan in among other things fundraising. Earnings in recent years have mainly derived from CapMan's Investment business but ambitions are to increase the role of recurring fee income from the Management Company business to create a more stable earnings base. The Investment business will however remain of importance in launching new funds along with the contribution to earnings. CapMan has undergone management changes and scaled down its cost base in the past years, as operations were not developing in a satisfactory way, and the changes are in our view now starting to bear fruit.

Favorable market conditions but dry powder and risen valuations a risk to returns

The private assets class has when measured over longer periods of time outperformed public equities, and although the past years saw public equity returns temporarily surpassing private asset returns, recent market uncertainty is seen to have further increased interest towards alternative asset classes. The private assets market is not completely without risks of its own, as surging amounts of available capital have pushed dry powder amounts to record high levels which along with valuations having seen rises may put some pressure on private asset returns.

Growth in 2019 supported by JAM Advisors acquisition and growth in AUM

CapMan's objective is to grow the combined revenue of the Management Company and Service businesses by 10 % annually. Historical growth figures have been mainly driven by good growth of the Services business, which we expect to be the case also in 2019 with the acquisition of JAM Advisors. With CapMan having cleaned up in older vintages while at the same time raising more "fresh" capital, the tide has been turning to the better also for the Management Company business as 2018 saw AUM surpassing EUR 3bn and management fees growing some 13% y/y. We see CapMan's revenue growing by 27% in 2019E driven by the acquisition of JAM Advisors, as well as growth in AUM in funds and mandates.

ROE target of 20 %

CapMan has a return on equity target of 20%. We expect CapMan to fall slightly shy of the targets during 2019-2020E, as achieving the target will in our view require increased fee-based profitability and carried interest. With the growth in AUM and the carried interest potential of existing funds increasing we see that CapMan has the ability to reach the targets in the mid- to long-term.

Dividends a key part of CapMan

CapMan revised its dividend policy in 2018, targeting to annually increase dividends per share. CapMan has raised the absolute dividend per share six years in a row, with the 2018 DPS at EUR 0.12. CapMan is currently also among the top dividend payers in the Helsinki stock exchange measured by dividend yield. With the healthy balance sheet and estimated earnings improvements, we expect CapMan to be able to continue to increase dividend payments and expect an EUR 0.13 DPS in 2019E, which corresponds to a dividend yield of 7.7%.

BUY with an ex-div target price of EUR 1.80

Our sum-of-the-parts approach implies a fair value of EUR 1.75 per share, with the Investment business clearly being the most valuable. On earnings-based multiples, primarily P/E, valuation compared to the three by size comparable peers appears fair. The dividend yield on our estimates however shows a clear disparity, with CapMan's dividend yield on our estimates approx. 20% above the peers. Although upside potential based on our SOTP and the earnings-based multiples appears limited, the difference in dividend yield does make valuation more attractive and we retain our BUY-rating with an ex-div (post expected equity repayment of EUR 0.06) target price of EUR 1.80 (1.75).

Main risks to our investment case

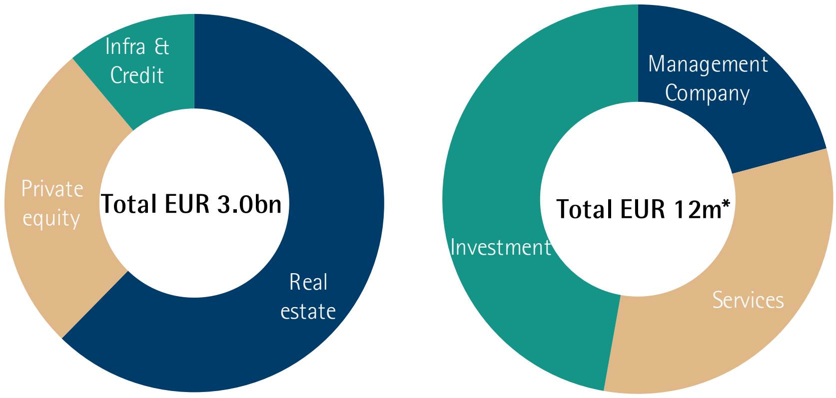
The main risks to our investment case are: 1) Weakened financial market situation affecting fundraising and returns, and 2) cost control failing

Company overview

Nordic investment and asset management company

CapMan is a leading Nordic investment and specialized asset management company. CapMan today has some 120 private equity professionals and manages EUR 3 billion in assets. The company mainly manages the assets of its customers, the investors, but also makes direct investments from the balance sheet. Current investments strategies cover Buyout, Growth Equity, Real Estate, Russia, Infra, and Credit. CapMan's business areas further include the Services business, which consists of procurement services provider CaPS, advisory and fundraising boutique Scala, reporting and analysis services provider JAM Advisors, and fund management services.

Figure 1: Capital under management and EBIT contribution by business (2018)



Source: CapMan, *includes corporate expenses of EUR -1.7m

Customer base of over 200 institutional customers

CapMan's share offers a liquid investment opportunity into a diversified portfolio of investment objects across several private equity investment strategies, funds, and individual investments across different geographies, industries, and vintages, where the underlying commitments are usually large and long-term. CapMan has over 200 institutional customers including European and Nordic pension funds, funds of funds and family offices. CapMan supports its portfolio companies through active ownership.

Past few years have shown CapMan taking steps in the right directions

CapMan has been turning around a somewhat struggling business and has shown solid progress towards a more versatile and healthy business in recent years. A notable stepping stone in the journey has in our view been the acquisition of Norvestia in 2016. Norvestia has now been fully integrated into CapMan and apart from bringing in key competence through for instance the team that established CapMan's Growth business, the acquired market portfolio has been and continues to aid CapMan in launching new investment products. CapMan has also made larger changes to its management and board during recent years and the management has shown commitment through share ownership. CapMan has now reached a stage where all business areas are showing profitability and is moving closer towards a phase in its fund lifetime cycle where realization of carry potential is increasing.

Investment strategies

Real Estate

Real Estate largest investment strategy by capital under management

Real Estate focuses on investing mainly in office, retail, hotel and residential properties in the Nordics. Real Estate had around EUR 1.9bn capital under management at the end of 2018. Since 2011 it has raised equity of over EUR 1bn, mainly from institutional investors, with its second pan-Nordic value-add fund closing in 2017 with equity commitments of EUR 425m.

Value-add and income strategy funds

CapMan Real Estate's active funds can by investment style be split into funds based on added value and income. Whereas the value-add strategy is more based on asset value appreciation and returns from future exits, the income strategy focuses more on current cash flows. Value-add assets are typically more opportunistic and the loan-to-value (LTV) ratios higher, but expected returns are also greater. Income funds focus more on core/core+ assets, for instance assets in better locations with a good tenant base and low vacancy rate, that have less risk but also lower return potential.

Within the Nordic Real Estate (NRE) I and II funds investments are made in the most liquid sub-markets in Sweden, Finland, Denmark and Norway. Focus lies mainly on mid-cap, transitional office, retail and residential assets. The NRE funds have since 2013 raised capital of some EUR 700m. Of the funds based on an income strategy, assets within the Hotels fund are largely in Finland while the Nordic Property Income Fund (NPI) focuses on the Nordics. The NPI fund is CapMan's first open-ended real estate fund. The fund has no pre-set target size but aims to raise over EUR 200m of equity.

Table 1: CapMan Real Estate's active funds

Value add	Income
Nordic Real Estate I (2013)	Hotels RE (2005)
Nordic Real Estate II (2017) • EUR 425m, >50 % invested	Nordic Property Income Fund (2017) • Target > EUR 200m

Source: CapMan

EUR 820m investment mandate from German pension fund group BVK

In addition to the aforementioned funds, CapMan Real Estate also holds an investment mandate from Germany's largest pension scheme group, Bayerische Versorgungskammer (BVK). The initial mandate of EUR 400m was received in 2016 with an additional amount of EUR 100m in 2017. The mandate grew to EUR 820m in early 2019 with the acquisition of a larger residential portfolio. Based on the mandate CapMan Real Estate invests in Nordic residential real estate on behalf of BVK, with an income focus. CapMan receives an annual advisory fee and a performance fee on the mandate based on standard industry practice. According to management, the mandate is nearly fully invested.

Fundraising for a third Nordic Real Estate fund likely in 2019

Included in CapMan Real Estate's plans for 2019 is to commence fundraising for the third NRE fund along with increasing investments in the NRE II fund and volume of the income strategies. Fundraising for the NRE III fund requires for 75% of capital raised in the NRE II to have been called, which according to management should be achievable during 2019. Fundraising in the NPI fund was during the latter half of 2018 slower than expected due to other fundraising projects but will likely be an area of increased focus in 2019 in accordance with CapMan's plans to broaden its investor base.

Buyout

Focus on mid-sized Nordic unlisted companies

CapMan Buyout's investment approach is to invest in mid-sized unlisted companies in the Nordic countries. Established in 1989, it is one of the buyout teams with the longest operating history in the Nordics. CapMan has over the years made approx. 100 Buyout investments and currently manages 14 portfolio companies in its funds. Assets under management at the end of 2018 amounted to EUR 809m. Typically, CapMan invests in unlisted companies with an equity stake between EUR 15-75 million and takes a controlling position (>50% of the shares) in the company. Buyout targets companies with revenue in the range of EUR 50-300m. Investments are mainly concentrated to Finland and include companies such as Forenom, Kämp, and Renoa Group. In Sweden and Norway, Buyout has invested in slightly smaller companies (revenue 20-50m). CapMan Buyout is seeking to establish a new fund, Buyout XI, during 2019.

Growth

Strong track record in CapMan Growth

Within the Growth strategy, CapMan makes significant minority investments in Nordic growth stage companies. CapMan Growth established its first fund in 2017, with an investment capacity of EUR 86m. The fund aims to invest EUR 2-10m in the target company and develop it for 2-5 years. The focus area has been the Finnish market. At establishment CapMan sold its share of six growth companies from the Norvestia acquisition to the fund for EUR 26.6m and made a corresponding investment to the fund. The growth strategy places investments in between early stage companies and buyouts, an area that according to CapMan remains underserved. Performance has been strong, with realized returns on exits (Touhula, Idean, Fluido) of over 7x. The second fund is sought to be established in 2020.

Credit

Credit: Two private debt funds managed by Nest Capital, commitments ~EUR 200m

The credit investment strategy includes two private debt funds, the Mezzanine V and Nest Capital 2015 funds, advised by Nest Capital. The funds provide private debt (mainly unitranche and mezzanine) to small and medium-sized companies across the Nordics. Investment amounts generally range from EUR 5-20m. The total commitments amount to some EUR 200m.

Infra

Infra fund launched in 2018, two mandates signed

Infra is one of CapMan's newest investment strategies. CapMan Infra held the first closing of its Nordic mid cap infrastructure fund in October 2018 and has since held a second closing, with total commitments of EUR 141m. Fundraising will continue during 2019. Infra has further received two investment mandates during 2018. The investment style of the first Infra fund focuses on core and core+ brownfield assets in the Nordics within energy, transportation and telecom. Investment sizes range between EUR 20-50m.

Russia

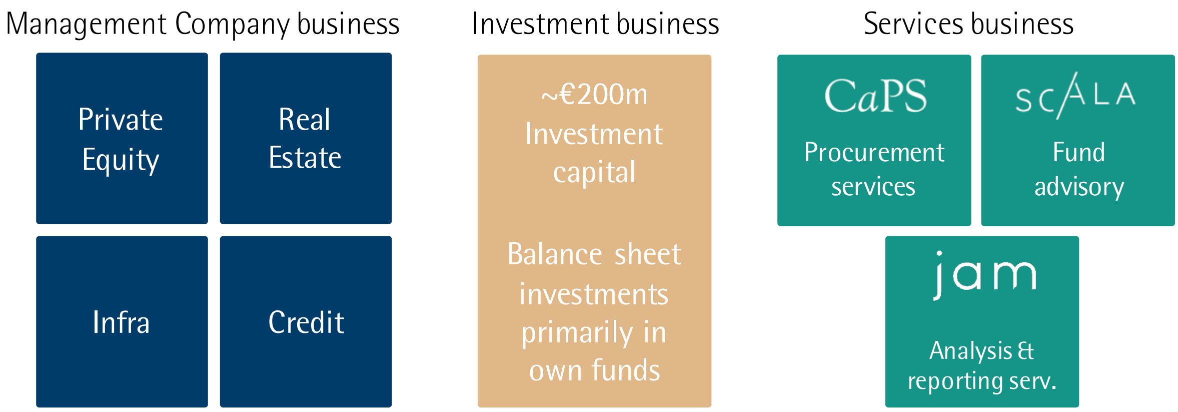
Russia has been challenging

CapMan has two funds focusing on private equity investments in Russia. Within its Russia investment strategy, CapMan makes minority investments into small and medium sized Russian companies. The strategic role of the Russia investment strategy for CapMan is of smaller importance. Russia has been a challenging market due to weaker economic conditions.

Business segments

CapMan has three operating segments: The Management Company business, Service business and Investment business. The Management Company business includes CapMan's private equity and real estate funds while the Services business consists of advisory and fundraising boutique Scala, procurement services provider CaPS, and reporting and wealth management services provider JAM Advisors. The Investment business consists of CapMan's own balance sheet investments.

Figure 2: Overview of CapMan's business areas



Source: CapMan, Evli

Management Company business

Management fees the main source of revenues

CapMan manages private equity funds that are invested in by Nordic and international institutional investors. The Management Company business focuses mainly on Nordic unlisted companies and Nordic real estate assets.

