

Closing share Price (30/07/2021)

EUR 58.50

Target valuation range

EUR 69.00 - 84.00

Risk	Low
Reuters	LUX.LU
Bloomberg	LXMP LX
Shares number (m)	20.08
Market cap. (m)	1,175
NAV 30/07/2021	92.69
(Discount)/Premium	-36.1%
1 year price perf.	22.4%
Diff. with Euro Stoxx	-7.8%
Volume (sh./day)	1,968
H/L 1 year	61.00 - 44.00
Free Float	23.9%
Foyer Finance	50.4%
Sofina Group	6.1%
Stable Shareholders	16.6%
Treasury Shares	3.0%

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

Discount season is almost over

Impressive track record with 10-year CAGR > 12%...

Over the past 10 years, Luxempart realised a 12.2% CAGR, making it the 4th best performer in our coverage. The only investment companies preceding are Sofina and Brederode, which have a similar hybrid portfolio, and Tubize, a mono-holding.

...but with a clear 'return and discount' mismatch

Over the last 3 years, Luxempart has clearly outperformed its benchmark. NAV/share increased at a CAGR of 8.1% since 2018 whereas its TSR only rose by 2.4%. Hence, its discount increased, whereas it should have decreased, to a ~37% record level. Normally, players having a similar portfolio all trade at or above NAV as discounts declined at such well-performing investment companies.

Road towards lower discount is clear and achievable

In our view, this mismatch is unjustified and has nothing to do with its portfolio. We believe factors like transparency, visibility and liquidity are hurting today's discount. Therefore, we suggest 5 specific measures, Luxempart can take to reduce this discount and unlock additional shareholder value:

- Provide more granularity on the most important private assets
- Increase its visibility on the market through coverage, corporate access, ...
- Improve liquidity on the stock market by going for a secondary listing (Brussels)
- Bring dividend growth back to the historical average of 8-10%
- Increase liquidity on the market via a rise in free float, capital increase and commence optional dividends

Valuation based on technicalities and not fundamentals creating interesting buying opportunity

In our view, Luxempart's valuation today is driven by technical factors rather than fundamental portfolio inputs. Using our target discount methodology, we arrive at a target discount of 15%. This is still conservative when looking at peers like Sofina and Brederode. Applying our two discount scenarios, we arrive at a target range of EUR 69 – EUR 84. That corresponds with a 20%-46% upside from today's share price level.

EUR	12/17	12/18	12/19	12/20	12/21e	-	-
End FY Price	53.00	50.50	53.00	49.00	-	-	-
End FY NAV	65.29	70.09	78.40	85.11	-	-	-
End FY Discount	-18.8%	-27.9%	-32.4%	-42.4%	-	-	-
EPS	21.81	3.44	10.31	7.80	-	-	-
Cash EPS	-	-	-	-	-	-	-
Div.	1.34	1.41	1.48	1.60	1.73	-	-
Y/Y	0.0%	5.0%	5.2%	8.1%	8.0%	-	-
Payout	6.1%	39.0%	20.7%	6.8%	-	-	-
Yield	2.7%	2.9%	2.8%	3.3%	3.0%	-	-



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COMPANY PROFILE

Luxempart is a Luxembourg-based investment company managing a portfolio of ~EUR 1.8bn (DPe). Luxempart's portfolio consists of three pillars: a listed portfolio (18%), a private equity portfolio (63%) and investment funds (19%). Luxempart has an impressive track record with a 10Y CAGR of 12.2%, making it the 4th best performer in our investment company coverage. Only Brederode and Sofina perform better, i.e. when excluding mono-holdings, which both coincidentally have a very similar portfolio to the one of Luxempart.

INVESTMENT CASE

Luxempart is a long-term investor with a flexible investment policy. Luxempart offers investors access to Foyer, the largest insurer in Luxembourg. Additionally, Luxempart has a diversified portfolio of listed assets, private equity and investment funds focused on the BeLux, France, the DACH region and Northern-Italy. The impressive track record of Luxempart with a CAGR of 12.2% over the last 10 years makes it one of the best performing investment companies.

Since the market downturn in March 2020, the discount of Luxempart has remained at an elevated level of ~35-40%. Our research indicates that this does not correspond with the quality of the investment portfolio. In our view, clear communication, increased visibility and liquidity on the market are all factors that could contribute to a lower discount to NAV going forward.

Luxempart has the right tools and profile to become as successful as Sofina and Brederode. The main goal should be to show that potential to the market.

VALUATION

For the valuation, we applied two discount scenarios. In the first scenario, the discount reverts to its historical average of ~30%. This results in a target valuation of EUR 69.

In the second scenario, we apply our target discount methodology which indicates a 15% discount to NAV as justified for Luxempart's profile. That would bring us to a target valuation of EUR 84.

Combining these two scenarios, we arrive at a valuation range of EUR 69 – EUR 84. That corresponds with a 20%-46% upside.

