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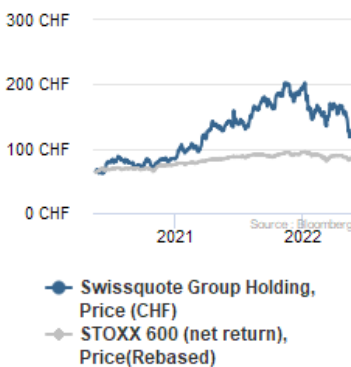
# Swissquote Group Holding

## Exporting high quality financial technology

Opinion	<b>Buy</b>
Upside (%)	93.0
Price (CHF)	119.6
Target Price (CHF)	231
Bloomberg Code	SQN SW
Market Cap (CHFM)	1,833
Enterprise Value (CHFM)	1,480
Momentum	NEGATIVE
Sustainability	7/10
Credit Risk	AA→

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### PROS

- Swissquote is well positioned to leverage its high quality multi asset class trading platform at an international level and remain a market leader in its domestic market
- Swissquote is progressively diversifying its revenue source not only through product offering (cryptos, staking, white-label partnerships) but also structurally (asset-based) which will benefit from the increasing rates environment
- Swissquote's strong balance sheet (a high CET1 ratio and no debt) gives it appreciated flexibility in terms of acquisition or organic growth (R&D remains key to the company's DNA)

### CONS

- Swissquote's top-line remains strongly correlated to the health of the financial markets (low level of recurring revenues)
- Competition has pressured trading fees in recent years at a time when central banks' low/negative rates have put pressure on net interest income

KEY DATA	12/20A	12/21A	12/22E	12/23E	12/24E
Adjusted P/E (x)	11.6	11.5	9.11	7.49	6.40
Dividend yield (%)	2.12	1.48	2.13	2.59	3.03
EV/EBITDA(R) (x)	7.17	7.85	5.71	4.31	3.27
Adjusted EPS (CHF)	6.12	13.0	13.1	16.0	18.7
Growth in EPS (%)	119	112	1.18	21.6	17.1
Dividend (CHF)	1.50	2.20	2.55	3.10	3.63
Sales (CHFM)	317	472	485	581	678
Pretax Results margin (%)	33.4	47.3	46.6	47.3	47.4
Attributable net profit (CHFM)	91.0	193	195	238	278
ROE (after tax) (%)	22.3	36.6	26.7	25.8	27.0
Gearing (%)	-22.9	-25.1	-31.9	-39.3	-49.3

### Conflicts of interest

Corporate broking	No
Trading in corporate shares	No
Analyst ownership	No
Advice to corporate	No
Research paid for by corporate	Yes
Corporate access	No
Brokerage activity at AlphaValue	No
Client of AlphaValue Research	No

Detailed financials at the end of this report

**Key Ratios**

		12/21A	12/22E	12/23E	12/24E
Adjusted P/E	x	11.5	9.11	7.49	6.40
EV/EBITDA	x	7.85	5.71	4.31	3.27
P/Book	x	3.60	2.10	1.80	1.66
Dividend yield	%	1.48	2.13	2.59	3.03
Free Cash Flow Yield	%	11.5	8.39	9.23	11.3
ROE (after tax)	%	36.6	26.7	25.8	27.0
ROCE	%	55.7	53.3	60.7	66.4
Net debt/EBITDA	x	-0.80	-1.24	-1.42	-1.63

**Consolidated P&L**

		12/21A	12/22E	12/23E	12/24E
Sales	CHFM	472	485	581	678
EBITDA	CHFM	255	258	313	367
Underlying operating profit	CHFM	223	226	275	322
Operating profit (EBIT)	CHFM	223	226	275	322
Net financial expenses	CHFM	0.00	0.00	0.00	0.00
Pre-tax profit before exceptional items	CHFM	223	226	275	322
Corporate tax	CHFM	-30.2	-30.6	-37.2	-43.5
Attributable net profit	CHFM	193	195	238	278
Adjusted attributable net profit	CHFM	193	195	238	278

**Cashflow Statement**

		12/21A	12/22E	12/23E	12/24E
Total operating cash flows	CHFM	282	198	222	268
Capital expenditure	CHFM	-28.0	-48.5	-58.1	-67.8
Total investment flows	CHFM	-28.0	-48.5	-58.1	-67.8
Dividends (parent company)	CHFM	-22.3	-32.7	-37.9	-46.1
New shareholders' equity	CHFM	0.00	0.00	0.00	0.00
Total financial flows	CHFM	-25.0	-34.2	-39.6	-47.8
Change in net debt position	CHFM	229	115	125	153
Free cash flow (pre div.)	CHFM	254	149	164	201