Main sources of income:

- Management fee (typically annual fee of 0.5%-2.0%)
- Carried interest income (depends on fund performance, may have a significant impact)

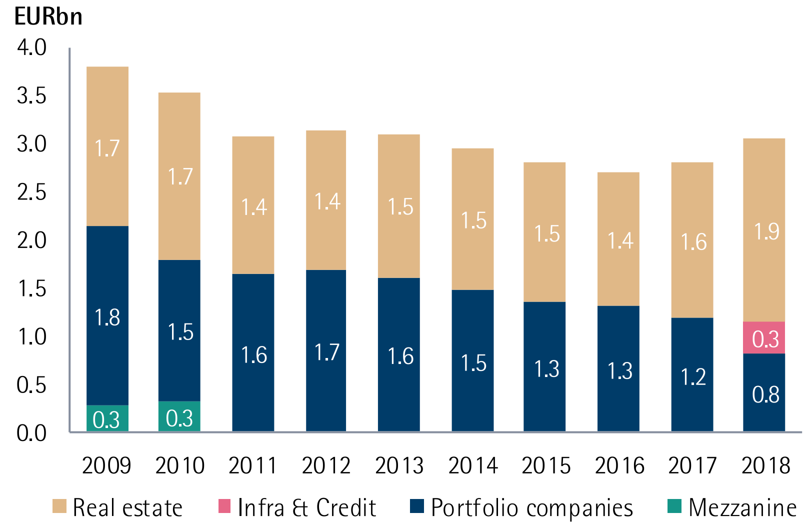
Average management fee close to 1.0%

Management fees are a steady and highly predictable source of income. The fee income is based on fund size less realized exits during the fund's investment period, after which management fee is based on the remaining invested portfolio valued at cost. The annual management fee is typically 0.5%-2.0% of funds total commitments. The average management fee has been close to 1.0%.

Newer funds and mandates support AUM development in 2019

CapMan's AUM saw a declining trend up until 2017, with AUM decreasing in older vintages and fewer new products to bring in new capital. New funds and mandates within real estate have contributed to a pick-up in AUM development. CapMan's AUM at the end of 2018 amounted to EUR 3.0bn, with the majority in Real Estate funds. During 2018 exit activity in buyout funds increased due to good market conditions, which led to a small overall decline in AUM. A major boost for AUM was the increase of the BVK mandate from EUR 500m to EUR 820m at the end of 2018. CapMan's AUM at the end of 2018 amounted to EUR 3.0bn, with the majority in Real Estate funds. CapMan has several products launched in recent years, including the NRE II, NPI, Growth and Infra funds, along with growth in investment mandates, that we expect to aid in contributing to a positive AUM development in 2019.

Figure 3: Assets under management in funds



Source: CapMan

Services business

Services business: broad scope of offering providing synergy benefits for CapMan

The Services business has been reported as a separate business area from 2018 and includes procurement services provider CaPS (CapMan Procurement Services), advisory and fundraising boutique Scala Fund Advisory, and reporting and analysis services provider JAM Advisors (from 2/19 onwards). The Services business income is fee-based, with fees in CaPS typically more stable while a large share of fees in Scala are success fees, which are paid as a one-off compensation following a successful fundraise. JAM Advisors' fees are largely recurring but also include a larger share of transaction-based fees. The companies in CapMan's Services business have been acquired/established more in a strategic sense to support CapMan, as for instance Scala has provided fundraising services to CapMan's funds and CaPS has supported CapMan Buyout's investment objects through its procurement services.

CaPS relatively stable business growing at a steady, rapid pace

CaPS negotiates procurement contracts with suppliers in Finland and Sweden and has over a 100 member companies. Procurement deals cover non-strategic spending e.g. IT, electricity, cleaning, car leasing etc. According to management, CaPS is a forerunner in the Nordic market due to a unique service concept. The business is relatively stable as fees are mainly subscription fees and commission fees. CaPS has since establishment grown around 40% yearly.

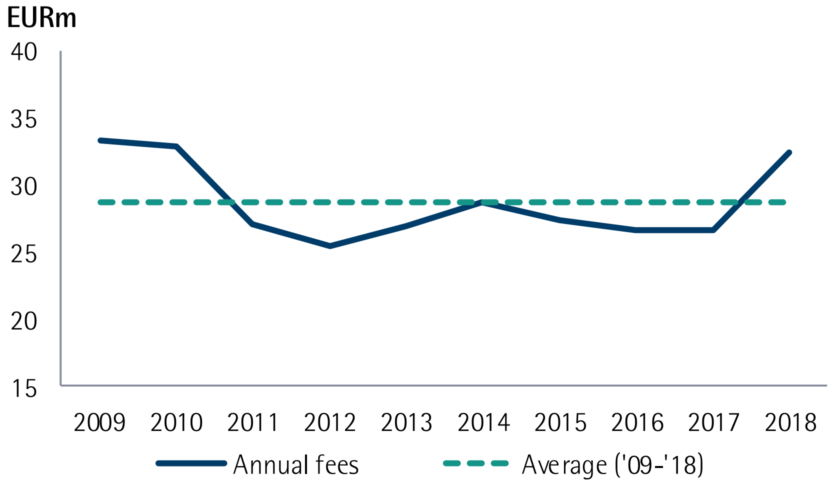
Scala more volatile due to success fee nature

Scala Fund Advisory offers fundraising and advisory services for private equity fund managers and institutional investors globally through offices in Helsinki, Stockholm and London. Fees are mainly success-based, which increases the volatility in earnings. In the Nordic countries, there is less competition compared to the international markets.

JAM Advisors the most recent acquisition

CapMan acquired a 60% stake in reporting and analysis services provider JAM Advisors in early 2019, with an option to acquire the remaining 40%. JAM Advisors provides analysis, reporting, and wealth management services. Fees are mainly recurring from provided on-going services. JAM Advisors was founded in 2012 and the rationale for the acquisition according to CapMan is to utilize the company's customers to broaden its own client base while also seeking to further expand JAM's business.

Figure 4: Combined fees in the Management Company business and Service business



Source: CapMan

Services business income growth 56% in 2018

The Services business saw continued healthy growth during 2018, with fee income increasing 56% to EUR 8.7m. The growth was mainly due to continued good growth in CaPS procurement volumes and increases in success fees from Scala, recognized mainly during the first half of 2018. The increase in success fees also served to improve profitability in 2018, with the operating profit margin at 50%.

Investment business

Investment capacity ~EUR 200m

Within the Investment business, CapMan invests from its own balance sheet in the private markets asset class, primarily in own funds. CapMan's own investment capacity is around EUR 200m. Part of CapMan's investment capacity is in the form of a market portfolio from the acquisition of Norvestia, with funds invested in listed equities, hedge funds and bonds. CapMan intends to shift the market portfolio capital into its own funds. CapMan's typical investment in own funds is 1-5% but significantly larger investments have been made in for instance in the Growth Equity fund.

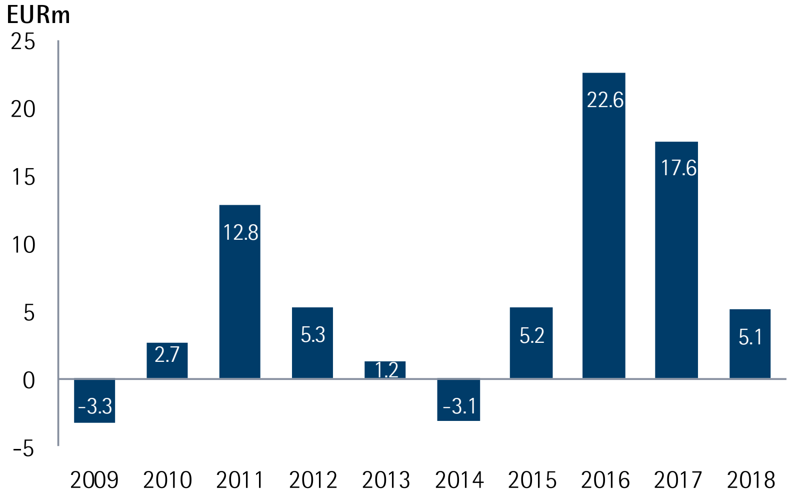
Significant but volatile earnings source

Income is generated by fair value changes of investments and realized returns following exits along with dividend and interest income from the market portfolio. Investments even out the financial performance of CapMan due to the more rapid reflection in earnings compared to carried interest income. Due to the nature of realization of fair value changes the earnings volatility in the Investment business is clearly higher compared to the Management Company business and Services business. The Investment business has been the largest contributor to CapMan's earnings in recent years.

Weaker investment business returns in 2018 following market volatility

The operating profit of the investment business amounted to EUR 6.4m in 2018, seeing a sharp decline from the 2017 figures of EUR 17.3m. The decrease was mainly affected by the significant effect of the Idean exit in the comparison period, as well as a EUR 5.7m negative fair value change of the market portfolio during Q4/18 following declines in the performance of public equities due to increased market uncertainty.

Figure 5: Fair value changes of investments

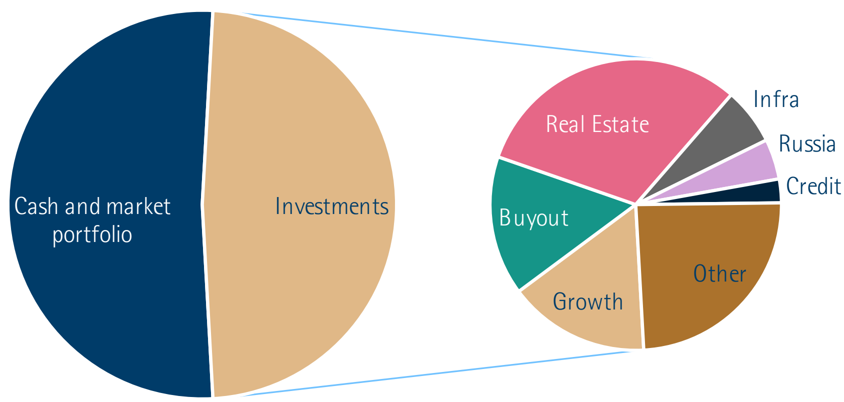


Source: CapMan

Fund investments currently roughly half of investment capacity

CapMan's own investments (excluding cash and the market portfolio) amounted to EUR 87.6 million at the end of 2018, of which EUR 80.6m was invested in CapMan's own funds and the rest in among others external PE funds and joint ventures. Apart from the already invested capital CapMan has open investment commitments, EUR 98m at the end of 2018, for instance in the Nordic Infrastructure Fund, where CapMan has made a total commitment of EUR 30m.

Figure 6: Investments made from the balance sheet 2018

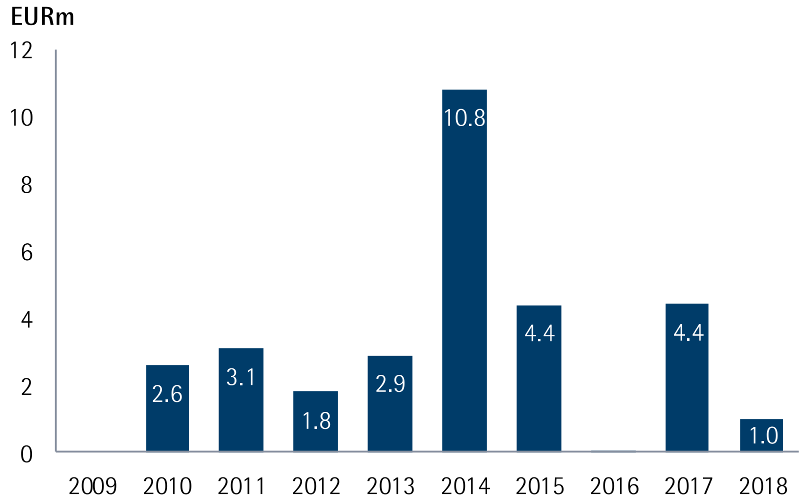


Source: CapMan, Evli

Carried interest

Carried interest income depends on fund performance and may have a major impact on CapMan's annual result. Carried interest is the distribution of profits of a private equity fund among fund investors and the fund manager after the fund has transferred to carry. The fund transfers to carry after a preferential annual return, typically 8% p.a., has been achieved. The typical carried interest split is 20% (CapMan) and 80% for investors, but this varies with strategies. CapMan's share (20%) is split between CapMan and the company's investment teams.

Figure 7: Carried interest



Source: CapMan

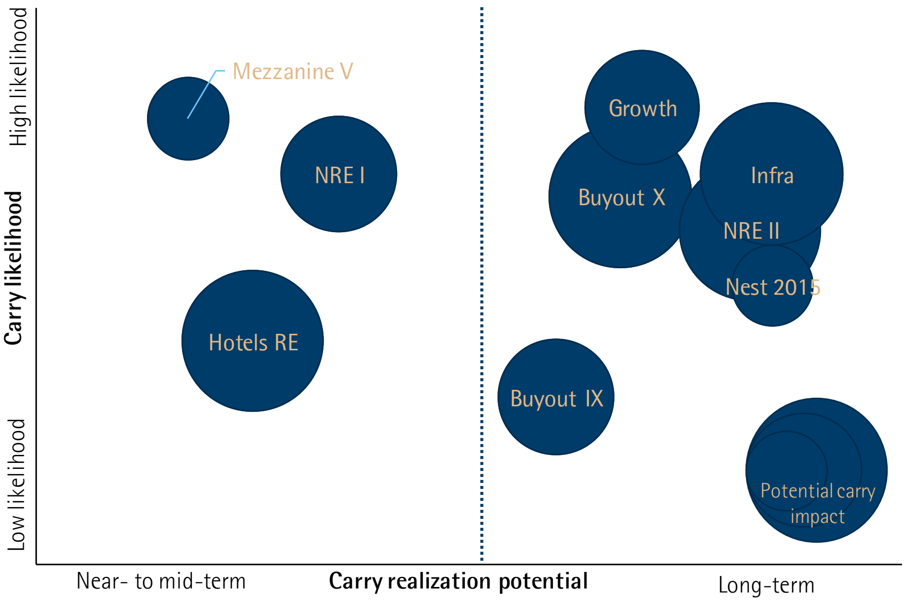
Long-term average carried interest MEUR 3.1 p.a.