SWOT ANALYSIS

Strengths

- Impressive track record
- Exposure to small- & midcap companies
- Strong financial position
- Unique asset: Foyer
- Long-term investment horizon with entrepreneurship in mind

Weaknesses

- No analyst coverage
- Limited free float and traded volume
- Only one listing on Luxembourg stock exchange

Opportunities

- Increased visibility on financial markets to decrease discount
- Investment funds to double in 5 years
- Additional focus in listed portfolio
- Increased exposure to high-growth markets
- Improve transparency towards financial markets
- Increase dividend growth towards 8-10% p.a.
- Provide investors with an optional dividend

Threats

- Liquidity issue remains or worsens if nothing is done
- Overpaying for growth in current markets
- Lack of dividend growth

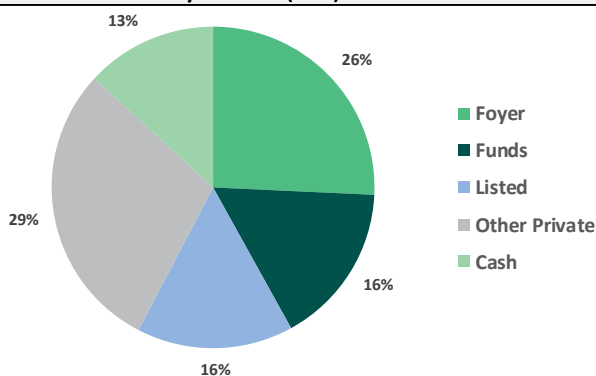
Company overview

Luxempart (Bloomberg Ticker: LXMP LX) was created in 1988 under the name BIL-Participations. In July 1992, the Banque International à Luxembourg (BIL) sold the main part of its interests to Foyer Finance, an investment company controlling, amongst other assets, Foyer S.A., the number 1 insurance company in Luxembourg for individuals and professionals. Foyer also has an asset management business. This was also the moment when Sofina stepped in as a shareholder.

Today, the Foyer Group is the cornerstone asset in the portfolio of Luxempart. Luxempart has a direct stake of 27.9% in Foyer S.A. As Foyer S.A. also owns 12.9% of itself, Luxempart owns a total stake of 31.5%, representing approximately 27% of NAV. Besides Foyer, Luxempart also has a significant stake in Atenor (10.7%), Zooplus (3.6%), Enoflex (18.6%) and EduPro (60%). In total, listed and private assets represent ~70% of Luxempart's NAV and 17% is invested in investment funds. The remaining 13% is a strong net cash position offering financial flexibility when opportunities would arise. The portfolio has performed very well with an IRR of more than 15% over the last 25 years.

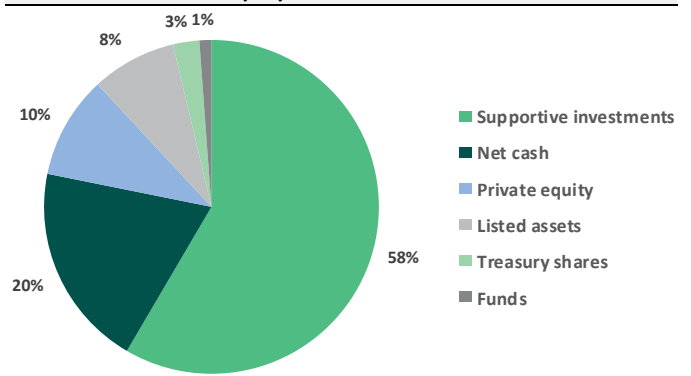
Today's portfolio is much more balanced than it was 10 years ago. In 2011, 58% was represented by supportive investments ("accompagnement"). These were strategic stakes in both listed and non-listed companies like SES, Foyer, Atenor, Paul Wurth, PNE Wind, Utopia and Poweo. Today's portfolio is much more diversified over different asset classes with the most significant strategic stakes being Foyer (~27% of NAV), Zooplus (~4% of NAV) and Atenor (~2.5% of NAV). Another difference is the growing importance of investment funds. We estimate this represents ~20% of the gross asset value (GAV) today, which is up significantly compared with the 1% in 2011. We expect the exposure to this asset class to continue to increase. In the annual report of 2020, Luxempart stated their intention to double the investment pillar over the next five years.

Exhibit 1 NAV at July 30 2021 (DPe)



Source: Degroof Petercam estimates

Exhibit 2 NAV at 15/04/2011



Source: Luxempart

Strategic positioning

Luxempart wants to position itself as a long-term investor, similar to family offices, while also being a partner to entrepreneurs with holding periods of more than 10 years, as proven with both Foyer and Atenor. At the same time, Luxempart maintains a flexible investment policy like private equity funds would. This flexibility can range from listed to private assets, the size of a stake (minority vs. majority) and leverage of the company (net debt or net cash).

Luxempart wants to offer its shareholders:

- A diversified portfolio with significant growth opportunities;
- A steadily increasing dividend;
- Access to private equity and private equity funds.

For its underlying participations, Luxempart offers:

- More than 25 years of entrepreneurial and industrial experience;
- Active support in terms of capital in case of strategic decisions or in case of difficult times (pandemic 2020);
- A long-term approach with a flexible investment horizon;
- Support to become national champions develop both in Europe and even globally.

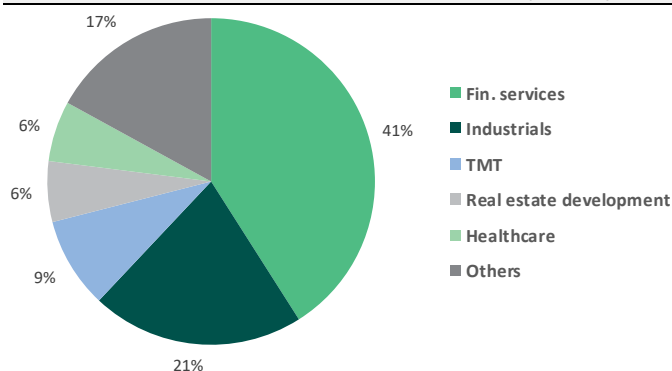
For 2021, Luxempart is aiming to invest EUR 150m in direct investments and take up ~EUR 75m in new investment fund commitments. 2021 will also be a year of streamlining, which should result in a number of divestments which should keep the cash position at a high level.