**Balance Sheet**

		12/21A	12/22E	12/23E	12/24E
Goodwill	CHFM	44.5	44.5	44.5	44.5
Total intangible	CHFM	101	101	101	101
Tangible fixed assets	CHFM	70.0	73.5	77.1	81.0
WCR	CHFM	0.00	0.00	0.00	0.00
Total assets (net of short term liabilities)	CHFM	8,826	9,678	10,805	11,878
Ordinary shareholders' equity (group share)	CHFM	615	848	991	1,072
Provisions for pensions	CHFM	11.0	32.3	31.0	29.7
Net debt / (cash)	CHFM	-213	-328	-452	-605
Total liabilities and shareholders' equity	CHFM	8,826	9,678	10,805	11,878

**Per Share Data**

		12/21A	12/22E	12/23E	12/24E
<b>Adjusted EPS (bfr goodwill amort. &amp; dil.)</b>	<b>CHF</b>	<b>13.0</b>	<b>13.1</b>	<b>16.0</b>	<b>18.7</b>
<b>Net dividend per share</b>	<b>CHF</b>	<b>2.20</b>	<b>2.55</b>	<b>3.10</b>	<b>3.63</b>
Free cash flow per share	CHF	17.1	10.0	11.0	13.5
Book value per share	CHF	41.4	57.0	66.6	72.0
<b>Number of diluted shares (average)</b>	<b>Mio</b>	<b>14.9</b>	<b>14.9</b>	<b>14.9</b>	<b>14.9</b>

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## Businesses & Trends

### A fintech with a banking licence

Swissquote Group Holding (Swissquote) is Switzerland's leading online bank and one of the most renowned investment platforms. It mainly covers private clients but it also has a non-negligible B2B business. Institutional clients (such as asset managers) are indeed also using its trading platform and the bank has been able to leverage this high-quality trading platform to develop at an international level (through either partnerships or white labels).

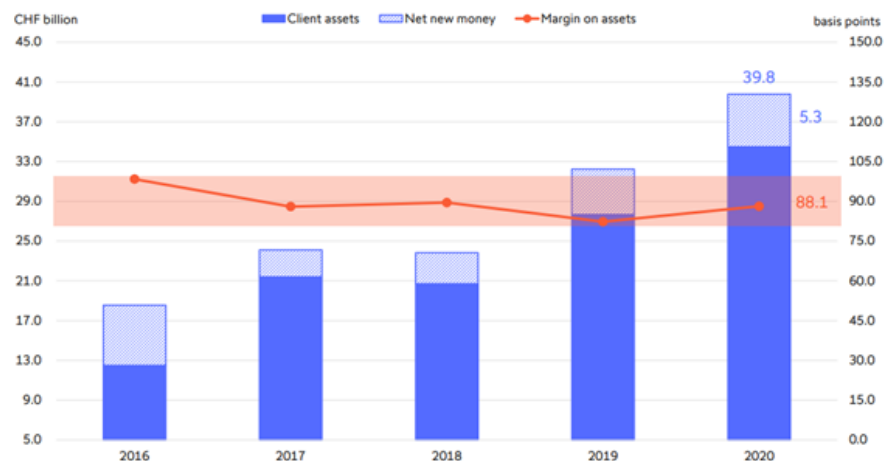
As mentioned on Swissquote's website (section "About us"), "Swissquote is not a typical Swiss bank". According to our understanding, it is indeed more about financial innovation than traditional banking. This is the reason why we have classified the bank as a Fintech (Internet Banking/Fintech).

### A solid B2C business with B2B as the new growth engine

The B2C side makes up the bulk of Swissquote's net banking income as it contributes about 90% to it.

However, the company has also managed to develop over time a B2B side which is composed of partnerships and white-labelling. In 2016, for instance, Swissquote and PostFinance signed a white-label agreement whereby the Swiss Fintech acts as the trading platform for PostFinance.

Swissquote's B2B market is also about onboarding asset managers. While less important in Europe and Switzerland, these represent a high proportion of clients in the Middle-East (Dubai) and 100% of the customers in Swissquote-recently opened a subsidiary (2020) in Singapore.



### A strong CET1 ratio offering flexibility

Having a banking licence, the company is regulated as a bank with all the constraints that come with it. Indeed, it has to maintain a certain level of capital (namely common equity tier 1). The Swiss regulator imposes an 11.2% minimum CET1 ratio. As management is targeting a 15% CET1 ratio, we use this number for calculating the company's excess capital (or net cash in the balance sheet).

Swissquote's CET1 ratio stands at about 23% (Q420), well ahead of the regulatory requirements offering flexibility especially in terms of external growth or capital distribution. For the years to come, we use a growth in RWA in line with that of the revenues and a 30% payout ratio (with a minimum of CHF1) which would lead to a CET1 ratio in the area of 30% in 2024. This highlights the different investment case compared with traditional banks, because Swissquote, as an innovative financial institution, is more geared towards investments and technology and much less (if not all) towards an extensive use of its balance sheet.

### **Guidance 2021 – 2024**

Management reached its 2022 guidance two years ahead in 2020. The COVID-19 pandemic, leading to a high degree of volatility together with stay-at-home orders, led to a sharp rise in the opening of new accounts and retail trading. The institutionalisation of crypto-currencies trading at the end of 2020 also helped Swissquote which had already developed a strong franchise in that asset class.

