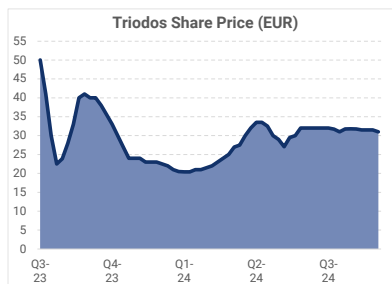


**Hold**

Share price (04/09/2024)	EUR 31.00
Target price <u>(from under review)</u>	EUR 34.00
Shares number (m)	14.5
Market cap (m)	EUR 448m
Free Float	96.0%
Rabobank	4.0%



**Company description**

Triodos Bank is a mid-sized Dutch bank that is a leading expert in the field of sustainable finance. It has activities in banking and investment management in the Netherlands, Belgium, Germany, Spain, and the UK.

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**Triodos Bank**

**Discounting a tougher interest rate environment**

**This report is considered as a marketing communication. It has been commissioned and paid for by Triodos Bank and has not been prepared in accordance with legal requirements designed to promote the independence of investment research, and is also not subject to any prohibition on dealing ahead of the dissemination of investment research.**

- We have lowered our earnings estimates based on a cooling interest rate environment, cost inflation in general, and higher than expected legal costs
- The impact on adjusted EPS is resp. -6%, -10%, and -19% for 2024/25/26
- We introduce a target price of EUR 34 (previously target valuation range of EUR 35-49), and a Hold rating (previously no rating)

**Facts: earnings estimates lowered following the H1-24 release**

- As flagged in our initial response to the H1-24 results, we lowered our earnings estimates. See exhibit 1 on the next page for an overview.
- We made small changes to our estimates for total income because the ECB implemented its first interest rate cut, and more will likely follow. This should affect Triodos' net interest margin. We previously assumed a flattish margin and we now expect a modest decrease in the years to come. As a result, we now expect total income to decrease by 1% p/a in 2024, 2025, and 2026, compared to our previous assumption of 2% growth p/a in 2025 and 2026.
- We lifted our estimates for operating costs by a low single-digit percentage. This is mainly due to higher-than-expected exceptional costs in H1-24, of which EUR 5.6m for legal. The run rate of EUR 11m p/a exceeds our former estimate of EUR 6m p/a. In 2025, there should also be one-offs for the IPO.
- The reduction in topline estimates and the increase in operating costs combined, resulted in 3%, 9%, and 17% lower estimates for profit before provisions for respectively 2024, 2025, and 2026.
- For 2025 and 2026, we made no changes to provisions and tax rate.
- On balance, we lowered our estimates for net profit by 6% for 2024, by 10% for 2025, and by 19% for 2026.
- The changes to our estimates for adjusted profits are smaller. However, we do not expect a quick fix for the legal proceedings. Legal costs amounted to a cumulative EUR 18.8m up to and including H1-24 (EUR 1.32 p/s pre-tax). The run rate of EUR 11m p/a is EUR 0.77 p/s.

EUR m	12/20a	12/21a	12/22a	12/23a	12/24e	12/25e	12/26e
Total income	305.1	341.9	375.3	466.3	463.9	461.4	458.9
Profit pre prov.	59.7	66.7	75.2	127.3	111.4	106.6	97.6
Profit before tax	35.5	67.2	67.1	106.0	99.6	96.6	87.6
Adj. net profit	46.6	50.8	64.5	90.1	83.8	80.7	72.0
Adj. EPS (EUR)	3.27	3.56	4.54	6.34	5.89	5.68	5.07
Div. per share (EUR)	0.65	1.80	3.12	4.07	2.52	2.48	2.25
C/I ratio	80.4%	80.5%	80.0%	72.7%	76.0%	76.9%	78.7%
Adj. ROE	3.9%	4.1%	5.1%	7.1%	6.3%	5.7%	5.0%
CET-1 ratio	18.7%	17.5%	17.3%	16.7%	17.6%	17.8%	17.8%