Diversified portfolio of EUR 1.7bn

Direct investments – The core of the portfolio

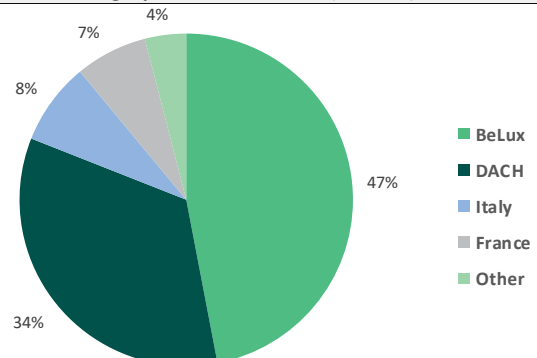
Luxempart aims for ticket sizes of EUR 25m to EUR 100m in both private and listed companies. Because of their long-term approach, Luxempart has no exit pressure, quite in contrast with some other private equity investors. They do not focus on a specific sector but 71% of the direct investments is split over three sectors: insurance & financial services (41%), industrial (21%) and technology, media & telecom (TMT, 9%). Geographically, Luxempart has the largest exposure to the BeLux and the DACH region representing 47% and 34% of direct investments respectively. Direct investments amount to EUR 1.2bn or ~70% of Luxempart's portfolio. These investments are split up in listed stakes (EUR 0.3bn) and private stakes (EUR 0.9bn).

Exhibit 3 Sector distribution direct investments (FY2020)



Source: Luxempart

Exhibit 4 Geographical distribution (FY2020)



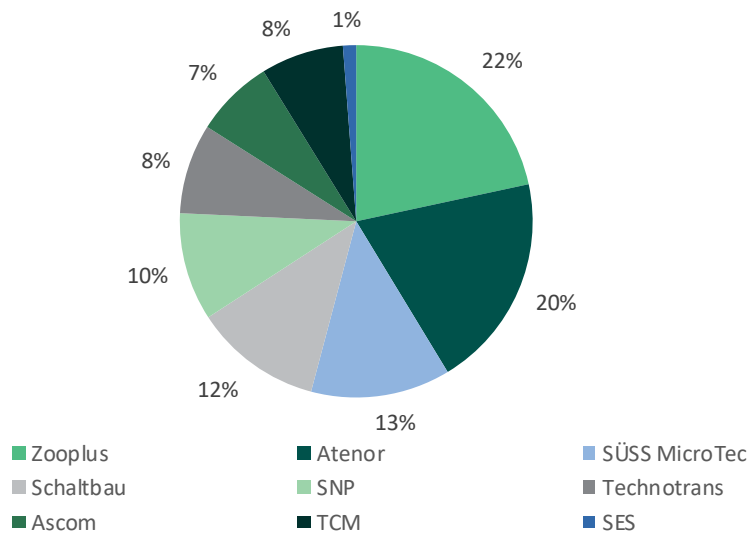
Source: Luxempart

Listed – Shift towards a focused portfolio

As mentioned in the strategic positioning segment, Luxempart intends to streamline its portfolio. The listed portfolio seems to be an ideal target. Previously the listed portfolio consisted of ~10 lines each worth EUR 15-30m. We believe the listed portfolio will become more focused in the medium term shifting towards 5-8 key strategic stakes with ticket sizes of EUR 30-60m and board membership. We have already seen this trend in 2020 with the sale of smaller stakes like RTL Group, Kaufman & Broad, Nanogate, LPKF and SES. Instead, we expect Luxempart to focus more on its larger stakes like Atenor, Zooplus, Süss MicroTec, Schaltbau, Technotrans and the recently added SNP.

Today, we estimate the listed portfolio to be worth ~EUR 280m or ~18% of GAV.

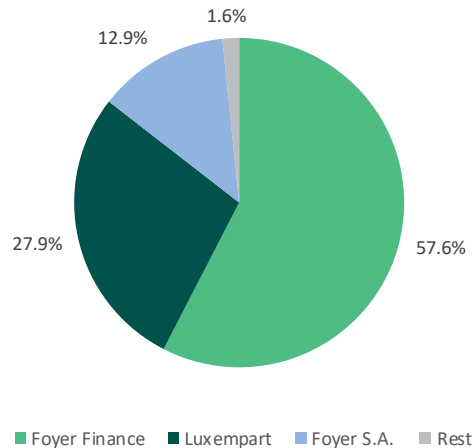
Exhibit 5 Listed portfolio



Source: Luxempart

Private – Foyer as the cornerstone of Luxempart

Private stakes represented EUR 928.1m at the end of 2020 or 63% of GAV. The largest asset within that group is its stake in Foyer. Luxempart has an historically strong connection with Foyer. Foyer Finance is the largest shareholder of Luxempart owning 50.4% of the capital. Foyer Finance is the parent company of Foyer S.A. and owns more than 50%. Luxempart owns 31.5% of Foyer S.A.

Exhibit 6 Shareholder structure Foyer S.A. (Latest reported at 31/12/2017)


Source: Luxempart

Foyer S.A. is the largest, independent insurance group in Luxembourg offering both life and non-life insurance. Earned premiums reached EUR 2.5bn in 2020, up 42.1% vs. 2019. The balance sheet is strong with a solvency ratio (SCR) of 240%. The minimum capital requirement (MCR) ratio stood at 626%. Furthermore, Foyer S.A. also offers wealth management in Belgium, Luxembourg and the Netherlands via CapitalatWork which it acquired in 2009. We estimate Foyer to represent 30% of the GAV.