Carried interest shows fluctuation over time due to timing of exits and the state of the fund lifecycle. CapMan's average carried interest during 2009-2018 has been EUR 3.1m. During 2018 CapMan has received carried interest from the exit of InfoCare and from the Access Capital-partners fund.

Major long-term carry potential

Analyzing possible future carried interest is challenging due to the lacking visibility into funds' generated cash flows and the amount of cash flows required to reach carry. A fund could also be near or technically in carry but could generate carry first after several years due to exit timings or fail to create carry for instance if valuations decline. Based on our analysis of CapMan's funds, we have in figure 8 crudely illustrated our take on carry potential in the funds. We note that we have not included all funds, but instead only the ones that in our view have a higher likely impact on future carried interest. The potential for carry exists also in the funds we have not included but we have deemed the likelihood of carry low enough as to not have an expected larger impact.

Figure 8: Carried interest analysis



Source: Evli research

Strategy and targets

Targeting to increase dividends

CapMan updated its dividend policy and long-term financial objectives in August 2018. CapMan is in our view seeking to strengthen its profile as a high dividend payout company and with the new target seeks to increase dividends per share annually. The financial objectives remain close to unchanged, with only the previous net gearing ratio having been changed to the equity ratio.

Table 2: CapMan's long-term financial objectives and dividend policy

	Objective	Target	2018
Growth	Average growth in Management Company and Services businesses combined	>10%	21.5%
Return	Return on equity on average	>20%	6.5%
Leverage	Equity ratio	>60%	58.7%
Payout	Dividend	Increase annually	DPS grown since 2012

Source: CapMan

Services still driving growth, Management Company business picking up pace

CapMan is seeking an average growth of over 10% in the Management Company and Services businesses combined. Whereas growth in the Services business in the previous years has been rapid, the Management Company business has seen a more stagnant trend. However, the fees in the Management Company business (excluding carried interest) saw growth of over 10% again in 2018. CapMan has been cleaning up in the older vintages and the share of more recently raised capital in capital under management has been growing, supporting continued growth as the newer growth initiatives, for instance the Growth Equity and Infrastructure funds, pick up pace.

Seeking to broaden investor base

CapMan is also seeking to expand its customer base to tier 2 and tier 3 investors as well as international tier 1 investors, with currently some 65% of AUM stemming from Nordic tier 1 investors. We expect this to be reflected in new product launches, in a similar way to the open-ended NPI fund, allowing for investors to invest in CapMan's products with smaller ticket sizes. The acquisition of JAM Advisors will aid in the matter as JAM's customer base includes family offices, trusts, and ultra-high net-worth individuals. CapMan's future closed-end funds may also fall into the investment scope of these investors. International investors will likely be targeted further by expanding distribution channels.

Increased earnings stability a key component of CapMan going forward

A key component of CapMan's strategy in our view is to increase the earnings stability by increasing the role of fee income in earnings as opposed to more unpredictable carried interest income. CapMan's results have historically tended to exhibit significant fluctuations due to carried interest income and investment income. More stable earnings would aid the company's dividend policy. The target of return on equity on average of 20% is somewhat ambitious at least in the near-term and would in our view require notable increases in fee profit and carried interest. CapMan is also looking to invest more capital in its own funds, mainly through reallocating funds from the market portfolio, with a target allocation of 80% of the total balance sheet investment capacity invested in CapMan's own funds. CapMan has significant open commitments and the target will in our view likely be reached during 2019-2020.

Private assets market overview

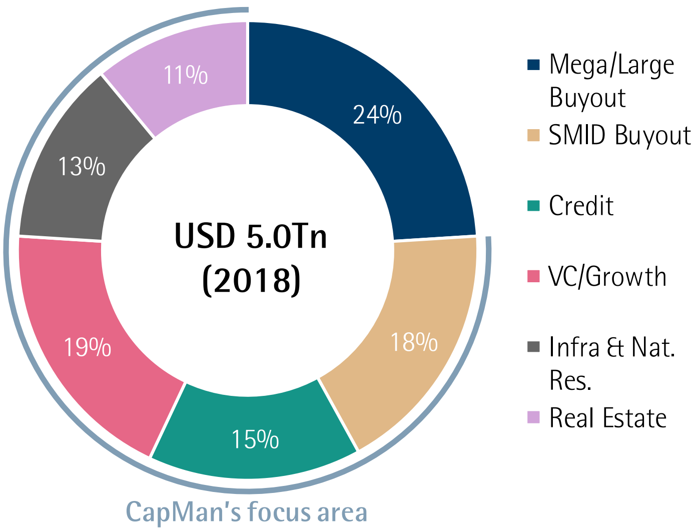
Private assets market roughly USD 5 trillion

The private assets market amounts to some USD 5.0 trillion. Buyout exposure still accounts for a large share of the market but has seen declines during the past ten years, while exposure to Credit, VC/Growth, and Infra & national resources have been increasing. The private assets market has seen considerable growth, over doubling in size since 2007, but is by size measured still fractional compared to for instance public equities exposure.

Private assets beneficial in among other things diversification

According to Preqin's Investor Update H2 2018, the key reason for institutional investors to invest in alternative assets is diversification of assets. Other reasons include the providing of reliable income streams, to hedge against inflation, and to provide both high absolute returns and high risk-adjusted returns.

Figure 9: Private assets exposure

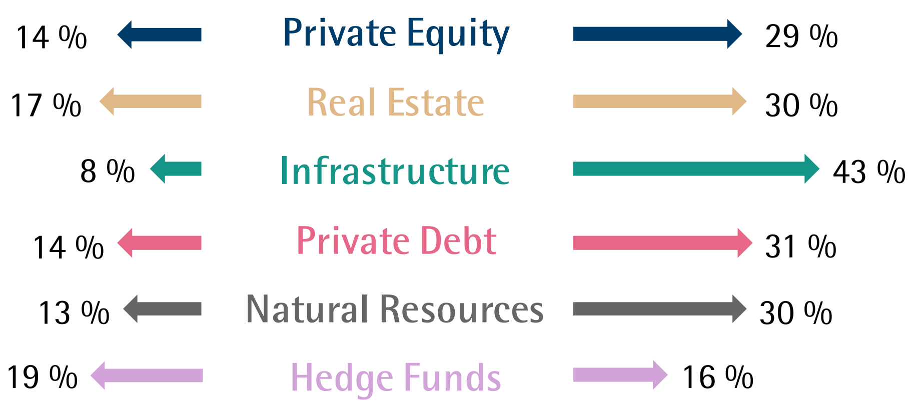


Source: Hamilton Lane via CapMan

Interest towards private assets remains favourable

The interest towards private assets, based on institutional investor's investment plans, in general remains favourable. Infrastructure assets are seeing the strongest interest, with 43 % of surveyed investors looking to increase investments in such assets (Preqin).

Figure 10: Institutional investor's plans to invest less/more capital in the coming year compared to the past 12 months



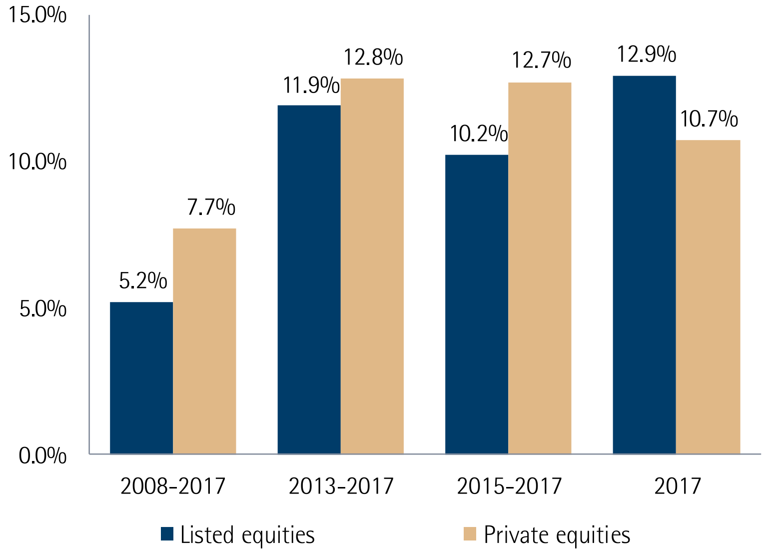
Source: Preqin Investor Update: Alternative Assets H2 2018

Private equity market overview

Private equities - good long-term returns

Historically, long-term returns of the private equity market have been higher compared to for instance listed equities. According to Tela, Finnish pension insurance companies' average return on private equity investments has been 7.7% during 2008-2017. Private equities have when observing longer periods of time outperformed listed equities but were outperformed in 2017 as listed equities saw a strong performance rally.

Figure 11: Average annual returns on equity investments by pension funds



Source: TELA

General perception of private equity positive

The attitude towards private equity investments in general has been favourable during recent years. According to Preqin's Investor Outlook H1 2018, institutional investor's general perception of private equity has mainly been positive, with 63% of the surveyed investors in 2017 reporting a positive perception, down from 84% in 2016, while only 7% reported a negative perception. In Preqin's Investor Update H2 2018 90% of the surveyed investors reported that their private equity portfolios had met or exceeded expectations over the past 12 months.

Valuations and exit environment key issues, investment outlook remains positive

A growing key concern within private equity in recent years has been asset valuation levels, with 88% of surveyed investors considering valuation a key issue facing the private equity industry (Preqin Investor Outlook H1 2018). The high valuation levels are seen to have dented investor sentiment both due to the impact on deal flows as well as the future impact on returns and the exit environment is seen as the second largest issue for private equity (40% of surveyed investors). 81% of investors considered assets currently being overvalued and a market correction to be likely. Nonetheless, a larger share of investors are still looking to invest more capital in private equity than during the previous 12 months compared to those planning to invest less (29%/14%). The outlook on a longer term also remains favourable, with 53% of surveyed investors planning to increase their allocation with private equity and only 4 % planning do decrease the allocation.

Figure 12: Investors general perception of the private equity industry in the longer term

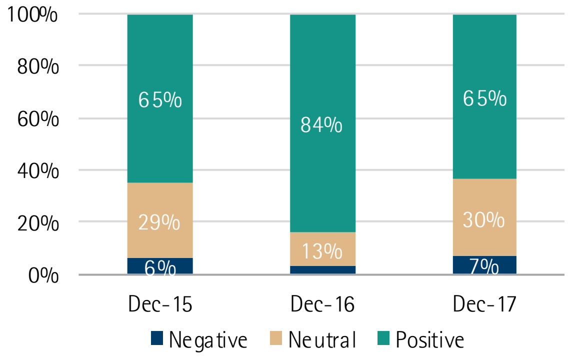
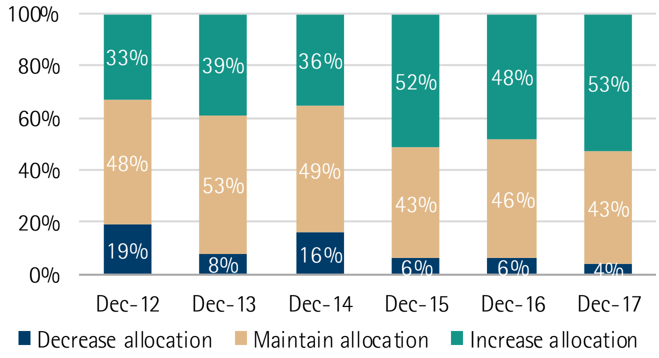


Figure 13: Investors' intentions for their private equity allocations



Source: Preqin Investor outlook H1 2018

Small to mid-market buyout most favoured fund type, growth funds increasing in favour

When looking at investor views on fund types within private equity presenting the best investment opportunities in 2017 the small to mid-market buyout funds are still most favoured, although the sentiment has decreased slightly in recent years. Sentiment towards growth fund investments has increased the most, favoured by 28% of surveyed investors compared to 18 % in 2016. (Preqin Investor Outlook H1 2018).

Global buyout investment value USD 440bn in 2017

According to Bain & Company's Global Private Equity Report 2018, the global buyout investment value amounted to USD 440bn in 2017, up from USD 369bn in 2016. Growth in investment value of buyouts in Europe amounted to 14 %, with investment deal value of USD 147bn.

Valuations limiting major platform company acquisitions – add-on deals on the rise

Add-on deals have grown in significance, as high valuations have limited acquisitions of new platform companies. As such private equity firms have increasingly opted to make smaller add-on acquisitions to existing platform companies to build up into larger enterprises. According to Bain & Company the add-on deals account for around half of the number of deals, compared to a third a decade ago, but represent only about 25 % of total deal value.

Dry powder at record high levels

Private equity dry powder (investable capital) has according to Bain & Company risen to record levels, with USD 1.7bn globally in 2017. The low interest rate debt market environment has further led to increased debt levels in buyout deals. Bain & Company notes that as deals start reaching maximum debt levels and deal valuation multiples increase, private equity funds need to compensate with more equity, decreasing a deal's internal rate of return and making it more difficult to justify, although considerable amounts of dry powder would be readily available.

Financial markets under pressure, expect interest towards the private equity market to remain

We see that the private equity market is currently under some pressure. With the large amounts of dry powder and high levels of valuation, essentially too much capital chasing fewer good deals, we see that there exists a risk of weaker fund performance in the future. However, the pressure is not limited to the private equity market but essentially all asset classes, and especially public equities have seen corrective movements during the latter half of 2018. We expect interest towards the private equity market to continue, as long-run performance has historically surpassed that of for instance public equities.