Source: Triodos Bank/Degroof Petercam estimates

### Exhibit 1 Our estimates for H2-24 and beyond (EUR m)

	H1-23	H2-23	H1-24	H2-24e	2024e	2025e	2026e	2024e	2025e	2026e	2024e	2025e	2026e
					New estimates			Former estimates			New vs. Former		
Deposits (avg)	13,773	13,744	13,905	14,075	13,930	14,241	14,526	13,897	14,175	14,458	0%	0%	0%
Loans (avg)	10,738	10,968	11,121	11,231	11,190	11,413	11,641	11,191	11,415	11,643	-0%	-0%	-0%
Loans/Deposits (avg)	78%	80%	80%	80%	80%	80%	80%	81%	81%	81%			
NII/Loans (avg)	3.3%	3.3%	3.2%	3.1%	3.1%	3.0%	2.9%	3.1%	3.1%	3.1%			
<b>NII</b>	<b>176</b>	<b>180</b>	<b>177</b>	<b>174</b>	<b>351</b>	<b>347</b>	<b>342</b>	<b>341</b>	<b>348</b>	<b>355</b>	3%	-0%	-4%
<b>F&amp;C</b>	<b>56</b>	<b>56</b>	<b>56</b>	<b>56</b>	<b>112</b>	<b>114</b>	<b>117</b>	<b>114</b>	<b>117</b>	<b>121</b>	-2%	-3%	-4%
<b>Other income</b>	<b>-2</b>	<b>-1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>			
<b>Total income</b>	<b>231</b>	<b>236</b>	<b>234</b>	<b>230</b>	<b>464</b>	<b>461</b>	<b>459</b>	<b>455</b>	<b>466</b>	<b>476</b>	2%	-1%	-4%
y/y	32%	17%	2%	-2%	-1%	-1%	-1%	-2%	2%	2%			
<b>Opex</b>	<b>169</b>	<b>170</b>	<b>178</b>	<b>175</b>	<b>352</b>	<b>355</b>	<b>361</b>	<b>341</b>	<b>348</b>	<b>358</b>	3%	2%	1%
C/I ratio	73.1%	72.3%	75.9%	75.8%	76.0%	76.9%	78.7%	74.9%	74.7%	75.2%			
<b>PPP</b>	<b>62</b>	<b>65</b>	<b>57</b>	<b>56</b>	<b>111</b>	<b>107</b>	<b>98</b>	<b>114</b>	<b>118</b>	<b>118</b>	-3%	-9%	-17%
LLP	-13	-9	-6	-6	-12	-10	-10	-10	-10	-10	18%	0%	0%
<b>PBT</b>	<b>49</b>	<b>57</b>	<b>51</b>	<b>50</b>	<b>100</b>	<b>97</b>	<b>88</b>	<b>104</b>	<b>108</b>	<b>108</b>	-4%	-10%	-19%
Taxes	-14	-15	-15	-13	-28	-26	-24	-28	-29	-29			
Tax rate	28.6%	26.0%	28.7%	27.0%	28.0%	27.0%	27.0%	27.0%	27.0%	27.0%			
<b>Net profit</b>	<b>35</b>	<b>42</b>	<b>36</b>	<b>36</b>	<b>72</b>	<b>71</b>	<b>64</b>	<b>76</b>	<b>79</b>	<b>79</b>	-6%	-10%	-19%
Exceptionals (gross)	-7	-4	-6	-6	-17	-14	-11	-7	-6	-6			
C/I ratio adjusted	68.7%	69.9%	72.1%	72.4%	72.4%	73.9%	76.3%	73.4%	73.4%	74.0%			
<b>PPP adjusted</b>	<b>72</b>	<b>71</b>	<b>65</b>	<b>64</b>	<b>128</b>	<b>121</b>	<b>109</b>	<b>121</b>	<b>124</b>	<b>124</b>	6%	-2%	-12%
<b>Net profit adjusted</b>	<b>43</b>	<b>46</b>	<b>42</b>	<b>42</b>	<b>84</b>	<b>81</b>	<b>72</b>	<b>81</b>	<b>83</b>	<b>83</b>	3%	-3%	-13%
Per share (EUR)													
<b>EPS</b>					<b>5.04</b>	<b>4.96</b>	<b>4.50</b>	<b>5.36</b>	<b>5.53</b>	<b>5.55</b>	-6%	-10%	-19%
<b>DPS</b>					<b>2.52</b>	<b>2.48</b>	<b>2.25</b>	<b>2.68</b>	<b>2.77</b>	<b>2.77</b>	-6%	-10%	-19%
Pay-out					50%	50%	50%	50%	50%	50%			
<b>EPS adjusted</b>					<b>5.89</b>	<b>5.68</b>	<b>5.07</b>	<b>5.72</b>	<b>5.84</b>	<b>5.85</b>	3%	-3%	-13%