Other assets are its stakes in Assmann (50%), EduPRO (60%), Enoplastic (18%), Marlink, Mirato (15.8%), Quip (51%), Rattay (39.9%), Rimed (27%), WDS Group (44%), AEB (6.3%), IHS (0.3%), Vivalto (12%), Stoll (32.8%), ESG (27.6%) and Sogetrel (10.9%, closing in January 2021).

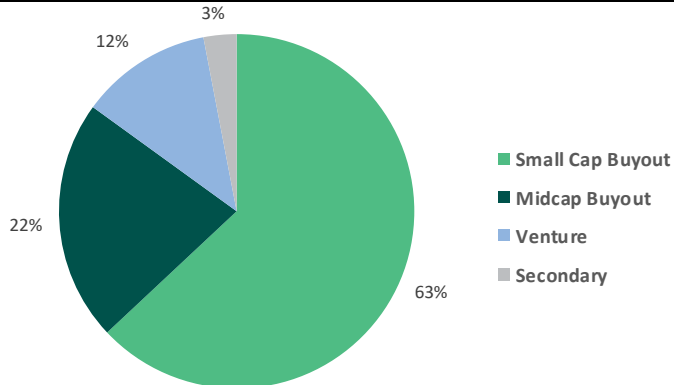
In February 2021, Luxempart announced that it had acquired a 7% stake in iM Global Partner, a worldwide asset manager with AuM of USD 19bn at the end of 2020. This asset will also be part of the direct investment portfolio.

Even though Luxempart has made progress on its communication, we believe today's information flow on the private assets remains insufficient for the market. There is some detailed information provided on certain private companies in the portfolio section of the annual report, which we clearly support. However, this is not the case for every company in the portfolio (like ESG or Stoll). On most of these private companies, it is hard to find financial data and therefore it is hard to assess its value or evolution. Additional information on Foyer would also be welcome. Even though Foyer is the crown jewel of the portfolio, it is not being highlighted in the annual report enough which results in an underrepresentation of the quality of the business.

We believe the methodology of Sofina and Gimv is the way to go. Sofina reports, without identifying individual valuations, the 10 largest assets in its portfolio and what percentage these stakes represent of the equity in total. Gimv even reports the 20 largest companies and gives a valuation per 5 companies. This gives investors an idea of what the most important assets are in the portfolio without the need for the investment company to disclose the full valuation. We believe providing additional information on this to investors would help to reduce the discount to NAV.

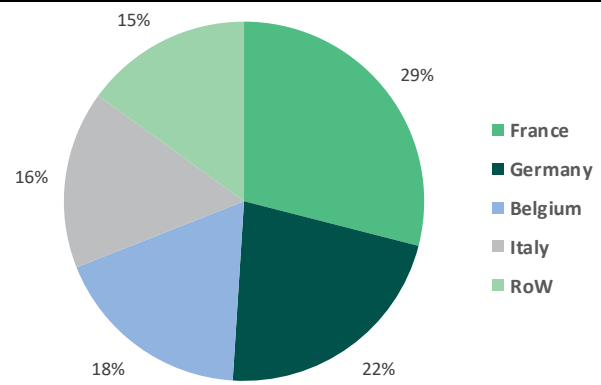
Investment funds – Aim to double in 5 years’ time

Exhibit 7 Fund strategies (FY2020)



Source: Luxempart

Exhibit 8 Geographical distribution funds (FY2020)



Source: Luxempart

At the end of 2020, investment funds represented EUR 281.3m or 19% of GAV. Luxempart aims to double this amount over the next 5 years. Luxempart had EUR 110m in undrawn commitments outstanding. Additionally, Luxempart intends to diversify this pillar further both on a strategical and geographical level.

On a strategical level, the goal is to increase its exposure to venture and growth strategies. The rebalancing is expected to be accelerated by potential exits in the small - & mid-cap strategies.

Geographically, Luxempart has the largest exposure to France (Ekkio Capital), the DACH region (Armira) and Italy (Bravo Capital Partners). The intention is to invest more in the US and Asia. Both represent only 10% of the fund portfolio today.

The relation between Luxempart and its investment funds is strong. As a result, Luxempart has found itself co-investing with these investment funds numerous times. Investments like ESG (Armira), Marlink (Apax) and Mehler (Armira) are examples of such co-investments. And they perform well: Mehler was sold in 2020 at a multiple of 3.8x (with potentially additional proceeds worth 0.9x the investment based on achievement specific criteria).

Financial position

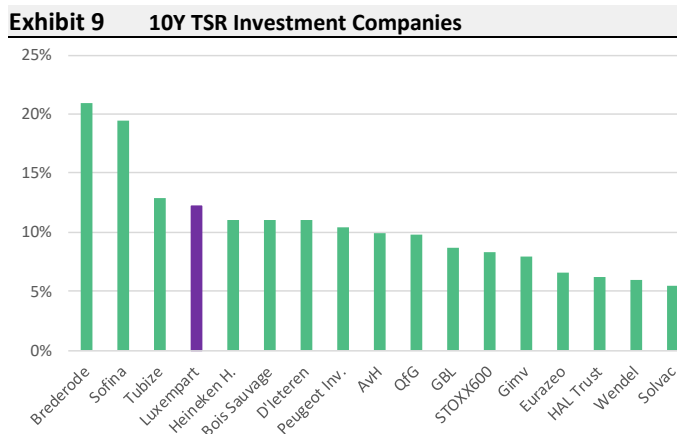
At the end of 2020, Luxempart had a net cash position of EUR 232.2m or 15.7% of GAV. This is rather high within our investment company coverage. Historically, Luxempart has held a net cash position. However, as part of its growth ambitions for the upcoming years, moving from a large net cash position to a small net debt or net cash position could optimize shareholder returns.