2020 was therefore both an exceptional year for the Swiss Fintech as well as a game-changer going into 2021 and the future.

Hence, management is targeting another year of strong growth in 2021 with revenues expected to be up +15%. Pre-tax profit should rise +23% at the same time.

Adjusted for credit losses in trading income in 2020, it would reach 8% growth in revenues. This will be possible through the democratisation of the trading of crypto-currencies. At the same time, the opening of new accounts will remain buoyant and management expects net new money of CHF5bn.

The long-term target (2024) is bullish as well and well detailed by management, which makes it highly achievable.

Management expects revenues at CHF500m in 2024, which represents a 12% CAGR and a CHF200m pre tax profit (twice the 2020 level and four times the 2019 level).

Reaching this level of revenues would be equal to attracting about CHF5bn net new money per year together with a 90bp margin on assets. This is achievable given the recent momentum.

The integration of Swissquote Europe bank (former InternaxX), the ongoing developments in the Middle Eastern and Asian (Singapore) markets should help reach the assets under custody target.

Swissquote indeed expects balanced net money inflows with half coming from Switzerland and the other half from "the rest of the world".

All these numbers only refer to organic growth. With a comfortable level of capital and cash generation each year, the Swiss Fintech will be in position to grow externally as well (cf the Money Making section).

### **Competition**

Swissquote has to face the competition of other brokers, like SaxoBank (CornerBank) or IG Group and other low-cost brokers.

Traditional banks such as UBS and Credit Suisse are also obvious competitors for Swissquote in Switzerland. However, trading costs on their platforms turn out to be more expensive.

Through R&D, the Swiss Fintech has positioned itself at the junction of these offerings. It indeed offers the combination of the reliable “Swiss quality” with a friendly interface at an affordable price. Swissquote’s trading platform indeed proposes a wide range of asset classes (equities, bonds, OTC products, crypto-currencies) on a global scale (US, European and Asian assets).

Positioning itself as a quality broker enables Swissquote to be less dependent on pricing and more on the depth of its investment solutions offering (in both asset classes and geographic terms). The average client balance (CHF100,000) is indeed higher at Swissquote than at other online brokers. Hence, the Swiss Fintech has managed not to be hurt by these competitors (which are also not so profitable).

The chaos in the markets at the beginning of 2021, with the corner around Gamestop in the forefront, has questioned the reality behind the free fees/commission offered by some platforms like Robinhood. This commission-free trading has indeed a liquidity price in the end and should, from now on, ring a bell for retail investors.

Robinhood’s and other commission-free brokers would find it hard besides to impose their business model in Europe. On top, the level of interest rates (negative) and the regulatory framework with MIFID2 at the forefront require the concept of best execution, disclosures of any inducements, etc.

## Divisional Breakdown Of Revenues

Sector	12/21A	12/22E	12/23E	12/24E	Change 22E/21		Change 23E/22E	
					CHFm	of % total	CHFm	of % total
<b>Total sales</b>	<b>472</b>	<b>485</b>	<b>581</b>	<b>678</b>	<b>13</b> ↑	<b>100%</b>	<b>96</b> ↑	<b>100%</b>
<b>Net interest income</b> Internet banking/Fintech	23.2	24.0	39.5	51.5	1 ↑	6%	16 ↑	16%
<b>Net fee and commission income</b> Internet banking/Fintech	161	168	181	194	7 ↑	54%	13 ↑	14%
<b>Net trading income</b> Internet banking/Fintech	71.9	74.6	84.3	100	3 ↑	21%	10 ↑	10%
Other	216	219	276	333	3 ↑	23%	57 ↑	59%

## Key Exposures

	Revenues	Costs	Equity
Dollar	10.0%	0.0%	2.0%
Emerging currencies	0.0%	0.0%	0.0%
Euro	10.0%	0.0%	2.0%
Long-term global warming	0.0%	0.0%	0.0%

## Sales By Geography

Other	100.0%
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We address exposures (eg. how much of the turnover is exposed to the \$) rather than sensitivities (say, how much a 5% move in the \$ affects the bottom line). This is to make comparisons easier and provides useful tools when extracting relevant data.

Actually, the subject is rather complex on the ground. The default position is one of an investor managing in €. An investor in £ will obviously not react to a £ based stock trading partly in € as would a € based investor. In addition, certain circumstances can prove difficult to unravel such as for eg. a € based investor confronted to a Swiss company reporting in \$ but with a quote in CHF... Sales exposure is probably straightforward but one has to be careful with deep cyclicals. Costs exposure is a bit less easy to determine (we do not allow for hedges as they can only be postponing the day of reckoning). How much of the equity is exposed to a given subject is rarely straightforward but can be quite telling

In addition, subjects are frequently intertwined. A \$ exposure may encompass all revenues in \$ pegged currencies and an emerging currency exposure is likely to include \$ pegged

# Swissquote (Buy)

currencies as well.

Exposure to global warming issues is frequently indirect and may require to stretch a bit imagination.

## Money Making

Like any other bank, Swissquote makes a profit via net interest income (NII), fees/commissions and trading income.

