

Lloyd Fonds

Continued business repositioning

In the first half of 2019, Lloyd Fonds (LF) pressed ahead with the rollout of its 2019+ strategy adopted last year. It took the first major steps in its transition to an active asset manager by acquiring Lange Assets & Consulting and SPSW Capital announced in H119. Both transactions should be completed in H219, contributing €350m and €650m to LF's assets under management (AUM), respectively. This would help LF meet its guidance of €1.0bn AUM in two core business segments by end 2019. As part of the deals, LF will acquire tenured fund managers to hold executive positions at LF. Distribution of units in the first four funds under the new business model started in April.

H119 financials: Still reflecting legacy business

Due to the early stage of LF's strategic realignment, new business had a limited impact on H119 results. LF reported a 22% y-o-y increase in revenue to €3.7m on the back of improved transaction fee income. As it had already incurred some expenditure relating to the transformation, the EBIT loss widened to €4.6m in H119 (vs a loss of €0.8m in H118). However, the bottom line was supported by successful disposals in the real estate segment, which resulted in significant financial income from profit sharing agreements. Together with using tax losses carried forward, this resulted in net income in H119 of €0.9m (vs a loss of €0.8m in H118) and EPS of €0.09. Management expects to break even in FY19.

New capital to finance transformation

To finance the business model transition and further development, the company issued convertible bonds with a face value of €6.1m in May 2019. The bonds have a three-year maturity and bear a 3.75% coupon paid semi-annually in arrears. Investors may convert the bonds into shares on predefined dates after a one-year lock-up period. Acquisitions announced in H119 will be concluded against cash and the issue of LF shares, with an expected 32% increase in share count.

Valuation: Trading at discount to peers on FY19e P/E

LF intends to position itself as an investment and active asset manager, but is still in the initial stages of transformation, with a sizeable real asset portfolio. Therefore, we believe that the relevant peer group should still contain local asset managers active in the shipping and/or real estate sector. Based on current consensus, LF trades at a 9% discount to the peer group on FY19e P/E.

Consensus estimates

Year end	Revenue (€m)	PBT (€m)	EPS (€)	DPS (€)	P/E (x)	Yield (%)
12/18	7.9	(1.0)	(0.16)	0.00	N/A	N/A
12/19e	12.4	(6.3)	0.21	N/A	24.8	N/A
12/20e	30.6	(0.9)	0.06	N/A	86.7	N/A
12/21e	39.3	3.0	0.16	N/A	32.5	N/A

Source: Lloyd Fonds, Refinitiv consensus as at 9 October 2019. Note: Consensus is based on the estimates of a single analyst.

Fund management

Price €5.20
Market cap €53m

Share price graph



Share details

Code	L10A
Shares in issue	10.1m
Net cash (€m) as at 30 June 2019	2.0

Business description

Lloyd Fonds AG is an emerging independent wealth manager and active asset manager. The new business model is based on three pillars. LF-Line offers a clearly structured range of open-end investment funds for a broad public. The LF-System entails digital products for asset accumulation optimisation. The algorithm developed for this purpose by a dedicated team of experts is based on artificial intelligence, assembling optimised individual customer portfolios. The LF-Assets pillar offers wealthy clients comprehensive advice in all financial matters.

Bull

- Proposed broadening of business to become an independent wealth manager and active asset manager.
- Asset-Light business model, as the AuM are highly scalable per fund manager.
- New experienced management, state-of-the-art IT infrastructure and sound balance sheet.

Bear

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

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