Real estate market overview

Flattish overall Nordic transaction volume development due to weakness in Sweden

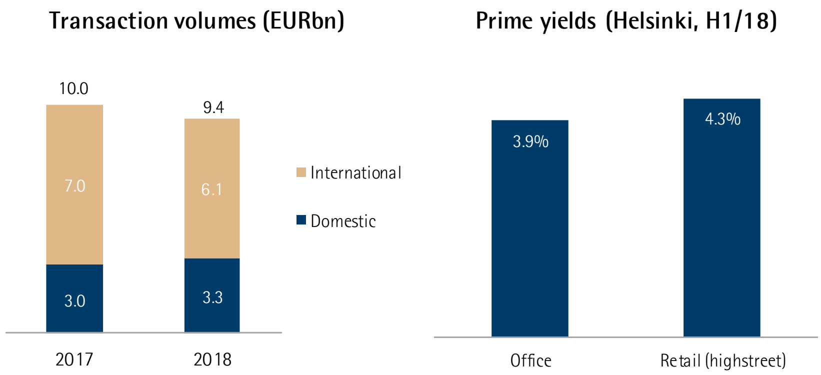
The Nordic real estate market saw continued high investment activity in 2018, with investment volumes at approx. EUR 44bn, remaining on par with 2017 levels. The share of foreign investors during recent years has generally been increasing, in particular in Finland, where some 65% of transaction volume was due to foreign investors. Prime yields have in general seen a rather stable development as yields have already seen substantial compression and rate hikes are causing some upward pressure.

Finland

Record year in transactions dominated by international investors

Finland saw a record year in real estate transactions by volume in 2017, at EUR 10.0bn, and remained at high levels also in 2018. The share of transactions by international investors has increased significantly in recent years, representing some 65% of the volumes in 2018 compared to around 30% in 2016, with the average in the Nordic countries in 2018 at around 40%.

Figure 14: Finnish real estate market key figures



Source: Newsec, Catella Research 2018

Yield decline phase showing signs of evening out

Prime office and retail (high street) yields in Helsinki CBD were at 3.9% and 4.3% respectively (Catella Research). Prime yields have been declining for a longer period of time but data from RAKLI-KTI's Property Barometer survey shows that the declining phase may be evening out, with prime office and retail yields seeing marginal increases, although residential yields declined to under 3.7%. Compared to the other Nordic countries Finland still has the highest yields and as such could potentially still see further declines.

Record transaction volumes during 2017-2018

2017 marked the fifth consecutive year of increasing property transaction volumes, with volumes at EUR 10.0bn, driven by a strong appetite from foreign investor for Finnish properties. Investment activity followed suite in 2018, with investment volumes at EUR 9.4bn. Three major transactions were carried out during the year: Kildare Partners acquisition of the share base of the real estate investment company Technopolis (>EUR 900m), Cibus Nordic Real Estate's acquisition of 123 properties from Sirius' funds (EUR 767m), and Wereldhave's acquisition of shopping centre Itis from a fund managed by Morgan Stanley (EUR 516m), the largest single property acquisition by the amount paid. International investor activity has been high in recent years, which we see to have been driven by a large amount of available investment capital and increased interest towards alternative asset classes. Finnish public real estate investment companies have typically traded at below net asset value, and as such the acquisitions of Sponda in 2017 and Technopolis in 2018 would seem unsurprising.

Finnish economy growth picked up slower, continues to show healthy signs

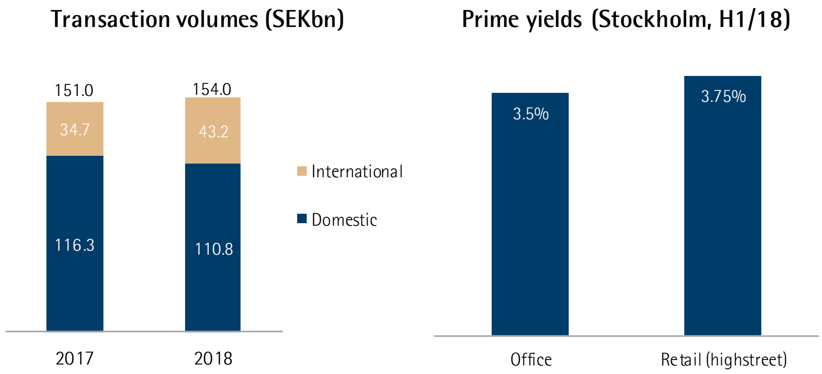
The Finnish economy has enjoyed a solid GDP growth during 2016-2018 (2-3%), seeing a slower start in recovery compared to many European countries. With the heightened uncertainty and dampened global demand growth is expected to continue at a slower pace (1.0-1.5%) in the coming years (Ministry of Finance). Growth in new construction volumes has slowed down after peaking in 2017 and a decline in total volumes is expected in 2019 (Rakennusteollisuus), but the completion of projects started during the peak years will increase supply in the coming years. Rent levels have been on the rise especially in the Helsinki metropolitan area along with other growth cities. Utilization rates of office spaces in Helsinki have been and are still low compared to the other Nordic capitals but have been increasing. Office rental levels in Helsinki CBD have according to KTI grown by 6 percent during 9/'17-9/'18. Retail properties have seen lesser development, with retail property utilization rates in the Helsinki metropolitan area remaining at the already high levels and expectations on rental level development appearing to be weaker than for office spaces. In the Helsinki metropolitan area the rental levels for smaller units have been growing but is now also shifting more towards larger housing units and apartments. The outlook for continued strong activity on the Finnish property market in our view still remains positive. As Newsec noted, liquidity in the Finnish property market is increasing also in other growth centres and not just the Helsinki metropolitan area, and foreign investors have been increasingly looking into investing in those areas as well.

Sweden

Tax regulation uncertainty caused drop in investment volumes in Sweden

In Sweden the transaction volumes in 2018 amounted to SEK 154bn. Volumes saw a significant decline in 2017 from the 2016 record investment volumes of SEK 201bn (Newsec), driven by among other things the uncertainty relating to new tax regulations. Prime office and retail (high street) yields were at 3.50% and 3.75% respectively, having remained relatively unchanged. According to Newsec transaction activity was particularly strong during the second half of the year and has remained strong during early 2019, expecting 2019 transactions volumes to be nearly as strong as in 2018.

Figure 15: Swedish real estate market key figures



Source: Newsec, Catella Research 2018

Low interest rates have supported the real estate market

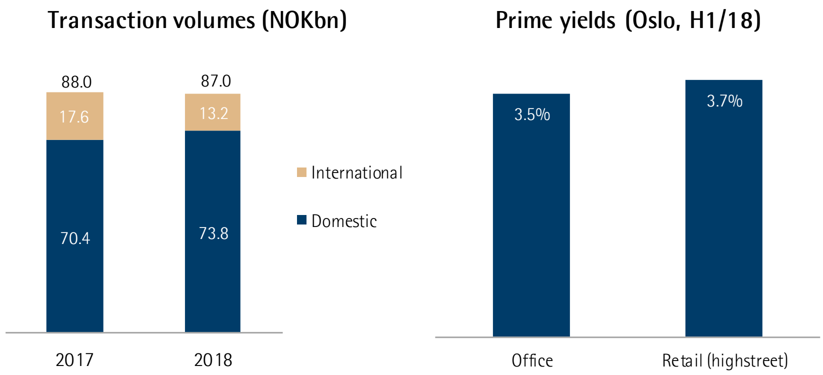
In Sweden, short-term interest rates are negative due to the Riksbank's expansive monetary policy, which has supported the real estate market. Pressure has however been increasingly leaning towards increasing of rates and the repo-rate saw its first raise in December 2018 to -0.25%. The characteristics of the Swedish property market have also been seeing changes, with a growing share of foreign investors, along with institutions having become net sellers and property funds net buyers during 2018, indicating yield compression and dwindling supply according to Newsec. New housing unit starts are also expected to decline significantly in 2018 and there are some indications of rising yields on the residential market.

Norway

Transaction volumes remaining stable, foreign investor share remains low

Transaction volumes in Norway remained on par with previous year levels, amounting to NOK 87bn, with the share of domestic investors remaining high. The improved economic climate and higher oil prices have supported the Norwegian economy and unemployment is expected to decrease below 4% in 2018 (Statistics Norway). Norges Bank raised its key policy rate from 0.50 to 0.75 percent in September 2018 and further gradual raises during 2019 have been discussed, which could further pressure yields. Office investment activity saw a slow start in 2018 but picked up towards mid-2018 (CBRE). Prime office yields have remained relatively stable while yields have been under some pressure in peripheral areas (JLL). Housing prices saw downward pressure during 2017 and declines during early 2018 but were up 3% on a 12 month basis in February 2019 (Eiendom Norge).

Figure 16: Norwegian real estate market key figures



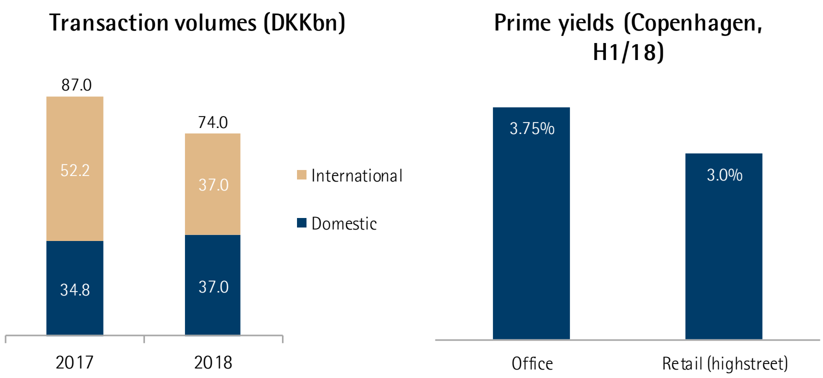
Source: Newsec, Catella Research 2018

Denmark

Danish transaction activity shifting increasing outside Copenhagen

Transaction volumes in the Danish real estate market saw a major bump in 2017, up over 30% y/y, with 208 volumes declining slightly in 2018 to DKK 74bn. The residential sector has during 2018 been the most attractive segment in the Danish market, accounting for nearly 50% of volume (CBRE). Prime office and retail (high street) yields were at 3.75% and 3.0% respectively. With the low yields and fewer prime high street opportunities focus has increasingly been shifting to secondary properties (Catella). Activity outside the Copenhagen area has been increasing, likely due to compressed yields and availability of opportunities, with CBRE data showing a 31% decline in investment volumes in the Copenhagen area in 2018, while for instance Aarhus volumes were up 20%, although Copenhagen still accounted for over 50 % of transaction volumes.

Figure 17: Danish real estate market key figures



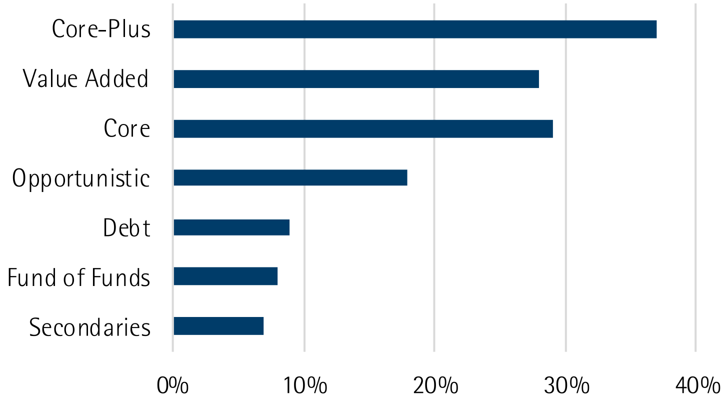
Source: Newsec, Catella Research 2018

Infrastructure market overview

AUM in private infrastructure assets USD 491bn in June 2018

The infrastructure market globally remains in a healthy state according to Preqin, with assets under management reaching a record USD 491bn in June 2018. Investor satisfaction in the asset class is at high levels, with 84% of surveyed investors stating that their expectations had been met or exceeded over the past 12 months. Core-plus strategies are viewed by 37% of the surveyed investors as presenting the best opportunities over the next 12 months, which also is a focus area for CapMan Infra.

Figure 18: Strategies viewed by investors as presenting the best opportunities (NTM)



Source: Preqin

USD 90bn capital secured in 2018

USD 90bn in capital was secured by the 68 funds that closed in 2018 compared to USD 75bn in 2017. Investor sentiment remains positive, with 35% of investors planning to commit more capital to infrastructure funds in 2019 compared to 2018. Over the longer-term over half of investors plan to increase their infrastructure allocations.

Competition for funds and assets

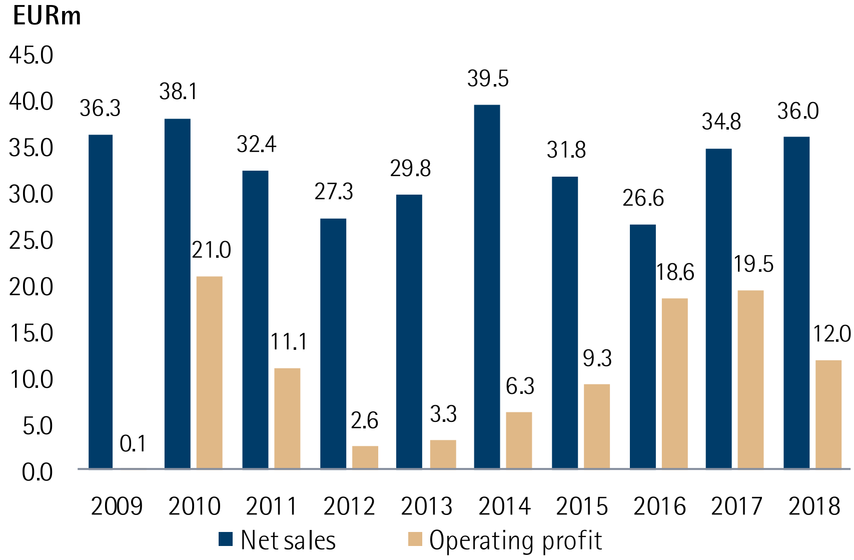
Preqin cites fundraising a concern for 2019, with capital increasingly concentrated to a smaller pool of managers. In 2018 only 68 funds closed compared to 94 in 2017. For 2019 a record 207 funds are seeking commitments of USD 188bn in aggregate, double the amount secured in 2018. Not only has the competition for capital increased but so has also the competition for assets, with 66% of surveyed fund managers citing competition for assets as the largest threat for fund returns in 2019 according to Preqin. The high amounts of dry powder and high valuations further make finding attractive opportunities more challenging.