Source: Triodos, Degroof Petercam

### The share price has stabilised around EUR 31.50

The Triodos share price has reached stable waters after a volatile development since trading started on the Captin platform in July 2023. Since April 2024, the share price has been hovering around EUR 31.50. This represents a 1-year forward looking P/E ratio of 5.5x based on adjusted profits, and a discount of around 30% to the average P/E of the Benelux peer group in the same period. We consider such discount justified because of three reasons:

- Triodos is a small cap with low liquidity. The latter could improve after the listing on Euronext Amsterdam, but not towards levels of large caps. Small caps with low liquidity are generally valued at lower multiples than large caps with strong liquidity.
- Triodos is smaller than its Benelux peers and thus operational efficiency is held back by economies of scale. This is visible in a higher C/I ratio and a lower ROE vs. its peers. Lower fundamentals generally coincide with lower multiples.
- Triodos is involved in legal proceedings, which we do not expect to be resolved in the short-term. Such proceedings generally weigh on the valuation of companies, irrespective of their size or sector.

### Exhibit 2 Share price (EUR)



Source: Captin, Degroof Petercam

### Exhibit 3 P/E and P/E vs. Benelux peers (x)



Source: Bloomberg, Captin, Degroof Petercam



### **We introduce a target price of EUR 34 and a Hold rating**

The Degroof Petercam methodology for commissioned research has changed from a target valuation range to a target price and rating. Consequently, we introduce a target price of EUR 34 and a Hold rating, which follows up on our former target valuation range of EUR 35-49 which we put under review in our first reaction to the H1-24 results.

Based on Bloomberg consensus estimates for the three companies in our peer group (ABN, ING, KBC), and consensus target prices for these companies, we calculate a target P/E 2025 of 8.7x for the peer group. This is below the long-term historical average of 10x, which we believe is because investors are discounting lower earnings in the future due to the likelihood of interest rate cuts in the near future. For Triodos, we apply a discount of 30%, based on the average discount of the past five months, underpinned by the arguments highlighted on the previous page. This translates into a target P/E 2025e of 6.1x, which we multiply by our estimate for adjusted EPS 2025 of EUR 5.68. This points to a target price of EUR 34 (rounded). This offers no meaningful up- or downside. Hence, we take a neutral stance with a Hold rating.

