

Share price (14/09/23)

EUR 69.50

Target valuation range

EUR 83.00 - 101.00

Risk	Low
Bloomberg	LXMP:LX
Shares number (m)	20.1
Market cap (m)	EUR 1,398m
Net debt 12/22 (m)	EUR
Net debt/EBITDA 12/23	
1 year price perf.	-4.1%
Diff. with EuroStoxx	-19.8%
Volume (sh/day)	12
L/H 1 year	EUR 66.00 -79.00
Free Float	24.2%
Foyer Finance	50.4%
Stable Shareholders	16.6%
Sofina Group	6.1%
Treasury Shares	2.7%
	-
	-
	-
	-
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Company description

Luxempart is a Luxembourg-based investment company managing a portfolio of >EUR 2bn. Luxempart's portfolio consists of three pillars: a listed portfolio (11%), a private equity portfolio (62%) and investment funds (27%). Luxempart is a long-term investor with a flexible investment policy.



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Luxempart

Solid H1 performance with resilient pipeline

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Facts

- Luxempart's H1 NAV came in at EUR 2.2bn or EUR 110.7 p/s. That is an increase of 2.3% over the first six months of the year (FY22: EUR 108) and in line with our estimate of EUR 112.
- The weighted average EBITDA of the portfolio (listed+unlisted) increased by 8%. Valuation-wise, the private lines are conservatively valued at 8.4x EBITDA (vs. 9.9x at the end of FY22).
- The company was active in H1 with EUR 183m being invested in 2 new lines and 3 existing lines. That is in stark contrast with some of Luxempart's peers which had a very muted H1 in terms of dealflow.
- Luxempart still has a healthy pipeline going into H2 and stated that they are "finalizing new investments in the second half of the year, both in new companies and to support our existing portfolio companies in their development and acquisition strategies."
- Also on the divestment side, Luxempart was active with divestments in 3 listed portfolio companies and an ongoing divestment in a 4th one.
- Even the Investment Funds segment remained active with EUR 61m of capital calls (H1 22: EUR 32m). The firm has about EUR 117m of commitments outstanding, mostly in Buyout (51%) and Secondary Funds (40%). Also performance was good at +6.5%. At the closing, Luxempart had received updated H1 NAVs for 82% of the funds. Today, this is 100% with no significant impact on the valuations.
- Luxempart still has plenty of liquidity to deploy. The firm has a net cash position of EUR 233m (including other assets & liabilities) or about 12% of the portfolio. Pro-forma the post-closing divestments of Süss Microtec (EUR 19.7m) and SNP (EUR 25.5m), the net cash will be ~EUR 278m or about EUR 14 p/s. Including other assets & liabilities (e.g. tax assets), this pool goes up to ~EUR 300m. Luxempart also took a credit line of EUR 50m which remains undrawn.

EUR	12/19a	12/20a	12/21a	12/22a	12/23e	12/24e	12/25e
Share price	53.00	49.00	74.50	74.50	69.50	69.50	69.50
NAV per share	78.40	85.11	107.80	108.30			
NAV	1,573.9	1,709.4	2,166.4	2,182.9	0.0	0.0	0.0
Premium/discount	-32.4%	-42.4%	-30.9%	-31.2%			
10yr average premium	-31.4	-31.4	-31.4	-31.4	-31.4	-31.4	-31.4
Dividend per share	1.48	1.60	1.80	1.98	2.16	2.33	2.52
Dividend growth	+5.2%	+8.1%	+12.5%	+10.0%	+9.0%	+8.0%	+8.0%
Dividend yield	2.8%	3.3%	2.4%	2.7%	3.1%	3.4%	3.6%
LTV	-9.3%	-13.6%	-17.0%	20.6%			

Source: Luxempart/Degroof Petercam estimates

Our view: Healthy pipeline when others are struggling

Luxempart actually had a very resilient first half of the year. Both on the investment and divestment side, the firm was active whereas activity at some peers was very much muted. The firm still has plenty of liquidity available to pursue its healthy pipeline. This cash is partially the result of the streamlining of the portfolio which started in 2020. Going forward, we do expect that net cash will become fully invested and that Luxempart will go to a cash neutral state. This is similar to Brederode's strategy. Having some credit lines available will come in handy then.