Contrary to traditional banks, which make the bulk of their revenues through only net interest income, Swissquote's net banking income is mainly supported by fees/commissions (through the securities brokerage) and trading income (the FX activity).



Traditional banks' main activities are more particularly focused on loans and mortgages. Swissquote offers mortgages but acts only as an intermediary and will earn a retrocession on NII from the mortgages issued. It indeed delegates the issuing of the loan to a partner (the Basellandschaftliche Kantonalbank) which will use its own balance sheet. Swissquote's NII relies mainly on its retail deposits which are then invested (cash and balances with the central bank, treasury bills and due mainly from banks).

In a normal configuration, the level of NII is positively correlated to the level of retail deposits (it mechanically increases as the retail deposits base increases). However, the current abnormal level of interest rates (negative or very low at best) questions this.

### Negative rates as a drag on NBI

The impact of negative rates was particularly penalising for Swissquote some years ago when it made between 25% and 35% of the group's total revenues (25% in 2007). Remuneration on risk-free assets has been negative in Switzerland and Europe for some years now. It gets positive remuneration only in the US where rates have only been under pressure again since the beginning of 2020 (long-term rates have been sharply decreasing after the pandemic rattled the economy in March 2020). Fortunately, the company has managed to diversify its activities geographically by business division with the consequence of reducing its dependency on Swiss interest rates.

According to the company's financial reports (2020 annual report), a 100bp increase in CHF, EUR and USD would add about CHF22m to the group's operating profit (a 22% increase to Swissquote's 2020 operating profit).

Swiss banks have been amongst the first to impose a negative remuneration on private deposits to curb the impact of negative rates on the assets side. This makes sense, as loans and their remuneration (NII) are core to their business...

Swissquote has been charging negative rates for clients with deposits over



CHF500,000 (CHF250,000 or CHF100,000 for some Swiss banks). Indeed, it does not want to be misused to park money (so clients avoid negative charges at other banks). Clients are offered free trades (Swissquote's core business) as compensation.

Net interest income makes now (in 2020) only 7% of the company's total revenues and management's (bullish) guidance for 2024 did not factor any increase in rates.

Swissquote's biggest contributors to its revenues are indeed fees/commissions when investors trade on its investment platform and trading income that is mainly gained from online foreign exchange transactions (and from foreign currency translation of monetary assets and liabilities denominated in other currencies than CHF).

A risk in Swissquote's business model is therefore its dependency on financial markets' activities. Contrary to traditional banks, whose loans business guarantee them recurring revenues on a long-term horizon (roughly equivalent to the loans' duration), the Swiss Fintech has to face the upheaval in financial markets (leading to some revenue volatility). Hence, the need for assets and geographical diversification. And here Swissquote has some history of external growth (which adds to organic initiatives).

### **Growing to diversify**

As we mentioned in the previous section, Swissquote's main growth engine is its B2B solution. It indeed enables the company to leverage its tech-oriented trading platform at a very low cost. On the other side, it has been investing to increase geographic coverage (add exchanges) and add new asset classes (such as Swiss DOTS and cryptocurrencies as the Swiss Fintech was the first bank to allow its customers to trade cryptos in Switzerland).

Its main achievements were indeed the launch of the FX platform (eforex) in 2008, which makes, as of today, 30% of total revenues, and the launch of Swiss DOTS, an OTC platform that enables investors to trade OTC-leveraged products offered by the big global banks. These benefit from softer constraints compared with the highly regulated SIX Structured Products exchange.

The last lucrative development is the infrastructure set up around cryptocurrencies trading and which has enabled Swissquote to be well ahead of its competitors (traditional or low-cost brokers). The institutionalisation of cryptocurrencies trading could therefore be Swissquote's next engine.

Swissquote has indeed been offering crypto-currency trading services since 2017 (supporting five currencies, amongst which Bitcoin and Ether). In October 2018, the bank expanded its service to enable its clients to participate in initial coin offerings (ICOs). Since March 2019, the Swiss Fintech has also offered its clients the opportunity to centralise their holdings of crypto-currencies, as it is possible to transfer crypto-currencies from external wallets to a Swissquote account (and vice versa).

At the end of 2020 and beginning of 2021, crypto-currencies trading has been institutionalised and the impact on Swissquote's revenues should be more sustainable than what it was in 2018.

Some volatility should obviously remain around this alternative asset class but offering this opportunity to investors positions Swissquote ahead of its competitors.

Swissquote has also expanded through external growth. The Fintech's first big acquisition was in 2002 when it bought Consors' Swiss business. This business focused on B2B business (asset managers). Since 2002, Swissquote has therefore obtained experience in serving asset managers through a dedicated trading platform (Swissquote Professionals). MIG Bank in 2013 (FX) was another notable acquisition.

And Swissquote is active again as it finalised in H1 19 the acquisition of InternaxX. Through this acquisition, Swissquote has unrestricted access to the European market, meaning it will drastically increase the range of investment solutions it can offer its European investors (it will also expand InternaxX's service offering with a greater range of products).

