

# LHI Leasing GmbH

## Asset Management Rating



### Rating rationale

**Scope affirms the current asset management rating of LHI Leasing GmbH at AA<sub>AMR</sub>.**

**Scope attests the company a very high asset management quality and competence. The Real Estate and Renewable Energy sub-segments are each confirmed at AA<sub>AMR</sub>, the sub-segment Aviation at AA-<sub>AMR</sub>.**

As at the rating date of 31 December 2020, LHI Leasing GmbH („LHI“) manages assets worth around EUR 14.7 billion (31 December 2019: EUR 15.5 billion) in the areas of leasing and structured financing, the ramp-up and portfolio management of real estate portfolios as well as investment products in real assets.

The company's own capital management company assumes the central tasks of risk, portfolio and asset management. The broad and innovative product range is currently aimed exclusively at institutional clients.

The area of investment products in real assets, to which this asset management rating refers, comprises 107 active investment vehicles with a combined EUR 4.9 billion in assets under management as of 31 December 2020, distributed across the asset classes of real estate (54%), renewable energy (31%) and aviation (15%). Despite the Corona crisis, the new business volume of EUR 1.1 billion in 2020 almost completely matched the success of the previous year (EUR 1.2 billion).

The rating is essentially supported by (1) the very extensive industry experience and long tenure of the management and the second management level, (2) the diversified, risk-averse and at the same time profitable business model with a broad revenue base, moderate risk values as well as high fixed cost coverage due to well plannable management fees, (3) the outstanding expertise in structuring individual product solutions for institutional investors and support by experienced relationship managers of many years, (4) the good to very good investment performance in the three asset classes considered and (5) proven and modern operational processes as well as effective risk control and compliance mechanisms.

From Scope's point of view, the high fixed cost coverage represents a competitive advantage, as it enables a selective approach in the relevant asset markets, which is in line with the company's typical German Mittelstand (SME) orientation, which is geared towards the long term and protecting its reputation.

The very well planned and executed handover to the new management went according to plan. The handover process was completed on 31 December 2020 with the complete withdrawal of the four previous managing directors, who will remain with the company as shareholders. The active exercise of the advisory board function by Oliver Porr and Robert Soethe ensures continuity and the retention of important company knowledge.

With regard to ESG, LHI has made further progress since the last rating. The product range now includes one ESG strategy fund and two ESG impact funds (in accordance with Art. 8 and 9 of the Disclosure Regulation) as well as two real estate products in accordance with the GRESB standard. Furthermore, the company is now climate-positive thanks to the double purchase of climate protection certificates, with overall low CO<sub>2</sub> emissions of around 650 tonnes per year for the entire LHI Group. Furthermore, Scope is convinced by the new ESG-specific landing page on the LHI website as well as the current sustainability report. Despite the high priority that the management already attaches to the topic of ESG and the thorough decentralised organisational

### Rating

|                       |                         |
|-----------------------|-------------------------|
| <b>Rating overall</b> | <b>AA<sub>AMR</sub></b> |
| Real Estate           | AA <sub>AMR</sub>       |
| Aviation              | AA- <sub>AMR</sub>      |
| Renewable Energy      | AA <sub>AMR</sub>       |

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Bloomberg: SCOP



implementation, from Scope's point of view the recruitment of dedicated ESG staff would be a sensible and further-reaching measure. However, two LHI employees have meanwhile completed a recognised, scientific training on the topic of ESG, which was specifically promoted by the company.

In the real estate segment, 25% of the current investment assets of EUR 2.6 billion are allocated to office and 17% to retail (with a focus on local supply centers). Hotel and logistics investments account for around 17% and 14% respectively, while residential and other types of use complete the spectrum. The managed rental space of currently around 1.2 million sqm is effectively fully let at 98.3% and the average payout of the investment vehicles was at a very competitive level of 5.6% in 2020.

The investment assets in the renewable energy segment with a total volume of around EUR 1.5 billion focus on onshore wind farms and photovoltaic plants with an admixture of hydropower and transformer stations. The wind and solar parks have a nominal capacity of around 800 MW (53% wind / 47% solar) in 13 actively managed investment assets. In 2020, the average payout of the investments was at an attractive level of 4.8%.