We estimate today's NAV to be EUR 108 p/s, implying a discount of 36%. This remains elevated and is above the long-term average of ~30%. Given the strong track record, we believe a justified discount would be more in the 15-30% range. Our valuation range gets adjusted slightly to EUR 83-101 (vs. EUR 88-107) before. This provides an upside of 19-45%. This remains attractive vs. the average upside in our coverage of about 20%. We continue to believe that Luxempart is an excellent opportunity for investors willing to partner up with a stable (family) shareholdership with a long-term vision.

Exhibit 1 NAV				
Participations	Spot value (€m)	Per share	% of GAV	12m Target
Direct Investments (Listed)	156.4	7.8	8%	170.5
Direct Investments (Private)	1,269.1	62.9	68%	1,421.4
of which Foyer (DPe)	555.7	27.5	30%	605.8
Investment Funds	449.3	22.3	24%	498.7
Gross Asset Value (GAV)	1,874.8	92.9	100%	2,090.6
Net cash	301.8	15.0		301.8
Net Asset Value (NAV)	2,176.6	107.9		2,392.4
per share	107.9			118.6
Share price	69.5			
	Current		Hist. average	Target
Discount	-36%		-30%	-15%
Target range in EUR			83	101

Source: Degroof Petercam estimates



Appendix

As we have done every year, we updated the trading data for the Luxempart stock exchange. In our initiating report of August 02 2021, we said: *“We therefore conclude that the LuxSE is not the optimal stock exchange to be listed on, especially if it is the only listing. In our view, it would therefore be beneficial for both the share price and discount of Luxempart to go for a secondary listing on the Brussels stock exchange (like Brederode) or the Amsterdam stock exchange. When looking at investment companies specifically, Brussels is a European hotspot to consider as it currently enjoys 9 listed investment companies. Moreover, Belgian retail investors which are keen on these securities could be enticed to invest as well.”* The comment was checked for H1 of 2022 in the report of 29 August 2022. The results then showed that the liquidity situation on the Luxembourg Stock Exchange (LuxSE) was actually worsening. The same exercise was done again for H1 2023.

The results are again similar and clearly show that firms with a dual listing actually achieve more than 99% of their traded volumes on the secondary listing rather than on the Luxembourg stock exchange.

Exhibit 2			
Avg daily shares traded H1 2022	Liquid listing	Luxembourg listing	LuxSE as % of Liquid listing
Aperam	320,771	5	0.00%
Arcelormittal	5,974,904	88	0.00%
Brederode	8,646	159	1.84%
RTL Group	90,548	9	0.01%
SES	899,172	437	0.05%
Luxempart		1,125	
Average			0.38%

Avg daily shares traded H1 2023	Liquid listing	Luxembourg listing	LuxSE as % of Liquid listing
Aperam	213,064	18	0.01%
Arcelormittal	3,096,465	8	0.00%
Brederode	4,538	134	2.94%
RTL Group	88,657	23	0.03%
SES	775,731	685	0.09%
Luxempart		532	
Average			0.61%

Source: Degroof Petercam estimates

We therefore remain convinced that a secondary listing could also be beneficial for Luxempart over time if this were to be combined with an increase in liquidity/free float. For example, once the net cash position is fully invested, Luxempart could issue a capital increase whereby Foyer would waive its subscription rights and let itself dilute. We have no indication today that this would be in the cards but we believe it is something the firm and its Board should consider over time.

Source: Luxempart/Degroof Petercam estimates



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None.

Rating system & Valuation methods

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Report completion and updates

This report was first disseminated by Degroof Petercam on 15 September 2023 08:37 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.

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This report has not been reviewed by the company prior to publication.
The report has been reviewed by Kris Kippers, Equity Analyst.



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