Financial performance

CapMan's current profitability clearly above the historical average

The long-term average ('09-'18) operating profit has been approx. EUR 10m. CapMan has been able to generate operating profits well above average levels in recent years following improving market conditions and several successful exits. Operating profits tend to fluctuate depending especially on fair value changes and carried interest income.

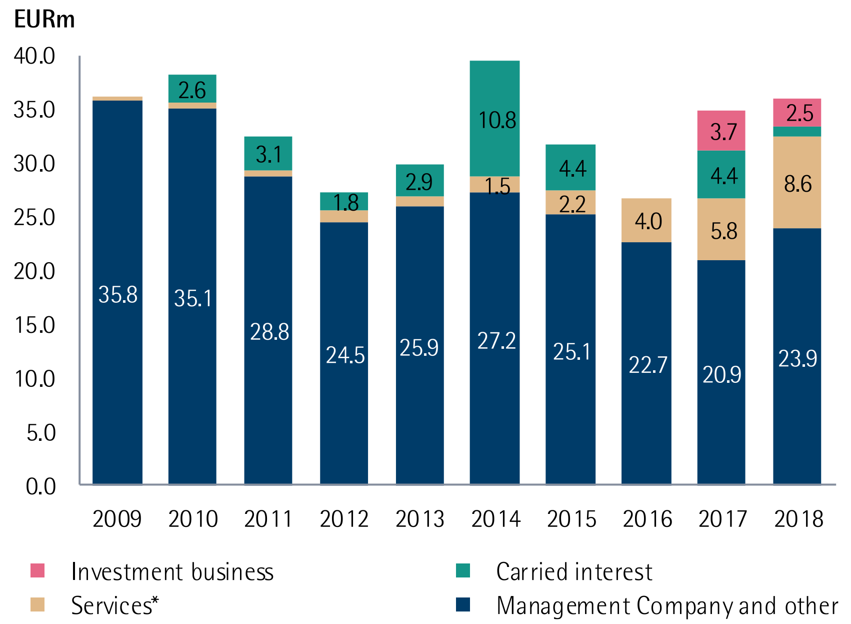
Figure 19: Sales and operating profit



Source: CapMan

Management fees are the most stable source of income for CapMan. Management fees saw declines during the early- and mid-2010s due to exits from older funds but have stabilized during the past couple of years. The investment business income consists of dividend and interest income from CapMan's market portfolio.

Figure 20: Distribution of net sales



Source: CapMan, *Evli estimate for 2009-2016

Services business has delivered rapid growth

CapMan has reported Services business figures separately from 2017 onwards. The Services business has seen rapid growth and we estimate a sales CAGR of approx. 55% between 2015-2018. The fees in Services can be generally divided into recurring commission fees and success fees, which are paid as a one-off compensation following a successful fundraise. Whereas CaPS fees are more stable commission fees, fees from Scala are largely success based and less predictable. A larger share of fees from JAM Advisors are recurring but also partly transaction-based. The acquisition of JAM Advisors was completed in 2/2019 and has not yet had an impact on CapMan's financials. CapMan recorded significant success fees from Scala during Q2/18, which helped boost growth during 2018.

During 2018 CapMan recorded carried interest income of EUR 1.0m from the InfoCare exit and the Access Capital Fund. Carried interest income depends on the funds' performance and may have a significant impact on CapMan's results, but also varies significantly from year to year.

Weaker 2018 earnings driven by end of year market volatility and strong comparison year

CapMan's EPS in 2018 amounted to EUR 0.05 compared to EUR 0.10 in 2017. Compared to 2017 CapMan's earnings saw positive development, as the exit from Idean stood for roughly half of the 2017 earnings, but the market volatility at the end of 2018 had a negative effect on the fair value of CapMan's market portfolio of EUR 5.7m. Although the Investment business still accounted for the majority of earnings, the Management Company and Services businesses earnings contribution saw a healthy increase. Carried interest was also smaller in 2018, at EUR 1.0m compared to EUR 4.4m in 2017.

Cost structure

Cost base consists mainly of fixed costs

CapMan's main costs are personnel costs and other operating expenses (mainly office costs). Historically, CapMan has had some challenges on the cost side but stricter cost control and realized synergies from the Norvestia acquisition has improved the situation in recent years.

Relative share of costs on a declining trend

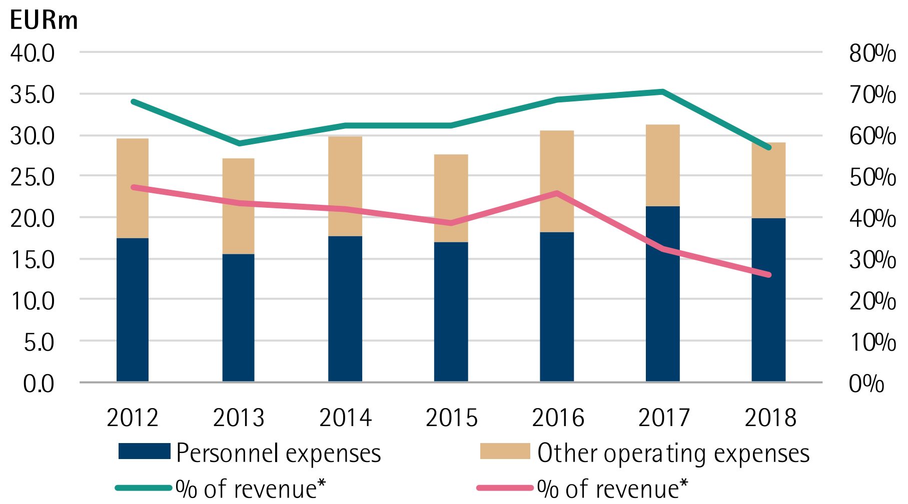
The average of personnel costs of income (excluding carried interest) during 2012-2018 has been 57.1%, while the share in 2018 amounted to 55.2%. The personnel costs and the share of personnel costs of net sales saw an increasing trend in recent years, as the growth in staff has outpaced the increase in income. 2018 saw the trend being reversed, as the new products and product areas have started to contribute to income but also due to lower bonus payments compared to 2017. We expect the share of personnel costs to decline further driven by increasing income from AUM growth while expecting a more limited need for personnel increases at a similar pace.

The average of other operating expenses to net sales (excluding carried interest) during 2012-2018 has been 35.1%, while the share in 2018 amounted to 25.3%. The other operating expenses consist mainly of external services and office costs. CapMan has in recent years been able to scale down costs through among other things relocating its Helsinki office and Norvestia synergies. According to CapMan's management the scaling down of the cost structure has been successful and further decreases of the other operating expenses are unlikely.

Limited potential for further cost efficiency

We expect personnel and other operating costs to amount to EUR 24.8m and EUR 9.5m respectively, corresponding to 54% and 21% of revenue respectively. CapMan has been able to slim the cost base down to sound levels and we do not expect to see much room for further reductions. With the on-going growth initiatives, we expect to see some growth in the number of employees and hence personnel costs.

Figure 21: Distribution of CapMan's expenses



Source: CapMan, *excl. carried interest

Cost control remains a key area for achieving profitability targets

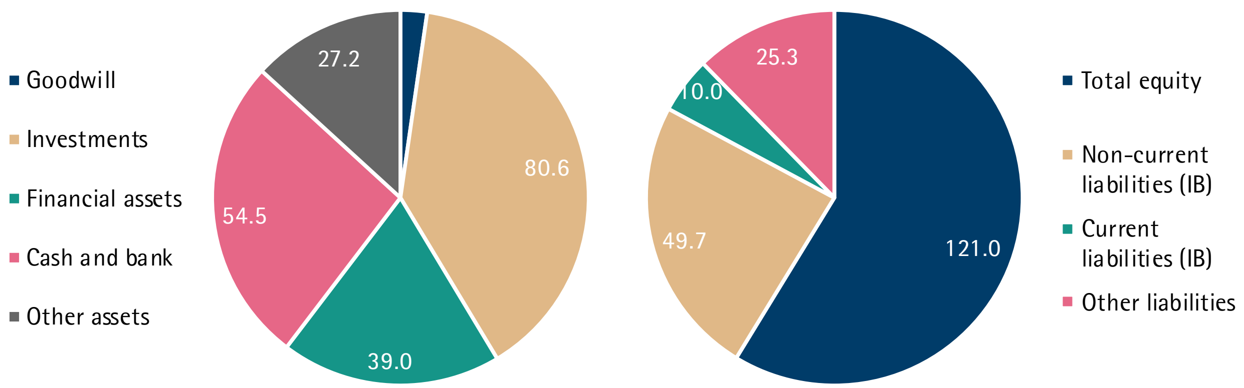
In our view, strict cost control is one of the key areas for CapMan to reach its profitability targets. It is also an area where CapMan has seen struggles during its history. 2018 proved to show that CapMan's cost discipline has been effective and to some extent also flexibility in the cost base from bonuses during relative weaker performance.

Balance sheet

Equity ratio at 58.7%, target over 60%

The assets on CapMan's balance sheet consist mainly of investments in own funds and the market portfolio. CapMan's total interest-bearing debt amounted to EUR 59.7m at the end of 2018. Cash and bank assets amounted to EUR 54.5m and net debt EUR 5.2m. Net gearing at the end of 2018 was at 4.3%, compared to 19.7 % at the end of 2017. The equity ratio was at 58.7%, just below the financial objective of above 60%. CapMan's remaining fund commitments, outside the balance sheet, amounted to EUR 98.0m at the end of 2018.

Figure 22: CapMan's assets and equity and liabilities at the end of 2018 (EURm)



Source: CapMan

Goodwill from Norum acquisition in Russia

CapMan has goodwill of EUR 4.7m on its balance sheet. The goodwill is from the Norum acquisition (private equity house) in Russia in 2008. A goodwill impairment of EUR 1.5m was booked in 2017. The amount of goodwill on the balance sheet is low compared to the total equity.

EUR 59.7m interest-bearing debt

CapMan's interest-bearing debt amounted to EUR 59.7m at the end of 2018. CapMan has a EUR 10m multi-issuer bond (issued in '14), with interest rate of 1.85%, maturing in Q2/2019, and a EUR 50m senior bond (issued in 2018), with interest rate of 4.13%, maturing in 2023. CapMan further has a long-term credit facility for EUR 20m.

Healthy balance sheet, market portfolio enables growth initiatives

In our view CapMan's has a healthy balance sheet. CapMan was able to lower the interest rate of its debt with the bond issued in 2018 and the amount of debt is not in excess. The market portfolio that came with the Norvestia acquisition further enables CapMan to pursue new growth initiatives and the funds are expected to be gradually moved to new funds.

Estimates

Management Company business

Management Company business expected to grow 31% in 2019

We expect the Management Company business to show solid revenue growth in 2019 driven by the EUR 320m increase in the BVK mandate, currently standing at a total of EUR 820m. The addition to fee income in 2019 is some EUR 4m. Capital calls in newly established funds (Infra, Growth, etc.) will further support growth in coming years. Our estimates assume a clear increase in carried interest income, with the Mezzanine V, Hotels RE, and NRE I funds in our view the funds more likely to generate carry in the near-term. We expect Management Company business revenue of EUR 31.8m in 2019, with growth of some 31%. We expect revenue to continue see growth also during 2020-2021. Growth is supported by the capital calls in the newly created funds and the likely establishment of new funds (NRE III, Buyout XI, Infra II, Growth II) along with increases in mandates (BVK, Infra) as well as the relatively high share of “fresh” AUM slowing down the pace of AUM declines in existing funds.

Profitability expected to improve notably in 2019

The increase in fee income from the BVK mandate will also be reflected more or less as such in the operating profit, as expenses arising from the additional investment capacity are minimal. Carried interest will also be reflected in the operating profit and as such we expect profitability to improve notably in 2019, with our operating profit estimate at EUR 9.4m (2018: EUR 2.8m).

Services business

Acquisition of JAM Advisors growth driver in 2019

We expect to see growth in the Services business near 50% in 2019, driven primarily by the acquisition of JAM Advisors but also by CapS volume growth and Scala success fees. Visibility into Services business is limited by a lower predictability of Scala fees and the recent addition of JAM Advisors, while CaPS has been showing a steady and rapid growth trend, which we expect to continue although at a relatively slower pace. Further acquisitions to strengthen the Services business are not off the table but we do not assign a particularly high likelihood for acquisitions in the upcoming years. CapMan has not given segment specific growth targets but the Management Company and Services businesses combined are expected to grow over 10% p.a.

Relative profitability expected to remain solid but decrease due to the acquisition of Jam Advisors

The relative profitability in the Services business has been impressive, with an operating profit margin of approx. 50% in 2018. The profitability is to a large extent driven by Scala, where the operating profit contribution revolves around a couple of million euros. Earnings contribution from JAM Advisors is still expected to be neutral in 2019, as profitability before the acquisition has revolved around break-even at best. With CapMan planning to scale up the business and likely looking into expanding the business internationally we expect limited operating profit contribution in the coming years. We expect an operating profit in the Services business in 2019 of EUR 5.4m (2018: EUR 4.4m).

