

Closing share Price (27/04/2022)

EUR 75.00

Target valuation range

EUR 79.00 - 96.00

Risk	Low
Reuters	LUX.LU
Bloomberg	LXMP LX
Shares number (m)	20.10
Market cap. (m)	1,507
NAV 27/04/2022	102.66
(Discount)/Premium	-26.9%
1 year price perf.	24.0%
Diff. with Euro Stoxx	29.4%
Volume (sh./day)	1,358
H/L 1 year	79.50 - 54.50
Free Float	24.1%
Foyer Finance	50.4%
Sofina Group	6.1%
Stable Shareholders	16.6%
Treasury Shares	2.8%

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

2021: a year of transformation

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With the annual report published, we circle back to the excellent results of Luxempart in 2021.

A year of investing

Investments in the direct investments portfolio amounted to EUR 206m, of which a sizeable stake of EUR 87m in Evariste (see our previous report on this acquisition [here](#)). The Group also added to its stake in SNP and Technotrans. In investment funds, new commitments amounted to EUR 98m. Both direct investments as investment funds were therefore above their annual target of EUR 150m and EUR 75m respectively. Going forward, Luxempart will aim to invest on average EUR 50m per ticket in order to have a meaningful impact on the NAV. At the same time, management also requires that all portfolio companies, regardless of the stake Luxempart has, grant Luxempart adequate governance rights. Luxempart wants to be an active partner in the companies it owns which is significantly different from the more passive approach we often see at other investment companies.

A year of streamlining

While investing significantly in existing companies like SNP and Technotrans, the Group also continued its streamlining strategy bringing the amount of portfolio lines from 43 to 33. This was of course supported by the takeover offers on Zooplus and Schaltbau. The streamlining will continue in 2022 as there are a few exit processes still ongoing. By the end of 2023, the company wants to have a portfolio of ~20 companies.

A year of ESG

Luxempart also increased its focus on ESG as the company reported a detailed Sustainability Report which the company intends to expand in the coming years. This trend is in line with what we have seen at other investment companies like Sofina for example. This offers the possibility of getting an attractive ESG rating and as a result being included in ESG funds or trackers.

EUR	12/18	12/19	12/20	12/21	-	-	-
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	-	-	-
Y/Y	5.0%	5.2%	8.1%	12.5%	-	-	-
Payout	40.9%	14.4%	20.5%	-	-	-	-
Yield	2.9%	2.8%	3.3%	2.4%	-	-	-

Strong portfolio performance 2021

Luxempart's NAV grew 27.4% over 2021 and 29.3% including the dividend distribution.

The private portfolio (excluding Foyer), performed very well with EBITDA increasing by 31% on average. Valuations remain very conservative at 10.3x EBITDA FY21 given the current elevated multiples in private equity. 26% of the NAV-increase over 2021 was related to capital gains vs. the last reported NAV which indeed underlines their conservative valuation approach. The fourteen largest companies presented in the annual report represent 54.6% of the consolidated NAV.

In Investment Funds, the company wants to invest between 75m and 100m in 2022 and to internationalize its exposure towards North America. This already started in 2021 as only 18% of the EUR 98m committed is to be deployed in Europe. The other 82% will be deployed in North America, Asia or on a global scale. This pillar has been a provider of excellent growth with a performance of 42.9% in 2021.

Treasury shares amounted to 574,735 or 2.8% of the outstanding shares. The AGM of 2021 also authorized a share buyback of up to 30% of its own shares for a price up to EUR 100 per share. This authorization expires at the AGM of April 25 2022 but it will be proposed to extend the authorization. We believe a SBB is not the right approach for Luxempart as it already suffers from a lack of liquidity. Instead, we hope that the 2.8% treasury shares and/or some of the existing shareholders might be interested to place their shares in the market. This would benefit the liquidity and hopefully the efficiency of the listing. Other possibilities of increasing liquidity would be an equity raise, a secondary listing on Euronext Brussels and a possible stock dividend.

Foyer: the foundation of the portfolio

We estimate Foyer to represent ~35% of the GAV making it the biggest single line in the portfolio. Foyer is the insurance market leader in Luxembourg and also has exposure to wealth management in Belgium through CapitalAtWork.

Unfortunately, financial information about this stake remains limited. What is reported is that the net result grew to EUR 160m. We continue to believe that it would be beneficial for both Luxempart as investors if there would be more detailed information on the crown jewel of the portfolio. After all, the annual reports of Foyer are published on their own website. There we could read that for 2021, revenue grew 9.7%. Equity amounted to EUR 1.5bn, up 7.1% YoY. Operational result increased strongly to EUR 199.5m (+49.5%). The company also mentioned that its solvability ratio is comfortably above 200%.