Profit & Loss (EUR m)	12/20a	12/21a	12/22a	12/23a	12/24e	12/25e	12/26e
Net interest income	198.2	221.5	253.1	356.2	351.5	347.1	342.4
Net fee and commission income	106.1	116.1	120.9	112.3	112.0	114.3	116.5
Other income	0.8	4.4	0.7	-2.9	0.4	0.0	0.0
<b>Total income</b>	<b>305.1</b>	<b>341.9</b>	<b>375.3</b>	<b>466.3</b>	<b>463.9</b>	<b>461.4</b>	<b>458.9</b>
Growth yoy	+4.5%	+12.1%	+9.8%	+24.3%	-0.5%	-0.5%	-0.5%
C/I ratio	80.4%	80.5%	80.0%	72.7%	76.0%	76.9%	78.7%
<b>Operating costs</b>	<b>-245.4</b>	<b>-275.2</b>	<b>-300.1</b>	<b>-339.0</b>	<b>-352.4</b>	<b>-354.8</b>	<b>-361.3</b>
Employee costs	-134.6	-149.9	-166.8	-183.2	-200.3	-202.7	-206.7
Administrative costs	-82.1	-98.8	-111.4	-129.9	-124.1	-124.8	-127.3
Depreciation	-12.8	-12.1	-8.1	-7.7	-10.0	-10.0	-10.0
Amortisation	-10.7	-11.7	-13.9	-17.0	-17.3	-17.3	-17.3
Impairment	-5.2	-2.7	0.1	-1.1	-0.7	0.0	0.0
<b>Profit pre provisions</b>	<b>59.7</b>	<b>66.7</b>	<b>75.2</b>	<b>127.3</b>	<b>111.4</b>	<b>106.6</b>	<b>97.6</b>
<b>Loan loss provisions</b>	<b>-24.2</b>	<b>0.4</b>	<b>-8.1</b>	<b>-21.3</b>	<b>-11.8</b>	<b>-10.0</b>	<b>-10.0</b>
<b>Profit before tax</b>	<b>35.5</b>	<b>67.2</b>	<b>67.1</b>	<b>106.0</b>	<b>99.6</b>	<b>96.6</b>	<b>87.6</b>
Taxes	-8.3	-16.4	-17.1	-28.8	-27.9	-26.1	-23.7
Tax rate	23.3%	24.4%	25.6%	27.2%	28.0%	27.0%	27.0%
Associates	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Minorities	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Discontinued	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net profit</b>	<b>27.2</b>	<b>50.8</b>	<b>49.9</b>	<b>77.2</b>	<b>71.7</b>	<b>70.5</b>	<b>64.0</b>
Exceptional items in operating costs	-0.4	-2.3	-18.9	-15.9	-16.8	-14.0	-11.0
Adj. C/I ratio (%)	80.3%	79.8%	75.0%	75.0%	72.4%	73.9%	76.3%
Adj. profit pre provisions	60.1	69.0	94.1	143.2	128.2	120.6	108.6
Adj. profit before tax	35.9	69.5	86.0	121.9	116.4	110.6	98.6
<b>Adj. net profit</b>	<b>46.6</b>	<b>50.8</b>	<b>64.5</b>	<b>90.1</b>	<b>83.8</b>	<b>80.7</b>	<b>72.0</b>

Balance sheet (EUR m)	12/20a	12/21a	12/22a	12/23a	12/24e	12/25e	12/26e
Tangible fixed assets	101.5	94.7	88.7	80.5	76.3	72.8	69.3
Right of use assets	19.4	16.7	13.3	12.2	16.6	16.6	16.6
Goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other intangible assets	45.8	48.3	51.2	48.2	46.9	45.7	44.4
Financial fixed assets	42.1	47.9	52.5	56.1	54.4	54.4	54.4
Deferred tax assets	14.9	13.6	13.2	12.9	12.2	12.2	12.2
<b>Total fixed assets</b>	<b>223.6</b>	<b>221.2</b>	<b>218.9</b>	<b>209.8</b>	<b>206.4</b>	<b>201.6</b>	<b>196.8</b>
Cash & cash equivalents	2,955.8	4,277.6	2,581.1	2,141.0	1,828.1	1,928.4	2,025.0
Loans and advances to banks	150.6	265.8	332.5	273.8	280.4	280.4	280.4
Loans and advances to customers	9,156.7	10,167.8	10,619.7	11,080.0	11,300.0	11,526.0	11,756.5
Debt securities at amortised cost	1,317.3	1,483.4	1,689.8	2,187.6	2,657.0	2,657.0	2,657.0
Non trading derivatives	1.8	19.7	295.7	207.9	236.3	236.3	236.3
Tax receivable	1.8	1.7	1.5	1.7	5.7	5.7	5.7
Other assets	61.9	54.4	55.8	65.1	76.2	76.2	76.2
<b>Financial assets</b>	<b>13,645.8</b>	<b>16,270.3</b>	<b>15,576.0</b>	<b>15,957.1</b>	<b>16,383.5</b>	<b>16,709.8</b>	<b>17,037.0</b>
Assets held for sale	19.0	12.7	5.6	8.7	4.0	4.0	4.0
<b>Total assets</b>	<b>13,888.4</b>	<b>16,504.2</b>	<b>15,800.5</b>	<b>16,175.6</b>	<b>16,593.9</b>	<b>16,915.4</b>	<b>17,237.8</b>
Equity	1,208.2	1,250.1	1,259.4	1,288.6	1,386.6	1,426.1	1,460.8
Minorities & preference shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total Equity</b>	<b>1,208.2</b>	<b>1,250.1</b>	<b>1,259.4</b>	<b>1,288.6</b>	<b>1,386.6</b>	<b>1,426.1</b>	<b>1,460.8</b>
Deposits from banks	815.1	1,608.3	337.1	670.1	685.7	685.7	685.7
Deposits from customers	11,747.2	13,285.1	13,816.3	13,759.1	14,100.0	14,382.0	14,669.6
Non trading derivatives	10.5	7.0	1.3	34.7	12.9	12.9	12.9
Tax liabilities	20.9	19.2	23.1	31.0	17.3	17.3	17.3
Debt issued	6.4	255.6	259.9	260.4	258.0	258.0	258.0
Provisions	4.4	5.8	7.9	18.2	21.1	21.1	21.1
Other liabilities	75.8	73.2	95.6	113.6	112.4	112.4	112.4
<b>Liabilities</b>	<b>12,680.2</b>	<b>15,254.1</b>	<b>14,541.1</b>	<b>14,887.0</b>	<b>15,207.3</b>	<b>15,489.3</b>	<b>15,777.0</b>
Liabilities held for sale	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total liabilities</b>	<b>13,888.4</b>	<b>16,504.2</b>	<b>15,800.5</b>	<b>16,175.6</b>	<b>16,593.9</b>	<b>16,915.4</b>	<b>17,237.8</b>