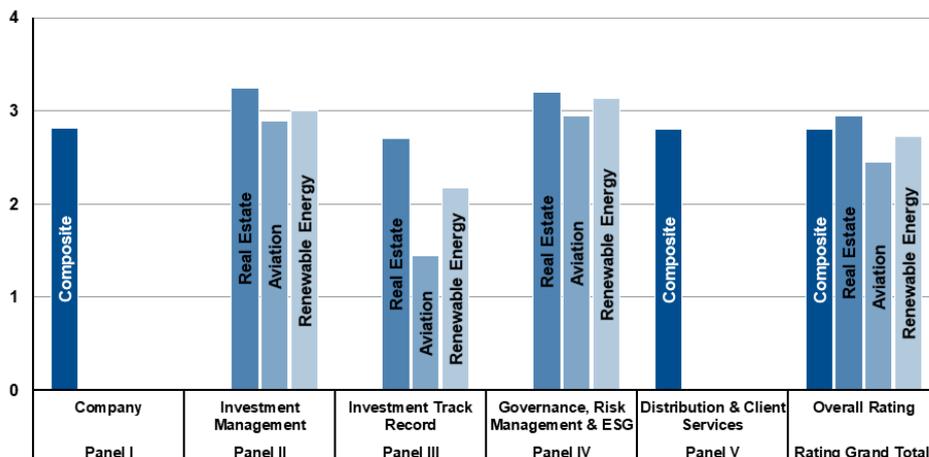
In the Aviation segment, LHI currently manages nine active investment assets that are invested in aircraft, helicopters and aircraft turbines. In its history, the Group has launched assets under management totalling around one billion euros in this segment and has a grown, international network. The average payout of 5.9% achieved in 2020 is a respectable result from Scope's point of view in the context of the aviation sector, which was hit particularly hard by the Corona crisis.

With regard to the ongoing Covid 19 crisis, it is positive to note that so far LHI has not had any major negative effects on investment performance, risk-bearing capacity or business development, neither in the investment business nor in the area of structured financing, and is on a moderate growth course, also in terms of personnel. The renewable energy segment is even benefiting noticeably from the increased interest of institutional investors in infrastructure investments since Corona and is consistently expanding the investment countries (Portugal, Denmark and the Netherlands) as well as the investment focus (PPA contracts, hydropower and future technologies). This is accompanied by an increase in staff in transaction and portfolio management as well as in technology. In the real estate segment, Scope appreciates the proactive reduction of retail investments made by LHI for years; the increased investment focus on sustainable infrastructure and social real estate is assessed as conclusive, as is a further real estate investment in neighbouring countries (Vienna). In the Aviation segment, LHI consistently focuses on freighters and ECA-covered structures, preferably in euros. Modern, ESG-compliant technology is used, and the clear focus on lessees with good credit ratings is decisive for the fact that there were no defaults in LHI's aviation portfolio even during the Corona crisis.

### Rating Summary

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### Rating drivers

- + Very extensive industry experience and long tenure at first and second management level

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- + Robust business model with broad revenue base, moderate risk values as well as high fixed cost coverage due to well-plannable management fees

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- + Outstanding expertise in structuring individual product solutions for institutional investors and support by experienced relationship managers of many years

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- + Good to very good investment performance in the three asset classes considered

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- + Proven and modern operational processes and effective risk control and compliance mechanisms

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- No dedicated ESG staff, but sponsorship of special ESG training for two staff members by LHI

## Important notes and information

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## Rating history

| Date       | Rating Action | Rating            | Date       | Rating Action                    | Rating            |
|------------|---------------|-------------------|------------|----------------------------------|-------------------|
| 30.11.2021 | Affirmation   | AA <sub>AMR</sub> | 30.11.2016 | Affirmation                      | AA <sub>AMR</sub> |
| 10.11.2020 | Affirmation   | AA <sub>AMR</sub> | 02.12.2015 | Affirmation                      | AA <sub>AMR</sub> |
| 08.01.2020 | Affirmation   | AA <sub>AMR</sub> | 08.05.2015 | Watchlist resolved / Affirmation | AA <sub>AMR</sub> |
| 21.12.2018 | Affirmation   | AA <sub>AMR</sub> | 20.04.2015 | Watchlist (evolving)             | AA <sub>AMR</sub> |
| 06.12.2017 | Affirmation   | AA <sub>AMR</sub> | 05.05.2014 | Initial Rating                   | AA <sub>AMR</sub> |

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## Wesentliche Quellen des Management-Ratings

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Before publication, the client had an opportunity to review the rating and the key factors leading to the rating decision (rating drivers), including a summary of the underlying rating rationale. The rating was not revised following this review.

## Methodology

The management rating relates to an evaluation of the quality of the asset management company in its function as a product manager and issuer of financial instruments within the meaning of the methodologies published by Scope Analysis. The



applicable methodology can be viewed at <https://www.scopeanalysis.com/#rating-and-research/asset-management-rating/methodologies>. Information on the meaning of the rating scale used for the rating can be viewed on the website of Scope Analysis GmbH at <https://www.scopeanalysis.com/#methodology/rating-scales>.

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