

Closing share Price (02/11/2022)

EUR 68.50

Target valuation range

EUR 79.00 - 96.00

Risk	Low
Reuters	LUX.LU
Bloomberg	LXMP LX
Shares number (m)	20.15
Market cap. (m)	1,380
NAV 03/11/2022	104.10
(Discount)/Premium	-34.2%
1 year price perf.	-9.9%
Diff. with Euro Stoxx	7.7%
Volume (sh./day)	1,133
H/L 1 year	79.50 - 68.50
Free Float	24.2%
Foyer Finance	50.4%
Sofina Group	6.1%
Stable Shareholders	16.6%
Treasury Shares	2.7%

Company description

Luxempart is a Luxembourg based investment holding company with more than 25 years of existence. Luxempart invests in several European countries, mainly in the DACH region, Luxembourg, Belgium, France and Northern-Italy.



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Luxempart

(Partially) Exiting RIMED at nice IRR in dry market

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RIMED to partner up with Unilabs, Luxempart makes nice IRR

RIMED, a leading Swiss diagnostic radiology company, will partner up with Unilabs, a leading diagnostic services provider. In this partnership, Unilabs will take a majority stake in RIMED. During this transaction, Luxempart will reduce its stake in RIMED from 27.4% to 5.5%. As a result, Luxempart will generate an IRR significantly exceeding its long-term objectives (>15%).

Valuation unknown, but likely to be big (DPe EUR 70-75m)

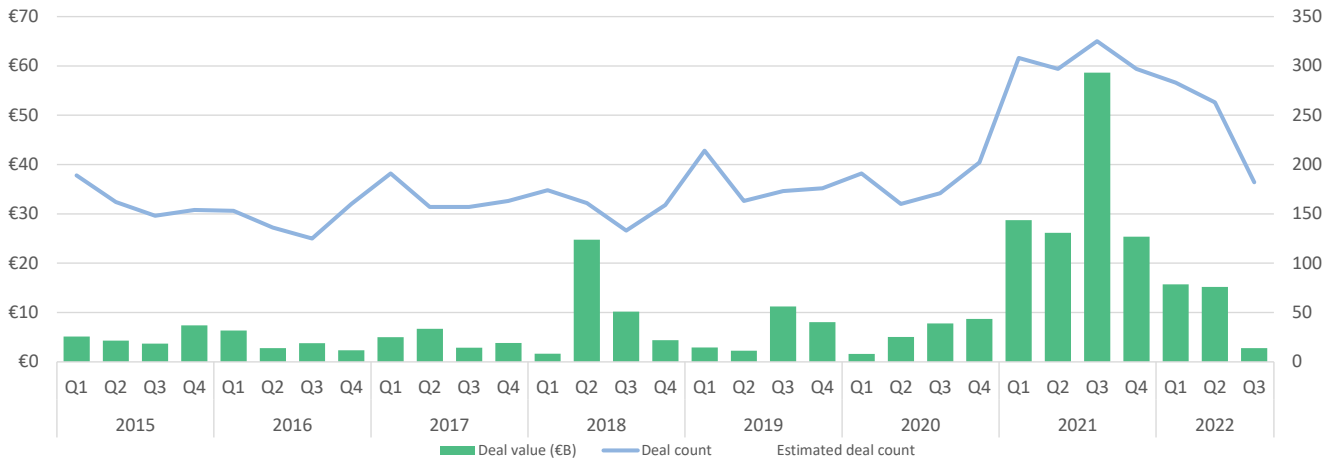
Although we do not know exactly the value of RIMED in the portfolio, the company was one of the few Healthcare companies in the portfolio. As Luxempart does provide NAV per sector for direct investments, we can therefore derive a rough estimate of the valuation. We believe RIMED was in the NAV for about EUR 70-75m.

Impressive exit in a very dry market

We are positively surprised about this transaction. As we have seen in the market (e.g. Pitchbook Q3 VC report & PGIM - 'The New Dynamics of Private Markets'), liquidity is drying up. Typical exits from private companies like an IPO are very difficult in today's environment and if there are exits they are typically in the form of a downround. A good example of that was Klarna, which had to raise funds in 2022 at a valuation which was 85% lower than its previous one in 2021. As a result, we see a lot of GPs creating continuation funds and passing old assets on to the new vintage without having to book an impairment. This also helps them to preserve their management and performance fees. Therefore, it is even more impressive that Luxempart was able to (partially) exit while still generating an IRR of >15% in the current market.

EUR	12/18	12/19	12/20	12/21	12/22e	12/23e	12/24e
End FY Price	50.50	53.00	49.00	74.50	-	-	-
End FY NAV	70.09	78.40	85.11	107.80	-	-	-
End FY Discount	-27.9%	-32.4%	-42.4%	-30.9%	-	-	-
EPS	3.44	10.31	7.80	24.81	-	-	-
Cash EPS	-	-	-	-	-	-	-
Div.	1.41	1.48	1.60	1.80	1.94	2.10	2.27
Y/Y	5.0%	5.2%	8.1%	12.5%	8.0%	8.0%	8.0%
Payout	40.9%	14.4%	20.5%	-	-	-	-
Yield	2.9%	2.8%	3.3%	2.4%	2.8%	3.1%	3.3%

Exhibit 1 VC exit activity



Source: Pitchbook Q3 VC report

This sale will bring the net cash position to >EUR 400m again or >20% of NAV. In the current environment, a large cash position can be an opportunity to get into attractive businesses at good prices. In order to prevent this from becoming a reinvestment risk, it is key that the investment company has a clear cut strategy on how to deploy it. As a reminder, Luxempart's strategy consists of EUR 25-100m tickets in both listed and private companies. Although no sectors are excluded, the company does have an affinity with financial services & insurance, telecommunication, security, healthcare and industrials.

Another important factor is that Luxempart is a patient and long-term investor. The company has no strict deadline to exit within 3 years, as you would expect with typical PE players. Instead, Luxempart prefers to partner up with the management or founding families of the company and see how they can support them in the best way possible.

Be that either through buy & build, organic & geographical expansions or partnering up with fellow companies as we have seen today.

Valuation

We estimate today's NAV to be EUR 104.1 per share. That implies a discount of 34.2% which is both significantly above the historical average (~30%) and our target discount of 15%. After updating our model for lower equity markets since our last report (partially offset by today's sale), we slightly lower our valuation range to EUR 79-96 (vs. EUR 81-99 before).

Compared to the current share price, this range provides an upside of 15.3-40.2%. Considering this upside, we believe Luxempart remains an attractive investment for patient investors that can withstand the limited liquidity.

Exhibit 2 NAV at 03/11/2022

Participations	Spot value (€m)	Per share	% of GAV	12m Target
Direct Investment (Listed)	169.6	8.4	10%	178.1
Direct Investments (Private)	1,067.3	53.0	64%	1,195.4
of which Foyer (DPe)	514.6	25.5	31%	560.9
Investment Funds	427.3	21.2	26%	474.3
Gross Asset Value (GAV)	1,664.2	82.6	100%	1,847.8
Net cash	433.6	21.5		433.6
Net Asset Value (NAV)	2,097.8	104.1		2,281.4
per share	104.1			113.2
Share price	68.5			
	Current	Hist. average	Target	
Discount	-34%	-30%	-15%	
Target range in EUR		79	96	

Source: Degroof Petercam estimates

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Report completion and updates

This report was first disseminated by Degroof Petercam on 3 November 2022 08:40 CET

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

The report has been reviewed by Laura Roba, Equity Analyst.

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