Looking at valuation, Luxempart does not communicate at how much they value Foyer in the NAV. However, using the sectoral distribution of the portfolio, we can make an attempt. At the end of 2021, 44% of the direct investments were in financial services. This implies a valuation of EUR 623m. Luxempart holds 2 stakes in this sector: Foyer and iM Global. As Luxempart invested EUR 25m in iM Global combined with EUR 4m of additional investments, it implies a valuation of Foyer of EUR 594m. This is in line with our estimates. As Luxempart owns a 32% stake, this would bring valuation of the whole of Foyer to EUR 1.85bn. The 2021 P/B would therefore be ~1.27 which is in line with the sector.

ESG: Becoming a key pillar of strategy

2021 was also a transformative year for ESG, which involved developing a sustainability framework, data collection, updating policies (including GDPR), and the creation of Sustainability Committee. Today, the Group deems it is not directly exposed to significant climate-related or other environmental risks. To preserve this, Luxempart established an exclusion list for its direct investments.

Going forward, the ESG strategy will be further developed in 2022. The action plan for this year consists of:

- The definition of a Sustainability policy
- Perform the first sustainability due diligences and prepare for the data collection
- Establish first reporting based on the approved sustainability framework
- Monitoring the constant evolution of the ESG legal and regulatory framework

We believe a significant differentiator between companies that score well or average on ESG is their data collection, quantified communication on key ESG metrics and the setting of ESG targets. This is an evolution also seen at Sofina for which 2021 was a year of data collection and communication of quantified metrics. We believe it will be beneficial for Luxempart if it decides to follow the same path.

Our view: Important changes in progress with more to be expected in 2022

2021 was a good year for Luxempart but we do not think the party is over yet. We believe the management is committed to modernize Luxempart and make it future-proof. Establishing an ESG framework, streamlining the portfolio and internationalizing its portfolio are examples of that. We believe these measures are paying off. When we first started covering Luxempart, the stock was trading at a discount of ~40%. This has come down towards 30%. This also means there is still plenty of improvement possible as we believe a target discount of 15% is justified for Luxempart's portfolio.

In order to achieve a lower discount, we have suggested several options:

- Improving communication: Work in progress
- Continue dividend growth: 12.5% growth in 2021
- Increase liquidity

It is clear that Luxempart gets a check mark for the dividend growth. Also, on communication there have been several improvements including the sustainability report. One way to improve this is to communicate more clearly on Foyer. Many investors want to know more about the key portfolio line of Luxempart. After all, the annual report is published on the company's website.

A second catalyst would be the increase of liquidity. This could be achieved by either issuing new shares or existing shareholders lowering their stake. With a free float of <25%, we believe the company gets insufficient visibility. That combined with a very illiquid Luxembourg stock exchange, makes it for several investors (e.g. private banking) difficult to trade the stock due to liquidity constraints. Once again, we would like to stress that all these issues raised are technical factors and have nothing to do with the fundamentally strong portfolio. As we are confident that the management will try as much as possible to resolve these points over time, we believe a further rerating is still in the cards.

Exhibit 1 NAV at 28/04/2022				
Participations	Spot value (€m)	Per share	% of GAV	12m Target
Direct Investment (Listed)	120.8	6.0	7%	126.9
Direct Investments (Private)	1,162.2	57.7	68%	1,301.6
of which Foyer (DPe)	587.0	29.2	34%	639.8
Investment Funds	437.5	21.7	25%	485.6
Gross Asset Value (GAV)	1,720.5	85.5	100%	1,914.1
Net cash	345.6	17.2		345.6
Net Asset Value (NAV)	2,066.1	102.7		2,259.7
per share	102.7			112.3
Share price	75.0			
	Current		Hist. average	Target
Discount	-27%		-30%	-15%
Target range in EUR			79	96

Source: Degroof Petercam estimates

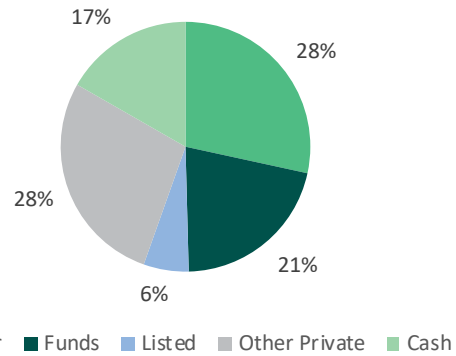
Share details Luxempart

Share Price	75.00
NAV	102.66
Prem/(Disc)	-26.9%
Target	-15%
Dividend	1.80
Yield	2.4%
Target range	EUR 79-96