Swissquote Europe bank (former InternaxX) had €2.6bn AuMs in 2020 in Europe. The Swiss bank plans to attract about CHF2.5bn net new money per year until 2024 outside Switzerland with the bulk in Luxembourg. Assets in Luxembourg should therefore be about CHF8bn in 2024.

Swissquote targets customers there who have about €100m in assets, like in Switzerland. It is therefore competing rather with the big banks and private banks by offering the "Swiss" quality and safety in Luxembourg (it does not compete with Flatex in Germany for instance).

As part of its international development, Swissquote has also opened a subsidiary in Singapore where it intends to develop business for asset managers (offering also nine new online stock exchanges to its investors).

With a solid current CET1 ratio (about 800bp or about CHF140m excess capital), we expect the company to continue with acquisitions to leverage its trading platform internationally.

### **More projects in the pipeline**

The accelerated development of the crypto-currencies eco-system is not Swissquote's sole project in 2021. The Swiss Fintech has indeed set-up a joint-venture with the Swiss bank, Postfinance, to compete with the most notable Fintechs such as Revolut or N26.

The idea behind the JV is to use Swissquote's expertise in digital banking/financial services and also leverage Postfinance's big network. Guidance for 2024 does not factor in this project but it should probably add to the company's bottom line in the end.

As a savvy Fintech, Swissquote has also recently developed a new online leasing offering for customers willing to own a Tesla with a target volume of CHF100m in 2021.

Swissquote has also been promoting its own multi-currency credit card. It represents in Switzerland a better alternative to credit cards proposed by traditional banks as fees charged for transactions abroad are close to 300bp in

this case. On the contrary, like Revolut or N26, Swissquote offers a much cheaper alternative for these kinds of transactions (0% fees and a real-time rate). These types of solutions mostly appeal to millennials who are comfortable with 100% digital solutions.

Swissquote's number of engineers (250) make up about 30% of the headcount which underlines the importance of innovation for the company.

### Divisional PRETAX RESULTS

	12/21A	12/22E	12/23E	12/24E	Change 22E/21		Change 23E/22E	
					CHFM	of % total	CHFM	of % total
<b>Total</b>	<b>223</b>	<b>226</b>	<b>275</b>	<b>322</b>	<b>3</b> <span style="color: green;">↑</span>	<b>100%</b>	<b>49</b> <span style="color: green;">↑</span>	<b>100%</b>
Other/cancellations	223	226	275	322	3 <span style="color: green;">↑</span>	100%	49 <span style="color: green;">↑</span>	100%

### Divisional PRETAX RESULTS margin

	12/21A	12/22E	12/23E	12/24E
<b>Total</b>	<b>47.3%</b>	<b>46.6%</b>	<b>47.3%</b>	<b>47.4%</b>

## Valuation

### Peers

Concerning its peers, we consider Viel & CIE (Tradition's main shareholder) as Swissquote's closest peer (in our coverage). Euronext, Deutsche Boerse and the LSEG are also reasonable proxies of the Swiss Fintech as they are more and more tech-focused and remain dependent on trading volumes. Asset managers Amundi and DWS are dependent as well on the financial markets. As Swissquote is in theory a bank, we find it right to compare it to Swiss banks UBS and Julius Baer which are also mainly dependent on fees (wealth management).

We apply a 50% discount on the yield-based valuation as, contrary to all its peers apart from the market venues, Swissquote prefers investing rather than paying out dividends (in line with its DNA as a fintech company).

### DCF

The DCF is based on a computed 10-year revenue and EBITDA growth of 3% to factor in the higher growth of fintech banks compared to traditional ones.

### Valuation Summary

Benchmarks		Values (CHF)	Upside	Weight
DCF		295	147%	35%
NAV/SOTP per share		194	62%	20%
EV/Ebitda	Peers	227	90%	20%
P/E	Peers	239	100%	10%
Dividend Yield	Peers	119	-1%	10%
P/Book	Peers	155	29%	5%
<b>Target Price</b>		<b>231</b>	<b>93%</b>	

### Comparison based valuation

Computed on 18 month forecasts	P/E (x)	Ev/Ebitda (x)	P/Book (x)	Yield(%)
Peers ratios	16.8	10.7	1.68	3.14
Swissquote Group Holding's ratios	8.31	5.02	1.95	2.34
Premium	0.00%	0.00%	50.0%	25.0%
<b>Default comparison based valuation (CHF)</b>	<b>239</b>	<b>227</b>	<b>155</b>	<b>119</b>
London Stock Exchange Group	24.9	12.9	1.61	1.79
Deutsche Boerse	21.5	15.0	3.64	2.27
Amundi	9.79	6.24	1.06	7.17
Julius Baer	10.8	8.39	1.48	5.35
Euronext NV	15.0	10.1	1.72	3.32
DWS	7.91	3.63	0.84	6.56