Investment business

Increasing relative share of private asset investments expected to boost profitability

Revenue in the Investment business has consisted of dividend and interest income from the trading portfolio, which we expect to decline to EUR 0.4m in 2019 and fall to zero in 2020 with the transfer of funds from the investment portfolio into CapMan’s own PE funds. The profits in the Investment business will within a few years as such stem nearly solely from fair value changes and exits in CapMan’s own funds along with other more minor investments into external PE funds and the share in Maneq Investments. Our operating profit estimate for the investment business in 2019 is EUR 10.7m (2018: EUR 6.5m). We expect the Investment business operating profit to increase primarily due to a higher exposure to own funds and a lower exposure to public equities due to reinvesting

Table 4: Estimates summary

CapMan	2017	Q1/'18	Q2/'18	Q3/'18	Q4/'18	2018	Q1/'19E	Q2/'19E	Q3/'19E	Q4/'19E	2019E	2020E	2021E
Management fees	19.6	5.6	5.7	5.2	5.6	22.1	6.9	6.9	6.3	7.1	27.2	28.5	29.9
Sale of services	7.1	1.6	4.1	1.7	2.9	10.3	3.5	4.8	2.5	3.7	14.6	15.9	17.4
Carried interest	4.4	0.1	0.6	0.2	0.1	1.0	0.1	0.1	1.6	1.8	3.6	5.7	6.2
Dividend and interest income	3.7	1.1	1.0	0.2	0.2	2.5	0.2	0.1	0.0	0.0	0.4	0.0	0.0
Revenue	**34.8**	**8.5**	**11.4**	**7.2**	**8.9**	**36.0**	**10.7**	**11.9**	**10.4**	**12.7**	**45.8**	**50.1**	**53.5**
change, %	*30.6%*	*12.7%*	*25.8%*	*-23.3%*	*0.5%*	*3.3%*	*26.8%*	*4.2%*	*44.1%*	*43.1%*	*27.1%*	*9.4%*	*6.9%*
Other operating income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Personnel expenses	-21.4	-4.7	-5.5	-4.7	-5.0	-19.9	-5.9	-6.4	-5.8	-6.7	-24.8	-25.7	-26.5
Other operating expenses	-9.9	-2.2	-2.6	-1.6	-2.8	-9.1	-2.2	-2.7	-1.6	-2.9	-9.5	-9.7	-9.8
Depreciation and amortisation	-1.7	-0.1	-0.1	0.0	0.0	-0.2	-0.1	-0.1	-0.1	-0.1	-0.2	-0.2	-0.2
Fair value changes	17.6	2.5	2.7	3.9	-4.0	5.1	3.4	2.7	3.2	3.0	12.3	14.9	16.2
Operating profit	**19.5**	**4.1**	**6.0**	**4.8**	**-2.9**	**12.0**	**5.5**	**5.5**	**6.2**	**6.4**	**23.7**	**29.4**	**33.2**
Operating profit margin, %	*55.9%*	*48.0%*	*52.6%*	*66.8%*	*-33.2%*	*33.2%*	*51.4%*	*46.5%*	*59.5%*	*50.5%*	*51.7%*	*58.6%*	*62.0%*
Net financials	-3.2	-0.5	-1.0	-0.5	-0.7	-2.7	-0.7	-0.7	-0.7	-0.7	-2.6	-2.6	-2.9
Profit before taxes	**16.2**	**3.5**	**5.1**	**4.3**	**-3.6**	**9.3**	**4.9**	**4.9**	**5.6**	**5.8**	**21.1**	**26.7**	**30.3**
Income taxes	-0.8	-0.2	-0.8	-0.2	0.4	-0.8	-0.3	-0.3	-0.4	-0.4	-1.5	-1.9	-2.1
Profit for the period	**15.5**	**3.3**	**4.3**	**4.1**	**-3.2**	**8.5**	**4.5**	**4.5**	**5.2**	**5.4**	**19.6**	**24.9**	**28.2**
EPS, EUR	**0.10**	**0.02**	**0.03**	**0.03**	**-0.02**	**0.05**	**0.03**	**0.03**	**0.03**	**0.04**	**0.13**	**0.16**	**0.18**
Assets under management	**2800**	**2799**	**2758**	**2681**	**3043**	**3043**					**3 300**	**3 500**	**3 600**
Management Company business	**2017**	**Q1/'18**	**Q2/'18**	**Q3/'18**	**Q4/'18**	**2018**	**Q1/'19E**	**Q2/'19E**	**Q3/'19E**	**Q4/'19E**	**2019E**	**2020E**	**2021E**
Revenue	25.1	5.9	6.5	5.5	6.2	24.2	7.2	7.2	8.2	9.2	31.8	35.1	37.1
Operating profit	2.7	0.8	0.7	0.8	0.5	2.8	1.8	1.2	3.2	3.3	9.4	11.6	13.6
Investment business	**2017**	**Q1/'18**	**Q2/'18**	**Q3/'18**	**Q4/'18**	**2018**	**Q1/'19E**	**Q2/'19E**	**Q3/'19E**	**Q4/'19E**	**2019E**	**2020E**	**2021E**
Revenue	3.7	1.1	1.0	0.2	0.2	2.5	0.2	0.1	0.0	0.0	0.4	0.0	0.0
Operating profit	17.3	3.2	3.4	3.8	-4.0	6.5	2.9	2.4	2.8	2.6	10.7	13.7	15.0
Services business	**2017**	**Q1/'18**	**Q2/'18**	**Q3/'18**	**Q4/'18**	**2018**	**Q1/'19E**	**Q2/'19E**	**Q3/'19E**	**Q4/'19E**	**2019E**	**2020E**	**2021E**
Revenue	5.6	1.4	3.8	1.5	2.0	8.7	3.3	4.4	2.2	3.1	13.0	14.3	15.7
Operating profit	2.3	0.6	2.4	0.6	0.8	4.4	1.3	2.6	0.6	0.9	5.4	5.9	6.5
Other	**2017**	**Q1/'18**	**Q2/'18**	**Q3/'18**	**Q4/'18**	**2018**	**Q1/'19E**	**Q2/'19E**	**Q3/'19E**	**Q4/'19E**	**2019E**	**2020E**	**2021E**
Revenue	0.5	0.0	0.2	0.0	0.4	0.6	0.0	0.2	0.0	0.4	0.6	0.6	0.7
Operating profit	-2.7	-0.4	-0.6	-0.4	-0.3	-1.7	-0.5	-0.6	-0.4	-0.4	-1.8	-1.9	-2.0

Source: CapMan, Evli Research

of the market portfolio, that contributed to the weaker results in 2018 due to stock market turbulence in late 2018. Our assumptions for the Investment business returns are summarized in table 5. The average target returns for CapMan's investments into own funds revolves in the range of 11-13% according to our estimates, depending on the investment composition. Our estimates for the coming years assume returns slightly below or in the lower end of the range due to the current composition of investments but expect the calls of larger open commitments in particular in the Growth Equity fund to offer increasing return potential.

Table 5: Investment business estimates

Investment business	2018	2019E	2020E	2021E
Net sales	**2.5**	**0.4**	**0.0**	**0.0**
Investment portfolio at fair values (MEUR)				
Fund investments	***80.6***	*125.0*	*140.0*	*150.0*
Investmestment in joint ventures	***4.5***	*4.0*	*3.5*	*3.0*
Other financial assets	***2.5***	*2.5*	*2.5*	*2.5*
Current financial assets (inc.trading portfolio)	***39.0***	*0.0*	*0.0*	*0.0*
Total	***126.6***	***131.5***	***146.0***	***155.5***
Allocation %				
Fund investments	*64%*	*95%*	*96%*	*96%*
Investmestment in joint ventures	*4%*	*3%*	*2%*	*2%*
Other financial assets	*2%*	*2%*	*2%*	*2%*
Current financial assets (inc.trading portfolio)	*31%*	*0%*	*0%*	*0%*
Total	***100%***	***100%***	***100%***	***100%***
Return estimate %				
Fund investments	*10%*	*10.5%*	*11%*	*11%*
Investmestment in joint ventures	*6%*	*6%*	*6%*	*6%*
Other financial assets	*4%*	*4%*	*4%*	*4%*
Current financial assets (inc.trading portfolio)	*-3%*	*6%*	*-*	*-*
Return (EBIT) EUR				
Fund investments	***8.1***	***10.8***	***14.6***	***16.0***
Investmestment in joint ventures	***0.3***	***0.2***	***0.2***	***0.2***
Other financial assets	***0.2***	***0.1***	***0.1***	***0.1***
Current financial assets (inc.trading portfolio)	***-0.9***	***1.2***	***0.0***	***0.0***
Investment return (total) %	*6.0 %*	*9.5 %*	*10.7 %*	*10.8 %*
Investment returns (EUR)	**7.6**	**12.3**	**14.9**	**16.2**

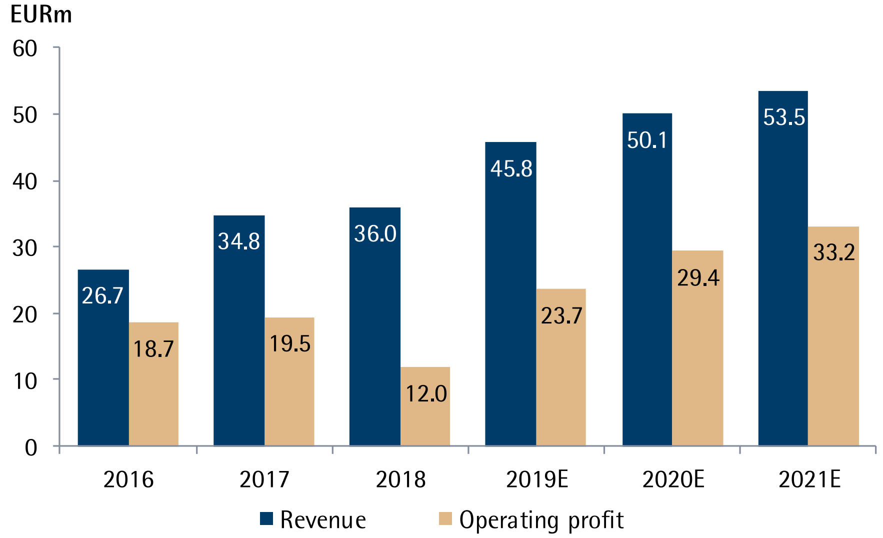
Source: Evli estimates

CapMan Group

Expect significant revenue and earnings improvement in 2019

We expect CapMan's revenue to grow to EUR 45.8m (2018: EUR 36.0m) driven by growth in the Services business, primarily through the JAM Advisors acquisition, along with revenue growth in the Management Company business, mainly through increased free income from the BVK mandate and increased carried interest. We expect the operating profit to improve to EUR 23.7m (2018: EUR 12m), mainly due to earnings increases in the Management Company business from fee income and carried interest growth and improved Investment business return from a weaker comparison period.

Figure 23: CapMan's revenue and operating profit

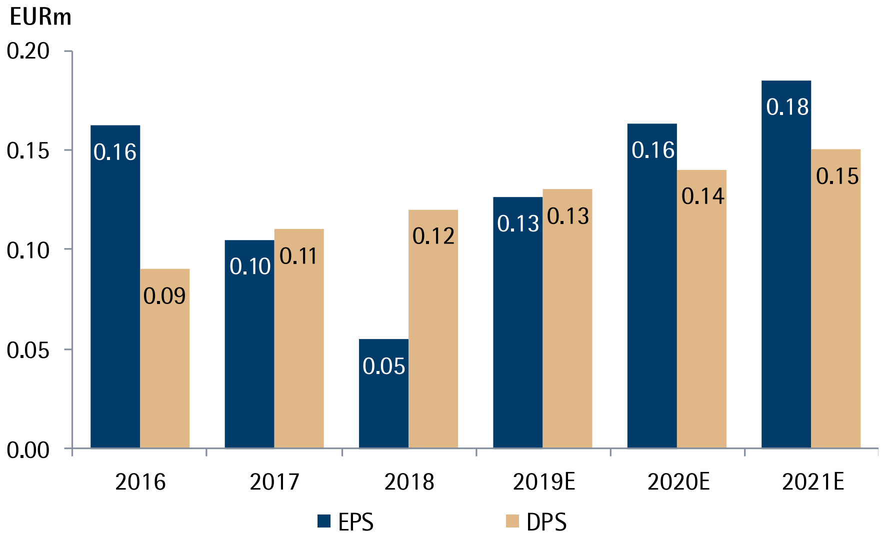


Source: CapMan, Evli estimates

Improving earnings and healthy balance sheet support further dividend increases

CapMan has clearly profiled itself as a dividend-oriented company, seeking to annually increase the dividend per share. CapMan's dividend for FY2018 amounted to EUR 0.12 per share (2017: EUR 0.11) despite EPS of only EUR 0.05, supported by a healthy balance sheet situation and also illustrating CapMan's commitment to deliver on its dividend policy. We expect the improved earnings to support continued dividend increases.

Figure 24: CapMan's Earnings per share and dividend per share



Source: CapMan, Evli estimates

Valuation

BUY with an ex-div target price of EUR 1.80

We approach the valuation of CapMan through a sum-of-the-parts (SOTP) model along with peer multiples. Our SOTP approach implies a fair value of EUR 1.75 per share, with the Investment business clearly being the most valuable. On earnings-based multiples, primarily P/E, valuation compared to the three by size comparable peers appears fair. The dividend yield on our estimates however shows a clear disparity, with CapMan's dividend yield on our estimates approx. 20% above the peers. Although upside potential based on our SOTP and the earnings-based multiples appears limited, the difference in dividend yield does make valuation more attractive and we retain our BUY-rating with an ex-div target price of EUR 1.80 (1.75).

Sum-of-the-parts (SOTP)

SOTP fair value EUR 1.75 per share

We have for the purpose of valuation split CapMan into five parts: the Management Company business (excl. carry), the Services business, the Investment business, carried interest, and the corporate functions. Our SOTP gives a fair value of EUR 1.75 per share.