Last updated

28/04/2022

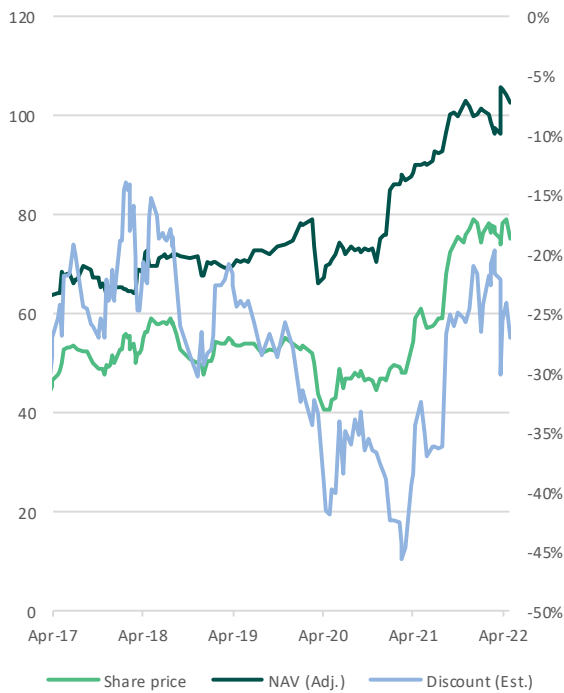
NAV distribution



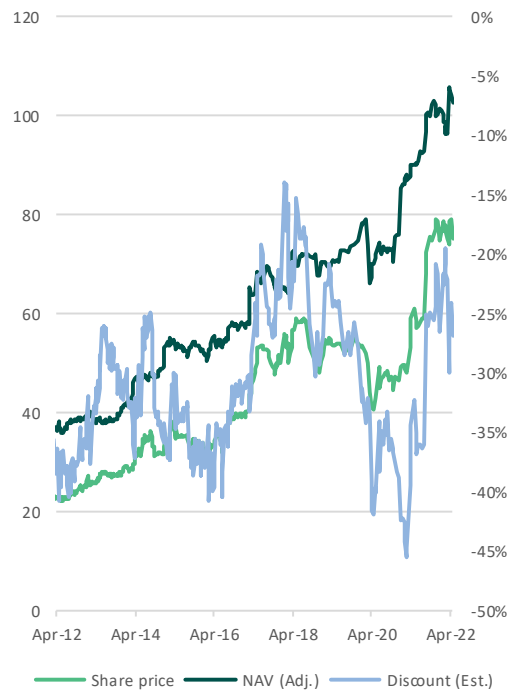
Historic discount average

5Y average	-27.6%
10Y average	-31.7%

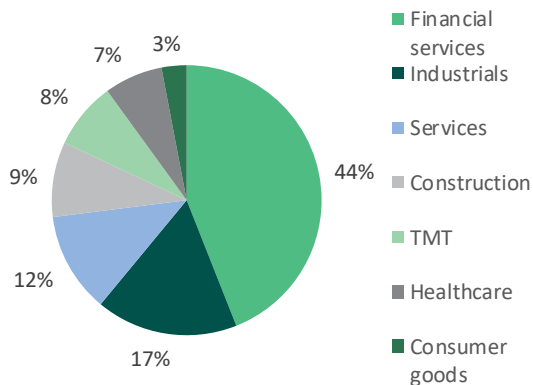
5Y Share Price / NAV / Discount evolution



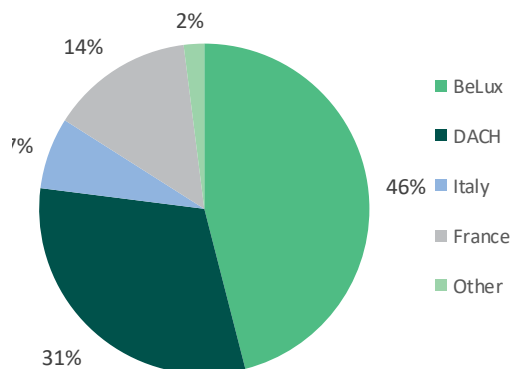
10Y Share Price / NAV / Discount evolution



Sector distribution direct investments



Geographical distribution direct investments



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Report completion and updates

This report was first disseminated by Degroof Petercam on 28 April 2022 08:07 CET

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

The report has been reviewed by David Seynnaeve, equity analyst.

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