### DCF Valuation Per Share

WACC	%	8.50	Avg net debt (cash) at book value	CHFM	-390
PV of cashflow FY1-FY11	CHFM	1,704	Provisions	CHFM	32.3
FY11CF	CHFM	330	Unrecognised actuarial losses (gains)	CHFM	0.00
Normalised long-term growth "g"	%	2.00	Financial assets at market price	CHFM	11.2
Sustainability "g"	%	2.20	Minorities interests (fair value)	CHFM	0.00
Terminal value	CHFM	5,234	Equity value	CHFM	4,388
PV terminal value	CHFM	2,315	Number of shares	Mio	14.9
PV terminal value in % of total value	%	57.6	<b>Implied equity value per share</b>	<b>CHF</b>	<b>295</b>
Total PV	CHFM	4,019	Sustainability impact on DCF	%	1.65

### Assessing The Cost Of Capital

Synthetic default risk free rate	%	3.50	Company debt spread	bp	10.0
Target equity risk premium	%	5.00	Marginal Company cost of debt	%	3.60
Tax advantage of debt finance (normalised)	%	30.0	<b>Company beta (leveraged)</b>	<b>x</b>	<b>0.87</b>
Average debt maturity	Year	5	Company gearing at market value	%	-18.4
Sector asset beta	x	1.00 <sup>(1)</sup>	Company market gearing	%	-22.6
Debt beta	x	0.02	<b>Required return on geared equity</b>	<b>%</b>	<b>7.86</b>
Market capitalisation	CHFM	1,780	Cost of debt	%	2.52
Net debt (cash) at book value	CHFM	-328	<b>Cost of ungeared equity</b>	<b>%</b>	<b>8.50</b>
Net debt (cash) at market value	CHFM	-328	WACC	%	8.50