Management Company business excl. carried interest valued at EUR 75m

To value the Management Company business, we have split off the carried interest due to the comparability issues in the value of the recurring and management fees and the unpredictable performance-based carried interest. We have based our valuation of the Management Company business (excl. carry) on listed Finnish financial services companies. The companies are mainly wealth- and asset management oriented and although several of the companies also have private equity exposure, CapMan's Management Company business (excl. carry) should in our view be valued higher than these companies due to the more predictable and "sticky" nature of private equity management fees. Applying a 13x 2019E EV/EBIT multiple gives a value of EUR 75m.

Investment business valued at EUR 182m

In valuing the Investment business, the currently most valuable part of CapMan, we have taken into consideration both the current investment capacity and projected earnings capacity. CapMan's investments at the end of 2018 amounted to EUR 182m, of which about half in investments into the private assets class and the other half in liquid funds and marketable securities. CapMan further had open commitments of EUR 98m at the end of 2018, with private assets investments and commitments at around EUR 187m. As capital returns from older funds are likely intended to be used to cover some of the commitments to new funds we assume an 80/20 split on the EUR 182m investments for a potential private assets allocation of around EUR 145m. Assuming an investment return of 11%, in line with our 2020-2021 estimates, this would give and operating profit of around EUR 14.5m when excluding expenses. The higher uncertainty of investment business returns compared to management fees warrants lower multiples and an EV/EBIT of 9-11x would value the investment business at a range of EUR 167-196m (including cash of EUR 36m). Considering the valuation range from the projected earnings capacity and the current value of investment being near the middle of the range we opt to value the Investment business based on the value of investments.

Table 6: Finnish financial services peers

Finnish financial services peers	MCAP MEUR	EV/EBIT 19E	EV/EBIT 20E	EV/EBIT 21E	P/E 19E	P/E 20E	P/E 21E	Div. yield 19E	Div. yield 20E	Div. yield 21E
eQ	362	11.9x	11.5x	10.7x	15.9x	15.4x	14.9x	6.5 %	6.7 %	6.7 %
Taaleri	213	11.2x	10.4x	8.8x	11.1x	10.3x	8.6x	4.2 %	4.5 %	4.8 %
Evli Bank	202				13.6x	11.4x	10.3x	7.3 %	7.7 %	8.3 %
United Bankers	75	15.7x	12.4x	11.4x	11.0x	9.6x	9.2x	6.2 %	7.1 %	7.7 %
EAB Group	50	22.1x	16.9x	13.5x	19.6x	14.0x	10.9x	4.1 %	5.1 %	6.1 %
Titanium	90	7.6x	7.1x	7.3x	10.9x	10.3x	10.5x	8.4 %	8.9 %	9.5 %
Peer Group Average	**165**	**13.7x**	**11.7x**	**10.3x**	**13.7x**	**11.8x**	**10.7x**	**6.1 %**	**6.7 %**	**7.2 %**
Peer Group Median	**146**	**11.9x**	**11.5x**	**10.7x**	**12.4x**	**10.8x**	**10.4x**	**6.3 %**	**6.9 %**	**7.2 %**
CapMan (Evli est.)	**258**	**11.5x**	**9.2x**	**8.2x**	**13.4x**	**10.4x**	**9.2x**	**7.7 %**	**8.3 %**	**8.9 %**
CapMan prem./disc. to peer median		*-4%*	*-20%*	*-23%*	*8%*	*-4%*	*-12%*	*22%*	*21%*	*23%*

Source: Bloomberg, Evli estimates

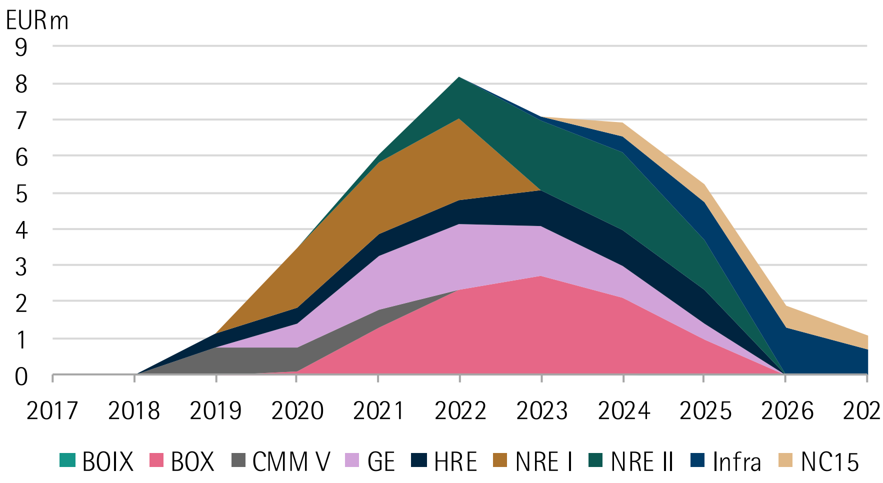
Services business valued at EUR 59m

As the Services business consists of a mix of partially unrelated service companies we have not identified a reasonable peer group but instead relate valuation to that of the Management Company business. The Services business fees are according to our estimates to a larger extent recurring. Scala's success fees do however have quite a large earnings impact and although the fees under favourable fundraising circumstances are expected to not fluctuate substantially, any changes in the market situation could change that. Taking into consideration our assigned value for the Management Company business and the financial services peers we value the Services business at 11x 2019E EV/EBIT, for a value of EUR 59m.

Carried interest valued at EUR 33m

Valuing the carried interest potential is the most challenging due to the nature of the income, as there is virtually no guarantee that any carried interest will materialize. For valuing the carried interest potential we have simulated carried interest income for CapMan's funds based on available information and our own assumptions. The carried interest has been estimated separately for each fund using a range of assumptions including IRR, fund duration and exit windows. The average estimates of the simulation are presented fund-wise in figure 25. We note that our estimates differ from the simulated carry due to different approaches. Due to the evergreen status of the NPI fund we include a separate perpetuity estimate that is not included in figure 28. Further including minor carry potential from for instance the Access Capital Partners fund and using a 10% discount rate, we derive a EUR 33m value for the sum of the discounted cash flows. Considering that CapMan's average annual carry per EUR 1bn in assets under management during 2009-2018 has been EUR 1m, at AUM of EUR 3bn this would imply a 11x multiple, which would be unreasonably high considering the uncertain nature of the carried interest. Our long-term estimates, however, are based on average annual carried interest of EUR 4.5m, as CapMan has a larger share of AUM that will potentially reach carry, as older vintages have been cleaned up, and the implied multiple of 7.3x should in our view be considered a reasonable value.

Figure 25: Simulated potential carry materialization



Source: Evli Research

SOTP equity value EUR 267m or EUR 1.75 per share

We further include the corporate functions at a 12x 2019E EV/EBIT multiple, roughly the average of the Management Company and Services businesses multiples, for a value of EUR -22m. To derive the equity value we further deduct the total interesting bearing debt, noting that the cash assets have been included in our valuation of the Investment business. With 2018 total debt of EUR 59.7m we arrive at an equity value of EUR 267m, corresponding to EUR 1.75 per share.

Peer multiples

Dividend yield disparity compared to peers

On the average of the earnings-based multiples for 2019E CapMan's valuation appears quite fair. CapMan trades at a slight premium on the 19E P/E ratio but when comparing valuation to the median P/E ratio of the three by size comparable peers: eQ, Taaleri, and Evli Bank, valuation is in line with the three peers. A notable disparity can be seen from the dividend yield, where CapMan's dividend yield on our estimates is approx. 20% above both the median of the peer group as a whole and the three largest peers. Considering both the earnings-based multiples and the dividend yield we see that the current valuation leaves room for upside potential based on the estimated high dividend yield. The valuation discount becomes clearer on 2020-2021E multiples, but a notable part of the earnings increase is due to estimated increases in carried interest, and as such we do not assign clear emphasis on multiples later in the future.

Table 7: Valuation summary

VALUATION			
SOTP	Implied value (EURm)	Per share (EUR)	Notes
Management Company (excl. carry)	75	0.49	13x 19E EBIT EUR 5.8m
Services business	59	0.39	11x 19E EBIT EUR 5.4m
Investment business	182	1.19	NAV
Carried interest	33	0.22	DCF
Corporate functions	-22	-0.14	12x 19E EBIT EUR -1.8m
Total debt	-60	-0.39	FY 2018 interest-bearing debt
Equity value (SOTP)	267	1.75	
Peer multiples			
EV/EBIT 19E		1.78	
P/E 19E		1.57	
Div. yield 19E		2.06	
Ex-div target price*		**1.8**	

Source: Evli Research, *after expected EUR 0.06 per share equity repayment

VALUATION RESULTS		BASE CASE DETAILS		VALUATION ASSUMPTIONS		ASSUMPTIONS FOR WACC	
Current share price	1.69	PV of Free Cash Flow	185	Long-term growth, %	2.0	Risk-free interest rate, %	2.25
DCF share value	2.94	PV of Horizon value	290	WACC, %	7.9	Market risk premium, %	5.8
Share price potential, %	74.2	Unconsolidated equity	-1	Spread, %	0.5	Debt risk premium, %	2.8
Maximum value	3.2	Marketable securities	46	Minimum WACC, %	7.4	Equity beta coefficient	1.10
Minimum value	2.7	Debt - dividend	-72	Maximum WACC, %	8.4	Target debt ratio, %	30
Horizon value, %	61.0	Value of stock	449	Nr of shares, Mn	152.5	Effective tax rate, %	20

DCF valuation, EURm	2018	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	Horizon
Net sales	36	46	50	54	55	56	58	59	61	62	63	65
Sales growth, %	*3.3*	*27.1*	*9.4*	*6.9*	*2.5*	*2.5*	*2.5*	*2.5*	*2.5*	*2.5*	*2.0*	*2.0*
Operating income (EBIT)	12	24	29	33	35	34	35	35	36	37	38	39
EBIT margin, %	*33.2*	*51.7*	*58.6*	*62.0*	*63.8*	*60.0*	*60.0*	*60.0*	*60.0*	*60.0*	*60.0*	*60.0*
+ Depreciation+amort.	0	0	0	0	0	0	0	0	0	0	0	
- Income taxes	-7	-2	-2	-2	-2	-2	-2	-2	-3	-3	-3	
- Change in NWC	27	32	8	0	0	0	0	0	0	0	0	
NWC / Sales, %	*96.8*	*5.6*	*-10.9*	*-10.3*	*-10.0*	*-9.8*	*-9.6*	*-9.4*	*-9.2*	*-8.9*	*-8.8*	
+ Change in other liabs	0	0	0	0	0	0	0	0	0	0	0	
- Capital Expenditure	6	-45	-15	-10	0	0	0	0	0	0	0	0
Investments / Sales, %	*-17.4*	*97.6*	*30.5*	*19.3*	*0.6*	*0.6*	*0.6*	*0.6*	*0.6*	*0.6*	*0.5*	*0.5*
- Other items	7	2	0	0	0	0	0	0	0	0	0	
= Unlevered Free CF (FCF)	45	12	20	21	33	31	32	33	34	35	35	611
= Discounted FCF (DFCF)		11	18	17	24	22	21	20	19	18	17	290

= DFCF min WACC		11	18	17	25	22	21	20	19	18	18	332
= DFCF max WACC		11	18	17	24	21	20	19	18	17	16	256

INTERIM FIGURES

EVLI ESTIMATES, EURm	2018Q1	2018Q2	2018Q3	2018Q4	2018	2019Q1E	2019Q2E	2019Q3E	2019Q4E	2019E	2020E	2021E
Net sales	8	11	7	9	36	11	12	10	13	46	50	54
EBITDA	4	6	5	-3	12	6	6	6	6	24	30	33
EBITDA margin (%)	*48.7*	*53.2*	*67.6*	*-32.9*	*33.8*	*51.8*	*47.0*	*60.0*	*50.8*	*52.2*	*59.1*	*62.5*
EBIT	4	6	5	-3	12	6	6	6	6	24	29	33
EBIT margin (%)	*48.0*	*52.6*	*66.8*	*-33.2*	*33.2*	*51.4*	*46.5*	*59.5*	*50.5*	*51.7*	*58.6*	*62.0*
Net financial items	-1	-1	-1	-1	-3	-1	-1	-1	-1	-3	-3	-3
Pre-tax profit	4	5	4	-4	9	5	5	6	6	21	27	30
Tax	0	-1	0	0	-1	0	0	0	0	-1	-2	-2
Tax rate (%)	*5.7*	*15.9*	*5.5*	*12.2*	*8.6*	*7.0*	*7.0*	*7.0*	*7.0*	*7.0*	*7.0*	*7.0*
Net profit	3	4	4	-3	8	5	5	5	5	20	25	28
EPS	0.02	0.03	0.03	-0.02	0.05	0.03	0.03	0.03	0.04	0.13	0.16	0.18
EPS adjusted (diluted no. of shares)	0.02	0.03	0.03	-0.02	0.05	0.03	0.03	0.03	0.04	0.13	0.16	0.18
Dividend per share	0.00	0.00	0.00	0.00	0.12	0.00	0.00	0.00	0.00	0.13	0.14	0.15
SALES, EURm												
Management Company business	6	7	6	6	24	7	7	8	9	32	35	37
Investment business	1	1	0	0	3	0	0	0	0	0	0	0
Service business	1	4	1	2	9	3	4	2	3	13	14	16
Other & eliminations	0	0	0	0	1	0	0	0	0	1	1	1
Total	8	11	7	9	36	11	12	10	13	46	50	54
SALES GROWTH, Y/Y %												
Management Company business	*11.7*	*28.8*	*-30.7*	*-7.2*	*-3.5*	*21.9*	*10.6*	*47.3*	*48.2*	*31.4*	*10.5*	*5.7*
Investment business	*-3.0*	*-55.9*	*21.8*	*5.7*	*-32.8*	*-80.7*	*-91.1*	*-78.9*	*-84.9*	*-85.0*	*-99.9*	*0.0*
Service business	*35.1*	*112.6*	*17.8*	*35.7*	*56.0*	*134.8*	*17.6*	*49.9*	*50.0*	*49.5*	*10.0*	*10.0*
Other & eliminations	*32.1*	*416.7*	*64.7*	*-5.7*	*25.4*	*5.0*	*5.7*	*-99.6*	*5.0*	*0.3*	*5.0*	*5.0*
Total	*12.7*	*25.8*	*-23.3*	*0.5*	*3.3*	*26.8*	*4.2*	*44.1*	*43.1*	*27.1*	*9.4*	*6.9*
EBIT, EURm												
Management Company business	1	1	1	1	3	2	1	3	3	9	12	14
Investment business	3	3	4	-4	6	3	2	3	3	11	14	15
Service business	1	2	1	1	4	1	3	1	1	5	6	7
Other & eliminations	0	-1	0	0	-2	0	-1	0	0	-2	-2	-2
Total	4	6	5	-3	12	6	6	6	6	24	29	33
EBIT margin, %												
Management Company business	*12.8*	*11.4*	*14.5*	*8.7*	*11.7*	*25.1*	*16.0*	*39.2*	*35.4*	*29.6*	*33.1*	*36.7*
Investment business	*285.0*	*350.5*	*2,130.2*	*-1,625.9*	*257.0*	*1,339.0*	*2,734.8*	*7,401.1*	*7,173.7*	*2,837.3*		
Service business	*41.0*	*64.8*	*38.0*	*39.2*	*50.4*	*39.8*	*59.1*	*27.7*	*28.7*	*41.7*	*41.7*	*41.7*
Other & eliminations	*-1,205.4*	*-375.5*	*-1,250.0*	*-87.2*	*-283.9*	*-1,205.4*	*-373.1*		*-87.2*	*-301.9*	*-301.9*	*-301.9*
Total	*48.0*	*52.6*	*66.8*	*-33.2*	*33.2*	*51.4*	*46.5*	*59.5*	*50.5*	*51.7*	*58.6*	*62.0*