Mismatch between impressive track record and discount

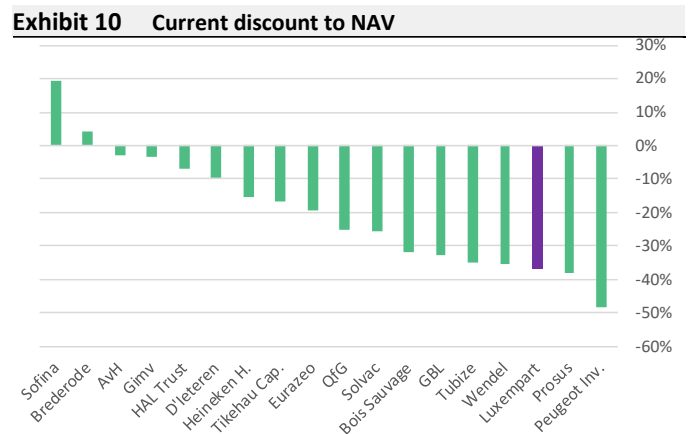
In 2020, Luxempart realised a 3.8x multiple on Mehler and a 2.5x multiple on LPKF. These are impressive returns and are definitely not one-offs. Luxempart’s portfolio is in many ways similar to the ones of Sofina and Brederode. This is also visible in their returns, achieving a total shareholder return (TSR) of 12.2% annually (compounded) over the past 10 years. This makes Luxempart the 4th best performer in our coverage, after Brederode, Sofina and Tubize, although the latter is a mono-holding.

Despite this impressive track record, Luxempart has a rather high discount to NAV of ~37%. This is not only higher than its own historical average (~30%) but also significantly above the average discount in our coverage, which currently stands at around 20%.

Within our own target discount methodology, the track record of an investment company is an important factor when determining a target discount. Given the strong performance over the last 10 years, we therefore conclude that the current discount is unwarranted.



Source: Degroof Petercam

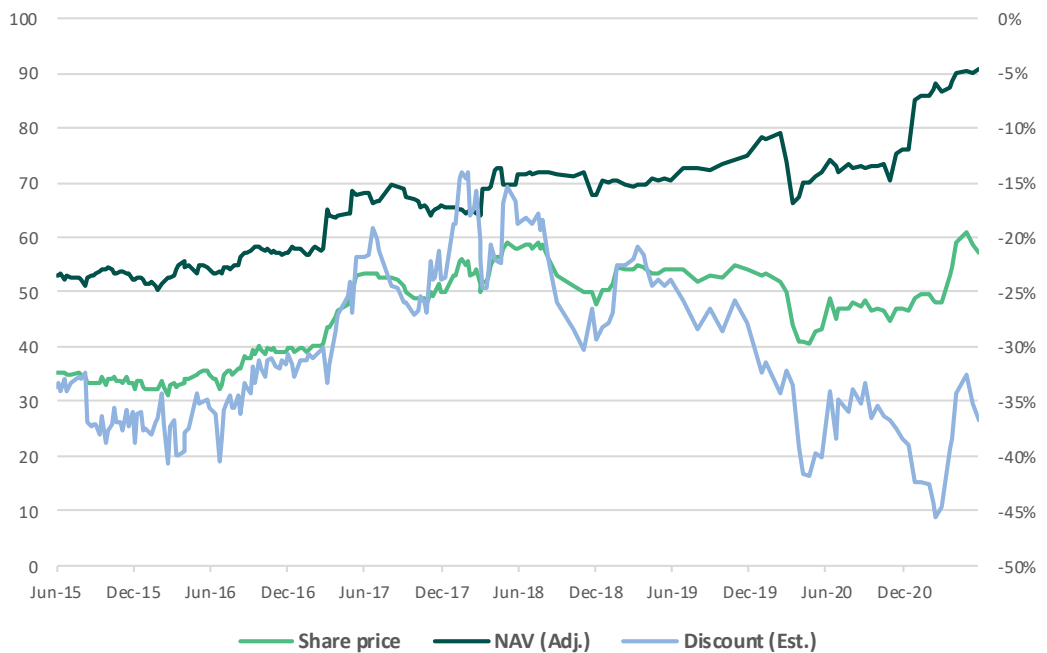


Source: Degroof Petercam

This mismatch worsened over the past 3 years. The share price had an annual TSR of 2.4%. The NAV per share on the other hand grew 8.1% annually over that same period. Hence, this results in a firm widening of the discount from 18% to 37%.

Between 2016 and 2018, the discount to NAV was actually decreasing. A similar trend to what we witnessed with other outperforming investment companies like Sofina and Brederode. However, mid 2018 there was a clear turning point. Since then, the discount has increased from its lows of ~15% in 2018 to more than 35% today.

So, what happened? In the following sections, we will go over the main reasons for the mismatch between the performance and the discount of Luxempart, while also suggesting specific solutions to solve the issue.

Exhibit 11 Discount to NAV with 2018 as turning point


Source: Degroof Petercam

Communication, visibility and liquidity

In our research, we have found that investment companies that communicate clearly and often with the market are rewarded with a lower discount to NAV. Companies that do not communicate often (cfr. Compagnie du Bois Sauvage) or do not disclose a NAV calculation (cfr. Prosus, Tikehau Capital) tend to have a higher discount than investment companies with a similar portfolio profile.

Communication

Luxempart has made significant progress on this issue. Coming from a period where investors had to dive deep in the notes of the financial statements, today Luxempart provides a clear overview of the NAV, a sector distribution, a geographical distribution and a short overview of some stakes.