Source: Triodos Bank/Degroof Petercam estimates

Cash Flow (EUR m)	12/20a	12/21a	12/22a	12/23a	12/24e	12/25e	12/26e
Net profit	27.2	50.8	49.9	77.2	71.7	70.5	64.0
Depreciation	9.5	8.8	8.3	7.7	7.5	7.5	7.5
Amortisation	10.7	11.7	13.9	17.0	17.3	17.3	17.3
Impairment	5.2	2.7	-0.1	1.1	0.7	0.0	0.0
Change in provisions	-2.6	2.2	2.2	0.3	2.9	0.0	0.0
Other operational CF	33.1	7.2	9.9	20.3	6.8	5.0	5.0
<b>Operational cash flow</b>	<b>83.1</b>	<b>83.3</b>	<b>84.0</b>	<b>123.6</b>	<b>106.9</b>	<b>100.3</b>	<b>93.8</b>
Change in loans and deposits	826.2	1,203.0	-1,500.2	-89.0	129.9	56.0	57.1
Change in other financial assets	-264.2	-163.6	-181.2	-445.5	-469.4	0.0	0.0
<b>CF from operating activities</b>	<b>645.1</b>	<b>1,122.7</b>	<b>-1,597.4</b>	<b>-410.9</b>	<b>-232.6</b>	<b>156.3</b>	<b>150.9</b>
CAPEX	-3.0	-2.2	-2.7	-4.6	-4.0	-4.0	-4.0
Investments in intangibles	-15.0	-14.5	-16.9	-15.3	-16.0	-16.0	-16.0
Acquisitions	0.0	0.0	0.0	0.0	0.7	0.0	0.0
Divestments	1.2	2.1	7.2	0.4	0.0	0.0	0.0
Other investing CF	-12.4	-5.0	-0.4	-0.8	-0.4	0.0	0.0
<b>CF from investing activities</b>	<b>-29.1</b>	<b>-19.6</b>	<b>-12.8</b>	<b>-20.3</b>	<b>-19.6</b>	<b>-20.0</b>	<b>-20.0</b>
Dividends	0.0	-9.2	-44.9	-42.6	-59.5	-36.1	-34.2
Minorities	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Share buybacks	-20.5	-0.9	0.0	0.0	0.0	0.0	0.0
Equity financing	5.5	0.0	0.0	-0.2	-1.2	0.0	0.0
Other financing CF	6.4	247.8	0.0	0.0	0.0	0.0	0.0
<b>CF from financing activities</b>	<b>-8.7</b>	<b>237.7</b>	<b>-44.9</b>	<b>-42.8</b>	<b>-60.6</b>	<b>-36.1</b>	<b>-34.2</b>
<b>Net cash flow</b>	<b>607.3</b>	<b>1,340.8</b>	<b>-1,655.2</b>	<b>-474.0</b>	<b>-312.9</b>	<b>100.2</b>	<b>96.7</b>
Figures per Share (EUR)	12/20a	12/21a	12/22a	12/23a	12/24e	12/25e	12/26e
<b>Adjusted EPS</b>	<b>3.27</b>	<b>3.56</b>	<b>4.54</b>	<b>6.34</b>	<b>5.89</b>	<b>5.68</b>	<b>5.07</b>
Declared EPS	1.91	3.56	3.51	5.43	5.04	4.96	4.50
<b>Dividend</b>	<b>0.65</b>	<b>1.80</b>	<b>3.12</b>	<b>4.07</b>	<b>2.52</b>	<b>2.48</b>	<b>2.25</b>
Dividend pay-out ratio	34.1%	50.6%	60.1%	75.0%	50.0%	50.0%	50.0%
Book value	83.51	86.41	87.05	89.07	95.85	98.57	100.97
<b>Shares (m)</b>							
Number of shares at year-end	14.5	14.5	14.5	14.5	14.5	14.5	14.5
Average number of shares	14.3	14.3	14.2	14.2	14.2	14.2	14.2
Average number of shares diluted	14.3	14.3	14.2	14.2	14.2	14.2	14.2
Ratios	12/20a	12/21a	12/22a	12/23a	12/24e	12/25e	12/26e
<b>Financial ratios</b>							
Return on equity	2.3%	4.1%	4.0%	6.1%	5.4%	5.0%	4.4%
Adj. return on equity	3.9%	4.1%	5.1%	7.1%	6.3%	5.7%	5.0%
Leverage ratio	8.8%	8.1%	6.9%	6.9%	7.2%	7.3%	7.3%
CET-1 ratio	18.7%	17.5%	17.3%	16.7%	17.6%	17.8%	17.8%
<b>Margin analysis</b>							
Adj. PPP margin	19.7%	20.2%	25.1%	30.7%	27.6%	26.1%	23.7%
PPP margin	19.6%	19.5%	20.0%	27.3%	24.0%	23.1%	21.3%
Adj. PBT margin	11.8%	20.3%	22.9%	26.2%	25.1%	24.0%	21.5%
PBT margin	11.6%	19.6%	17.9%	22.7%	21.5%	20.9%	19.1%
Adj. net profit margin	15.3%	14.9%	17.2%	19.3%	18.1%	17.5%	15.7%
Tax rate	23.3%	24.4%	25.6%	27.2%	28.0%	27.0%	27.0%
<b>Growth analysis</b>							
Total income change y/y	+4.5%	+12.1%	+9.8%	+24.3%	-0.5%	-0.5%	-0.5%
Adj. PPP change y/y	+11.2%	+14.9%	+36.3%	+52.2%	-10.5%	-6.0%	-9.9%
Adj. PBT change y/y	-28.8%	93.6%	23.8%	41.8%	-4.5%	-5.0%	-10.8%
Adj. net profit change y/y	+25.1%	+8.9%	+27.1%	+39.6%	-7.0%	-3.6%	-10.8%
Adj. EPS change y/y	+22.4%	+8.9%	+27.5%	+39.6%	-7.0%	-3.6%	-10.8%
Dividend change y/y	-	+176.9%	+73.3%	+30.5%	-38.0%	-1.7%	-9.3%

Source: Triodos Bank/Degroof Petercam estimates



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Full ESG-reports:

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**Report completion and updates**

This report was first disseminated by Degroof Petercam on 5 September 2024 07:52 CET

Valuations are continuously reviewed by the analyst and will be updated and/or refreshed regularly. The rationale behind a change in target valuation will be explained in such a refresher/update.

An overview of the research published on this company can be found on our website:

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This report has not been reviewed by the company prior to publication.

The report has been reviewed by Luuk van Beek, Senior Equity Analyst.



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