

Lloyd Fonds

Focus on building scale

Lloyd Fonds (LF) continues its operational realignment process with Strategy 2023/2025 initiated in FY20. The new business model has been implemented under the Lloyd Liquid Assets segment, with €1.1bn of AUM gathered so far, and management reiterated its target to reach €7bn by 2024. The AI-based portfolio management (LAIC) has been successfully launched, with €15m in AUM raised so far. While the company reported a net loss in H120 results due to continued transformation costs and the COVID-19 crisis, management expects H220 to break even.

H120 financials: Higher share of new business

In H120, LF reported a 64% y-o-y growth in revenues, stemming primarily from the consolidation of SPSW Capital and Lange Assets & Consulting, both acquired in Q419. LF introduced new segment reporting, with its new asset management business delivering revenues of €3.6m (58% of group) and real assets generating €2.6m (down 31% y-o-y). As the business is still in realignment phase, it is bearing the increased costs of integration and is still loss-making at EBIT level; however, the loss was slightly lower year-on-year (€4.3m vs €4.6m in H119). LF's net loss amounted to only €3.7m in H120, supported by €2.4m of tax loss carried forward.

New strategy on track

LF intends to continue its operations as an active investment manager and gather momentum by increasing its AUM. During H120, AUM increased by 5% to €1.1bn despite COVID-19-related difficulties in new client acquisition, and the FY20 AUM guidance stands at €1.4bn. The acquisition of the two entities in Q419 was a transformation milestone. Going forward, scale will be increased mostly organically and supported by further M&A. Meanwhile, we note that real assets include areas affected by the global slowdown, including in particular container shipping and aviation.

Valuation: Discounting the future

LF shares trade at an FY21e EV/EBITDA multiple of 25.3x. As LF is still in transition, we compare its valuation to both real assets investing companies (LF trades at 80% premium) and asset management companies (120% premium). On FY22e estimates the premiums change respectively to a 10% discount and a 7% premium, which we believe indicates a market expectation of successful implementation of the new strategy. In terms of P/E ratios on the other hand, LF trades at a sizeable premium to both subgroups, with an FY22e multiple of 26.9x.

Consensus estimates

Year end	Revenue (€m)	PBT (€m)	EPS (€)	DPS (€)	P/E (x)	Yield (%)
12/19	8.2	(5.1)	(0.01)	0.0	N/A	N/A
12/20e	14.8	(5.9)	(0.22)	0.0	N/A	N/A
12/21e	21.1	(0.6)	(0.04)	0.0	N/A	N/A
12/22e	30.0	3.5	0.18	0.0	26.9	N/A

Source: Lloyd Fonds, Refinitiv as at 19 October 2020

Fund management

19 October 2020

Price €4.84
Market cap €64m

Share price graph



Share details

Code	L10A
Shares in issue	13.3m
Net debt at 30 June 2020	€9.8m

Business description

Lloyd Fonds positions itself as an integrated asset manager and partner for private customers and institutional capital. It aims to provide added value through transparent, active asset management, forward-looking digital solutions with the secondary brand LAIC, as well as individual and institutional asset management. It has over 20 years' experience as an investor in a range of alternative real assets.

Bull

- Transformation to an active asset manager.
- Ambitious targeted AUM growth.
- Onboarding of new experienced management and sound balance sheet.

Bear

- Execution risk in business repositioning.
- Markets for legacy activities remain volatile.
- Regulatory risks of inorganic growth.

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