1. We apply a Beta of one as Swissquote's business model is strongly correlated to the financial markets' volatility

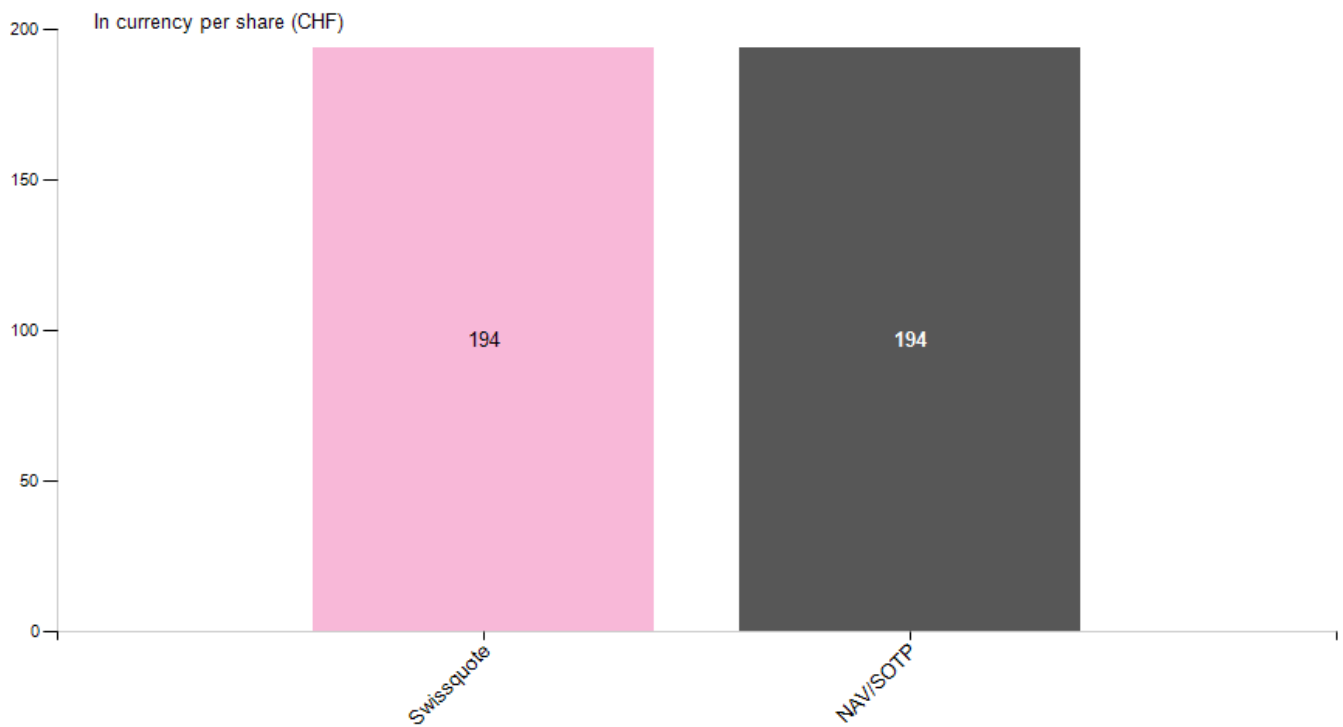
### DCF Calculation

		12/21A	12/22E	12/23E	12/24E	Growth	12/25E	12/32E
Sales	CHFM	472	485	581	678	3.00%	699	859
EBITDA	CHFM	255	258	313	367	3.00%	378	464
EBITDA Margin	%	53.9	53.2	53.9	54.0		54.0	54.0
Change in WCR	CHFM	0.00	0.00	0.00	0.00	3.00%	0.00	0.00
Total operating cash flows (pre tax)	CHFM	313	228	260	312		378	464
Corporate tax	CHFM	-30.2	-30.6	-37.2	-43.5	3.00%	-44.8	-55.1
<b>Net tax shield</b>	<b>CHFM</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>3.00%</b>	<b>0.00</b>	<b>0.00</b>
Capital expenditure	CHFM	-28.0	-48.5	-58.1	-67.8	3.00%	-69.9	-85.9
Capex/Sales	%	-5.93	-10.0	-10.0	-10.0		-10.0	-10.0
Pre financing costs FCF (for DCF purposes)	CHFM	254	149	164	201		263	323
Various add backs (incl. R&D, etc.) for DCF purposes	CHFM							
<b>Free cash flow adjusted</b>	<b>CHFM</b>	<b>254</b>	<b>149</b>	<b>164</b>	<b>201</b>		<b>263</b>	<b>323</b>
<b>Discounted free cash flows</b>	<b>CHFM</b>	<b>254</b>	<b>149</b>	<b>151</b>	<b>170</b>		<b>206</b>	<b>143</b>
Invested capital	CHF	282	300	319	341		352	432

## NAV/SOTP Calculation

	% owned	Valuation technique	Multiple used	Valuation at 100% (CHF)	Stake valuation (CHF)	In currency per share (CHF)	% of gross assets
<b>Swissquote</b>	100%	PE	10.5	2,881	2,881	194	100%
Other							
<b>Total gross assets</b>					<b>2,881</b>	<b>194</b>	<b>100%</b>
Net cash/(debt) by year end					(1)		
Commitments to pay							
Commitments received							
NAV/SOTP					2,881	194	100%
<b>Number of shares net of treasury shares - year end (Mio)</b>					<b>14.9</b>		
<b>NAV/SOTP per share (CHF)</b>						<b>194</b>	
<b>Current discount to NAV/SOTP (%)</b>						<b>38.2</b>	

1. Excess cash (roughly equivalent to excess capital for a bank).



## Debt

Swissquote's financial statements are those of a bank. Hence, we would qualify only Tier 1 and Tier 2 capital as debt (deposits, for instance, are considered as operational debt). The total amount of Tier 2 in 2020 was negligible compared to the total common equity tier 1. Hence, Swissquote's leverage is zero or close to zero.

Its CET1 ratio stands at 23% (Q4 20), well above the 11.2% capital requirements and still above management's target of 15%. Hence, we consider Swissquote has a positive net cash position (excess capital above management's target) of CHF140m at the end of 2020.

Detailed financials at the end of this report

### Funding - Liquidity

		12/21A	12/22E	12/23E	12/24E
EBITDA	CHFM	255	258	313	367
Funds from operations (FFO)	CHFM	282	199	223	269
<b>Ordinary shareholders' equity</b>	<b>CHFM</b>	<b>615</b>	<b>848</b>	<b>991</b>	<b>1,072</b>
Gross debt	CHFM	0.00	0.00	0.00	0.00
+ Gross Cash	CHFM	213	328	452	605
<b>= Net debt / (cash)</b>	<b>CHFM</b>	<b>-213</b>	<b>-328</b>	<b>-452</b>	<b>-605</b>
Gearing (at book value)	%	-25.1	-31.9	-39.3	-49.3
Equity/Total asset (%)	%	6.97	8.76	9.17	9.02
Adj. Net debt/EBITDA(R)	x	-0.80	-1.24	-1.42	-1.63
Adjusted Gross Debt/EBITDA(R)	x	0.04	0.12	0.10	0.08
Adj. gross debt/(Adj. gross debt+Equity)	%	1.76	3.68	3.03	2.70
Ebit cover	x	745	-236	-322	-377
FFO/Gross Debt	%	2,565	615	721	907
FFO/Net debt	%	-133	-60.8	-49.4	-44.6
FCF/Adj. gross debt (%)	%	2,310	461	530	675

## Worth Knowing

### Some history

Its current CEO Marc Bürki and Michael Ploog founded Swissquote in 1999. It was then listed on the SIX Exchange in 2000. As we mentioned in other sections (mainly Business & Trends and Money Making), it has grown and diversified by both business and geographically.

As evidenced by the level of D&A and recent acquisitions, the company is committed to remaining a fintech with services of high quality (diversification of assets traded for clients – on a highly ergonomic platform – via new partnerships or acquisitions).

### About Swissquote's financial reports

Swissquote is officially a bank but as we explained in the Business and Trends and Money Making sections, it resembles more a tech-company (a fintech). For the traditional banks we cover at AlphaValue, we use a specific model which we believe is more adapted to these banks. These banks make indeed most of their revenues via the issuance of loans (for corporates and households) as well as trading income with the issuance of derivatives. In both cases, traditional banks make intensive use of their balance sheet, which justifies the use of a specific model for financial reporting and valuation.