Even though we recognize the progress that has been made, we believe that there is still room for improvement on the communication of the private assets. As mentioned earlier in the direct investments section, we believe the methodology of Sofina and Gimv is the way to go. Luxempart could use a similar approach where it would report a table stating the 5 or 10 largest stakes in its (private) portfolio and their size as a percentage of the direct investments. Further improved communication could help to reduce the discount to NAV.

Visibility

Even if Luxempart further improves its communication practices, the question remains: How to bring the information to the market? At the beginning of 2021, not a single analyst covered Luxempart. No analyst coverage means no distribution of information to the brokers' clients. We believe, as a result of the lack of coverage by brokers in the Benelux, that there is an information gap between Luxempart and potential investors. Not only might news of

Luxempart not reach potential investors, the lack of coverage may be a reason why Luxempart is not on the watchlist of investors in the first place. This report is already a step in the right direction, but we hope more brokers will follow suit. This in itself should already help to get the discount down. Other things that could increase visibility is to organize roadshows to get on the radar of potential investors.

Liquidity

Luxempart, being a Luxembourgish company, is listed on the Luxembourg Stock Exchange (LuxSE). LuxSE is the global leader in debt securities listings. However, when considering equities, the LuxSE has only 23 shares listed with the vast majority of shares being moribund. Most of these shares are not being traded actively. As a reference, the Brussels stock exchange has 186 different listed shares and the Amsterdam stock exchange has 154 listed shares. Traded volume is also better on these exchanges. If we look at other companies that have a dual listing like Aperam, Arcelormittal, Brederode, RTL Group and SES, we find that their listing on the LuxSE is by far the least liquid. On average, the volume on the LuxSE represents less than 1% of the traded volume on the secondary listing (Paris, Brussels, Amsterdam or Frankfurt).

Exhibit 12 Average daily shares traded 1H 2021

<i>Avg shares traded 1H 2021</i>	Liquid listing	Luxembourg Listing	LuxSE as % of Liquid listing
Aperam	248,281	109	0.04%
Arcelormittal	6,320,415	526	0.01%
Brederode	5,904	225	3.81%
RTL Group	98,224	568	0.58%
SES	1,682,098	2,028	0.12%

Source: Degroof Petercam

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.

Dividend policy

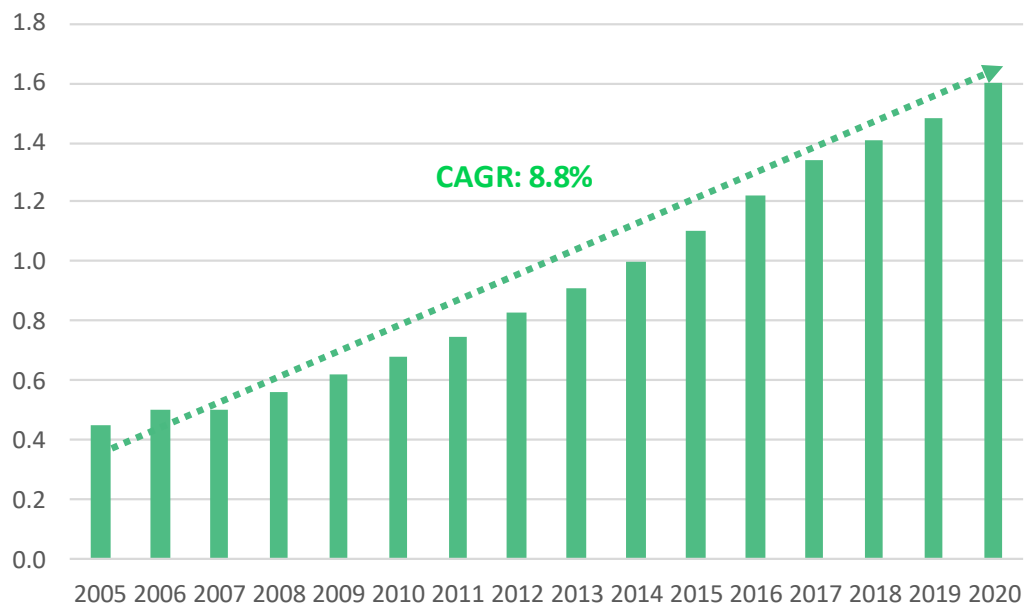
One of the characteristics of an attractive investment company is a consistently growing dividend. This is where Luxempart really matches other great investment companies like Sofina. Over the past 15 years, the dividend of Luxempart has grown at a CAGR of 8.8%.

Between 2017 and 2019, the dividend growth slowed down to ~5%. This may have caused some disappointment with investors and may be one of the contributors to the increasing discount in that period. For FY2020, Luxempart increased the dividend with 8.1% to EUR 1.6 or a gross yield of 2.7%. We believe this is already a step into the right direction.

Furthermore, Luxempart has sufficient liquidity to keep this pace going forward. Bringing the dividend growth back to 8-10% per year, in line with its historical average since 1992, could be one of the contributors to reducing the discount going forward.

Offering an optional dividend, in agreement with Foyer Finance, could also help to increase traded volumes. Not only can that be beneficial for the discount to NAV, it will also help to keep cash in the company leaving sufficient fire power to pursue the ambitious growth targets of the Group.