INCOME STATEMENT, EURm	2014	2015	2016	2017	2018	2019E	2020E	2021E
Sales	39	32	27	35	36	46	50	54
Sales growth (%)	*32.6*	*-19.5*	*-16.0*	*30.6*	*3.3*	*27.1*	*9.4*	*6.9*
Costs	-33	-22	-8	-14	-24	-22	-20	-20
Reported EBITDA	7	10	19	21	12	24	30	33
Extraordinary items in EBITDA	0	0	0	0	0	0	0	0
EBITDA margin (%)	*17.2*	*30.2*	*71.0*	*61.0*	*33.8*	*52.2*	*59.1*	*62.5*
Depreciation	0	0	0	0	0	0	0	0
EBITA	6	9	19	21	12	24	29	33
Goodwill amortization / writedown	0	0	0	-1	0	0	0	0
Reported EBIT	6	9	19	19	12	24	29	33
EBIT margin (%)	*16.2*	*29.2*	*70.0*	*55.9*	*33.2*	*51.7*	*58.6*	*62.0*
Net financials	-1	-3	-3	-3	-3	-3	-3	-3
Pre-tax profit	5	6	16	16	9	21	27	30
Extraordinary items	0	0	0	0	0	0	0	0
Taxes	-1	0	0	-1	-1	-1	-2	-2
Minority shares	0	0	0	0	0	0	0	0
Net profit	3	5	14	15	8	20	25	28
BALANCE SHEET, EURm								
Assets								
Fixed assets	65	104	95	93	88	125	140	151
% of sales	*166*	*329*	*357*	*266*	*245*	*274*	*281*	*281*
Goodwill	6	6	6	5	5	5	5	5
% of sales	*16*	*20*	*23*	*13*	*13*	*10*	*9*	*9*
Inventory	0	0	0	0	0	0	0	0
% of sales	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Receivables	10	13	101	89	57	31	25	26
% of sales	*24*	*41*	*380*	*255*	*158*	*67*	*49*	*49*
Liquid funds	29	22	45	23	55	46	50	54
% of sales	*73*	*68*	*169*	*67*	*152*	*100*	*100*	*100*
Total assets	114	150	253	211	206	208	222	237
Liabilities								
Equity	50	50	128	127	121	123	128	135
% of sales	*128*	*158*	*480*	*364*	*336*	*269*	*256*	*252*
Deferred taxes	2	2	10	9	3	3	3	3
% of sales	*5*	*6*	*37*	*25*	*9*	*7*	*7*	*6*
Interest bearing debt	47	84	81	48	60	54	60	67
% of sales	*120*	*266*	*304*	*138*	*166*	*118*	*121*	*125*
Non-interest bearing current liabilities	14	13	33	27	17	23	25	27
% of sales	*35*	*41*	*125*	*77*	*47*	*50*	*50*	*50*
Other interest free debt	0	0	0	1	5	5	5	5
% of sales	*1*	*0*	*2*	*3*	*15*	*11*	*10*	*10*
Total liabilities	114	150	253	211	206	208	222	237
CASH FLOW, EURm								
+ EBITDA	7	10	19	21	12	24	30	33
- Net financial items	-1	-3	-3	-3	-3	-3	-3	-3
- Taxes	-1	-1	0	1	-6	-1	-2	-2
- Increase in Net Working Capital	2	-3	5	6	27	32	8	0
+/- Other	5	-2	-23	-6	6	2	0	0
= Cash flow from operations	12	1	-3	17	42	54	33	28
- Capex	0	47	-51	2	6	-45	-15	-10
- Acquisitions	0	0	0	0	0	0	0	0
+ Divestments	0	0	0	0	0	0	0	0
= Net cash flow	6	-5	47	19	48	9	18	18
+/- Change in interest-bearing debt	0	37	-3	-33	11	-6	6	7
+/- New issues/buybacks	1	0	70	-9	2	0	0	0
- Paid dividend	-3	-5	-6	-8	-16	-18	-20	-21
+/- Change in loan receivables	0	0	0	0	0	0	0	0
Change in cash	4	27	107	-30	46	-14	4	3

KEY FIGURES	2015	2016	2017	2018	2019E	2020E	2021E
M-cap	86	111	258	216	258	258	258
Net debt	63	36	25	5	8	10	14
Enterprise value	149	147	283	222	267	269	272
Sales	32	27	35	36	46	50	54
EBITDA	10	19	21	12	24	30	33
EBIT	9	19	19	12	24	29	33
Pre-tax	6	16	16	9	21	27	30
Earnings	5	14	15	8	20	25	28
Book value	50	128	127	121	122	128	134
Valuation multiples							
EV/sales	4.7	5.5	8.1	6.2	5.8	5.4	5.1
EV/EBITDA	15.5	7.7	13.3	18.3	11.2	9.1	8.1
EV/EBITA	16.1	7.9	13.5	18.6	11.3	9.2	8.2
EV/EBIT	16.1	7.9	14.5	18.6	11.3	9.2	8.2
EV/operating cash flow	260.7	-46.9	9.9	6.9	4.9	7.6	8.7
EV/cash earnings	24.6	6.4	14.8	71.0	13.5	10.7	9.6
P/E	14.7	10.9	13.1	26.8	13.2	10.4	9.2
P/E excl. goodwill	14.7	10.9	12.2	26.8	13.2	10.4	9.2
P/B	1.7	0.9	2.0	1.8	2.1	2.0	1.9
P/sales	2.7	4.1	7.4	6.0	5.6	5.1	4.8
P/CF	150.9	-35.4	9.1	6.7	4.7	7.2	8.3
Target EV/EBIT	*0.0*	*0.0*	*0.0*	*0.0*	*12.0*	*9.7*	*8.7*
Target P/E	*0.0*	*0.0*	*0.0*	*0.0*	*14.0*	*11.0*	*9.7*
Target P/B	*0.0*	*0.0*	*0.0*	*0.0*	*2.2*	*2.2*	*2.0*
Per share measures							
Number of shares	86,317	88,409	145,626	147,142	152,454	152,454	152,454
Number of shares (diluted)	86,317	88,409	145,626	147,142	152,454	152,454	152,454
EPS	0.06	0.16	0.10	0.05	0.13	0.16	0.18
EPS excl. goodwill	0.07	0.12	0.15	0.05	0.13	0.16	0.18
Cash EPS	0.07	0.26	0.13	0.02	0.13	0.16	0.19
Operating cash flow per share	0.01	-0.04	0.20	0.22	0.36	0.23	0.20
Capital employed per share	0.66	1.79	1.01	0.81	0.86	0.91	0.97
Book value per share	0.58	1.45	0.87	0.82	0.80	0.84	0.88
Book value excl. goodwill	0.51	1.38	0.84	0.79	0.77	0.81	0.85
Dividend per share	0.07	0.09	0.11	0.12	0.13	0.14	0.15
Dividend payout ratio, %	118.6	55.5	104.9	219.0	101.2	85.8	81.2
Dividend yield, %	7.0	7.2	6.2	8.2	7.7	8.3	8.9
Efficiency measures							
ROE	10.1	16.1	12.0	6.5	16.1	19.9	21.5
ROCE	8.0	10.9	10.1	6.7	13.2	16.1	17.0
Financial ratios							
Capex/sales, %	-148.7	190.8	-6.0	-17.4	97.6	30.5	19.3
Capex/depreciation excl. goodwill,%	-14,671.1	19,726.7	-753.1	-3,034.6	22,330.0	6,177.9	3,848.7
Net debt/EBITDA, book-weighted	6.5	1.9	1.2	0.4	0.4	0.3	0.4
Debt/equity, market-weighted	1.0	0.7	0.2	0.3	0.2	0.2	0.3
Equity ratio, book-weighted	33.5	50.6	60.0	58.7	59.0	57.7	56.8
Gearing	1.25	0.28	0.20	0.04	0.07	0.08	0.10
Number of employees, average	0	0	0	0	0	0	0
Sales per employee, EUR	0	0	0	0	0	0	0
EBIT per employee, EUR	0	0	0	0	0	0	0

COMPANY DESCRIPTION: CapMan is a leading Nordic asset management and investment company. CapMan manages over EUR 3 billion in assets. The company mainly manages investors' assets but also makes direct investments from balance sheet, mainly into own funds. Current investments strategies cover Buyout, Growth Equity, Real Estate, Infra, Russia, and Credit. CapMan also has a growing service business that includes fundraising advisory, procurement activities, reporting and analysis services and fund management.

INVESTMENT CASE:

OWNERSHIP STRUCTURE	SHARES	EURm	%
Mandatum Life Insurance Company	11,605,186	19.613	7.6%
Ilmarinen Mutual Pension Insurance Company	10,464,415	17.685	6.9%
Oy Inventiainvest AB (Ari Tolppanen)	7,024,794	11.872	4.6%
Laakkonen Mikko Kalervo	6,378,320	10.779	4.2%
Varma Mutual Pension Insurance Company	3,675,215	6.211	2.4%
Joensuun Kauppa ja Kone Oy	3,311,853	5.597	2.2%
Vesasco Oy	3,088,469	5.220	2.0%
The State Pension Fund	2,500,000	4.225	1.6%
Winsome Oy + Tuomo Raasio	2,130,043	3.600	1.4%
Heiwes Oy	2,094,480	3.540	1.4%
Ten largest	52,272,775	88.341	34%
Residual	100,181,191	169.306	66%
Total	152,453,966	257.647	100%

EARNINGS CALENDAR	
April 25, 2019	Q1 report
August 08, 2019	Q2 report

OTHER EVENTS

COMPANY MISCELLANEOUS	
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CFO: Niko Haavisto	Tel: +358 207 207 500
IR: Linda Tierala	

DEFINITIONS

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

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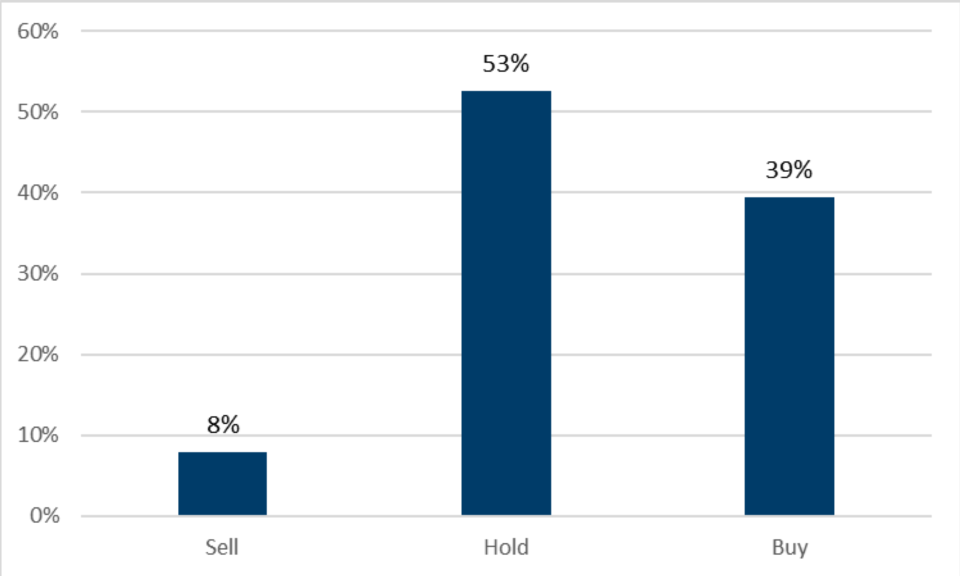
https://research.evli.com/JasperAllModels.action?authParam=key;461&authParam=x;G3rNagWrtf7K&authType=3

Investment recommendations are defined as follows:

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

ERP's investment recommendation of the analyzed company is updated at least 2 timer per year.



The graph above shows the distribution of ERP's recommendations of companies under coverage in 1st of February 2019. If recommendation is not given, it is not mentioned here.

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

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