Exhibit 13 Dividend track record 15Y

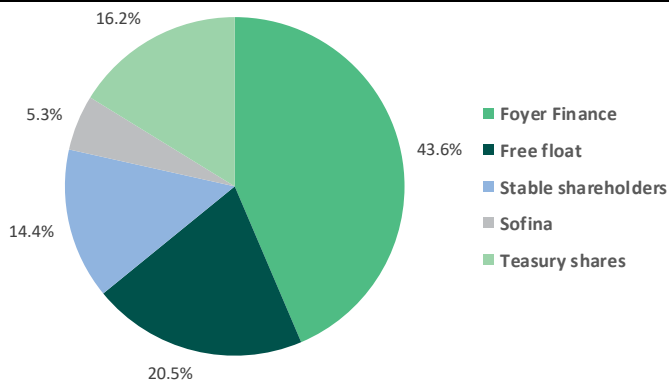


Source: Luxempart, Degroof Petercam

Shareholder structure – Potential liquidity issue

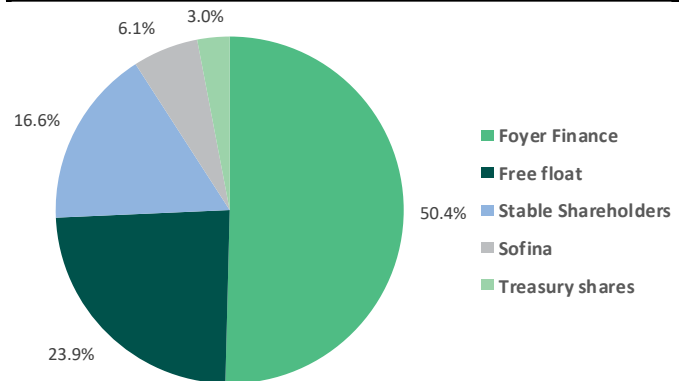
As we mentioned earlier between 2018 and today, there has been a significant increase of the discount to NAV. If we look at the shareholder structure over that period, we find that the key shareholders have remained the same. The only difference is that the percentage of treasury shares has declined significantly from 16.2% in 2018 to 3% in 2020. In 2019, Luxempart cancelled 3.2m shares or 15.9% as part of a capital reduction. These treasury shares were related to Luxempart buying out BIL's participation. Luxempart intended to hold these shares and potentially use them in transactions. However, as the discount to NAV is at a rather high level, they deemed that payment in shares was at that time not the ideal currency.

Exhibit 14 Shareholder structure 2018



Source: Luxempart

Exhibit 15 Shareholder structure 2020



Source: Luxempart

Today, the free float, when excluding its stable shareholders, is in absolute values one of the lowest out of our whole investment company coverage standing at ~EUR 280m. We believe the low free float in absolute value is one of the contributors to the high discount to NAV. We therefore believe that it would be beneficial for Luxempart if the free float would be increased. The stable shareholders might be a potential candidate to sell part of their stake if the discount goes down. This could create help to further reduce the discount.

Another way to increase liquidity could be a capital increase. A capital increase would bring in money for Luxempart to execute its growth strategy while at the same time increasing liquidity and thus the potential to reduce the discount to NAV.

Investment companies like Compagnie du Bois Sauvage (~EUR 310m) and Quest for Growth (~EUR 112m) also have a rather low free float in absolute numbers but both have a significantly lower discount to NAV with ~30% and ~25% respectively. There the argument of a secondary listing on a more liquid stock exchange comes in again as they are both listed on the Brussels Stock Exchange. This was already discussed in the previous part.

Valuation

At the end of 2020, Luxempart's NAV stood at EUR 1.7bn. Today, we estimate the NAV to have surpassed the EUR 1.8bn-mark. Rather than traditional valuation metrics, the NAV growth and the discount to NAV are the two major parameters that influence the valuation of an investment company.

For Luxempart, we look at two scenarios concerning the discount:

- In the **first scenario**, which is rather conservative, the discount reverts to its historical average of ~30%.
- In the **second scenario**, we apply our target discount methodology. Our methodology indicates that a discount of 15% would be justified for the profile of Luxempart. Investment companies with a similar profile like Sofina and Brederode are priced at or above its NAV. Keeping in mind the strong performance over the last 10 years, the dividend track record and the suggestions we have given to reduce the discount, we deem a 15% discount for Luxempart justified over the medium- to long-term.

Additionally, we remain rather conservative and assume a 5% growth rate for the listed portfolio and 7% for the private assets and investment funds. This is well below Luxempart's 25-year IRR track record of 15% and its 10-year TSR of 12%.

We estimate the spot NAV to be EUR 1.9bn or EUR 92.7 per share. As our 12-month target of the NAV, using the assumptions mentioned above, we arrive at a target NAV of EUR 2.0bn or EUR 98 per share.

Exhibit 16 Spot NAV and target NAV

Participations	Spot value (€m)	% of portfolio	12m Target
Listed participations	292.0	18%	306.6
Private participations	833.7	52%	892.0
of which Foyer	479.1	30%	512.6
Co-investments	189.4	12%	202.6
Funds	302.2	19%	323.3
Gross asset value	1,617.2	100%	1,724.5
Net cash	244.5		244.5
NAV	1,861.7		1,969.1
per share	92.7		98.0

Source: Degroof Petercam

Putting the two scenarios in a sensitivity analysis, we arrive at the following valuation range:

Exhibit 17 Target valuation range

		Discount	
		Scenario 1	Scenario 2
	Target price	-30%	-15%
NAV p/s	98.2	68.7	83.5

Source: Degroof Petercam

Scenario 1: Discount to revert to historical mean

In this case, a mean reversion occurs where the discount will move towards 30%. This would be a logical move as most uncertainty surrounding COVID-19 has faded away. The valuation indicates a fair value of EUR 68.7, which implies an upside of ~20%.

Scenario 2: Discount to move towards target discount following suggested solutions

To recap, in order to reduce the discount to NAV, we made the following suggestions:

- Continue to provide consistent and clear information to the market regarding the portfolio and NAV. Give more granularity on the most important private assets;
- Enhance its visibility on the market (analyst coverage, roadshows, etc.);
- Improve liquidity on the stock market by going for a secondary listing;
- Increase dividend growth back to the historical average of 8-10%;
- Increase the liquidity on the stock market through a capital increase, optional dividend and the reduction of the stake of the stable shareholders.

Considering the practicality of these suggestions, we believe a discount rerating is within reach. Once Luxempart gets back on the watchlists of investors, the momentum of Luxempart can clearly accelerate.

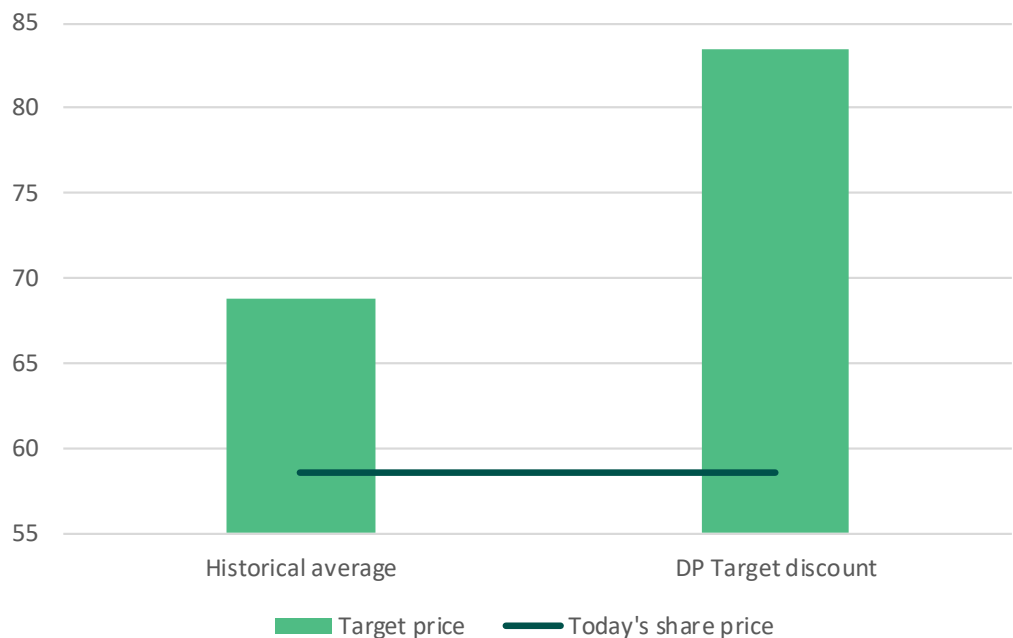
This scenario indicates a fair value of EUR 83.5, which implies an upside of >45%.

Conclusion – Clear upside is on the cards

Luxempart has an impressive track record, being one of the best performers in our investment company coverage. Given the current record high valuations in private equity, one could expect somewhat of a mean reversion going forward. This is similar to what we expect at Sofina and Brederode. A mean reversion in performance will be totally offset by a significant change in the discount to NAV for Luxempart making the investment company today a compelling equity story.

We believe the current discount to NAV of ~37% does not fit the profile of Luxempart's portfolio and we deem a target of 15% more appropriate. We have listed 5 catalysts that could help to reduce the discount towards our target discount. Our valuation range, based on the two scenarios discussed, indicates a target valuation between EUR 69 and EUR 84, offering up to >46% upside.

Exhibit 18 Valuation overview (average spot NAV & target NAV)



Source: Degroof Petercam

Appendix: ESG

Luxempart started to take some steps towards ESG integration as of 2020. The company aims to embed ESG considerations in both its strategy and activities in the future. A consultant will be hired to drive the process together with a dedicated team. We are looking forward to seeing this progress and expect the Group to further report on its non-financial performance.

So far, actions have mostly been taken at the corporate level. Various measures are in place to limit the environmental impact of the firm. These are centered around three priorities: reducing waste, limiting carbon emissions and promoting healthy ecosystems. On the social dimension, initiatives aim to improve the wellbeing of employees and foster their development. At the portfolio level, the ESG strategy remains to be developed. The latter will primarily focus on the identification and assessment of ESG risks and their potential impact on the investments' valuation. The long-term investment strategy of the Group demonstrates in our view its willingness to contribute to sustainable value creation by building partnership with investees and supporting their development.

Regarding governance aspects, 8 of the 13 members of the Board of Directors are independent. However, the Board only includes 23% of women.

Per Common Share (EUR)	12/17	12/18	12/19	12/20	12/21e	-	-
Declared EPS	21.81	3.44	10.31	7.80	-	-	-
Declared EPS (fully diluted)	-	-	-	-	-	-	-
Adjusted EPS (*)	21.81	3.44	10.31	7.80	-	-	-
CFS	-	-	-	-	-	-	-
FCF (to Equity)	-	-	-	-	-	-	-
Dividend	1.34	1.41	1.48	1.60	1.73	-	-
Book Value	65.29	69.51	78.46	84.75	-	-	-
Shares (m)							
At the end of F.Y.	20.054	20.068	20.075	20.084	-	-	-
Average number	20.054	20.068	20.075	20.084	-	-	-
Fully diluted Average number	-	-	-	-	-	-	-

(*) Adjusted EPS : pre-goodwill amortisation earnings, adjusted for post-tax non-recurrent items

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Report completion and updates

This report was first disseminated on 2 August 2021 07:17 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: <https://www.degroofpetercam.com/en-be/commissioned-research>

This report has been reviewed by the company prior to publication and has been subsequently amended.

The report has been reviewed by Kris Kippers, co-Head of Research.

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