Swissquote's business, while innovative, remains simple and the main items on its balance sheet are (roughly) deposits and equities as liabilities and risk-free investments on the asset side. This is the reason why we are more comfortable with using the model that we use for "industrial companies". Our reporting is therefore different from that of the company's financial reports. We have indeed simplified the P&L and the balance sheet (even if all fundamental data are available to the readers). We also show a comprehensive cash flow statement as we do not find it relevant to report Swissquote's cash flow statement from its annual reports. Indeed, a bank's cash flow statement mixes the economic facets of the company (real cash flow generation) as well as the net change in its operating assets and liabilities (liquidity management as a whole). We find it therefore more relevant to reveal only real cash flow generation.

### Shareholders

Name	% owned	Of which % voting rights	Of which % free to float
Marc Bürki	12.5%	12.5%	0.00%
Paolo Buzzi	12.4%	12.4%	0.00%
PostFinance	5.00%	5.00%	0.00%
Mario Fontana	4.41%	4.41%	0.00%
<b>Apparent free float</b>			<b>65.8%</b>



## Sustainability

### What the numbers say

Swissquote's sustainability score is very slightly below the sector's average. Social and Governance pull the firm towards a great performance while the Environmental score is a drag mainly due to lack of reported data.

### Our analysis

Beyond the very satisfying performance on Social and Governance, which are very much under management's control, the hiccup might come from the Environmental side.

In fact, Swissquote is structurally dependent on its customers' behaviour and their willingness to invest responsibly and invest the right products (cryptos, which are highly energy-consuming). While the firm, in the future, will launch further trading products/assets and attract more customers, this will be at the expense of customers potentially looking for profits instead of a "sustainable" and "responsible" behaviour.

## Sustainability score

Sustainability is made of analytical items contributing to the E, the S and the G, that can be highlighted as sustainability precursors and can be combined in an intellectually acceptable way. This is the only scale made available

	Score	Weight
<b>Governance</b>		
Independent directors rate	5/10	25%
Board geographic diversity	4/10	20%
Chairman vs. Executive split	✓	5%
<b>Environment</b>		
CO <sup>2</sup> Emission	10/10	25%
Water withdrawal	1/10	10%
<b>Social</b>		
Wage dispersion trend	9/10	5%
Job satisfaction	10/10	5%
Internal communication	10/10	5%
<hr/>		
<b>Sustainability score</b>	<b>6.6/10</b>	<b>100%</b>

## Governance & Management

Co-founders Marc Bürki and Paolo Buzzi are Swissquote's CEO and CTO. The Board of Directors' size is rather limited with only six people. We consider three of them as being independent (and two are considered non-independent, as they have been on the board for more than seven years). In Switzerland, all Directors on a Board have to be non-executive.

### Governance score

Company (Sector)




7.1 (5.6)

Independent board













Yes

Parameters	Company	Sector	Score	Weight
Number of board members	6	9	9/10	5.0%
Board feminization (%)	16	32	3/10	5.0%
Board domestic density (%)	83	67	4/10	10.0%
Average age of board's members	63	58	4/10	5.0%
Type of company : Small cap, controlled			4/10	10.0%
Independent directors rate	50	40	5/10	20.0%
One share, one vote			✓	10.0%
Chairman vs. Executive split			✓	0.0%
Chairman not ex executive			✓	5.0%
Full disclosure on mgt pay			✓	5.0%
Disclosure of performance anchor for bonus trigger			✓	5.0%
Compensation committee reporting to board of directors			✓	5.0%
Straightforward, clean by-laws			✓	15.0%
<b>Governance score</b>			<b>7.1/10</b>	<b>100.0%</b>

### Management

Name		Function	Birth date	Date in	Date out	Compensation, in kCHF (year)	
						Cash	Equity linked
Marc BÜRKI	M	 CEO	1961	2002		1,107 (2021)	(2021)
Paolo BUZZI	M	 Deputy CEO	1961	2000		(2021)	(2021)
Yvan CARDENAS	M	 CFO	1980	2010		(2021)	(2021)

### Board of Directors

Name		Indep.	Function	Completion of current mandate	Birth date	Date in	Date out	Fees / indemnity, in kCHF (year)		Value of holding, in kCHF (year)	
Markus DENNLER	M	 	President/Chairman of th...		1956	2005		231 (2021)		6,446 (2021)	
Monica DELL'ANNA	F	 	Member		1955	2016		141 (2021)		401 (2021)	
Martin NAVILLE	M	 	Member		1959	2007		141 (2021)		2,347 (2021)	
Beat OBERLIN	M	 	Member		1955	2016		146 (2021)		759 (2021)	
Jean-Christophe PERNOLLET	M	 	Member		1966	2014		157 (2021)		871 (2021)	
Michael PLOOG	M	 	Member		1960	2021		109 (2021)		9,076 (2021)	

## Environment

### What the numbers say

Swissquote's Environmental score is very low and below the sector's. This is fully due to the lack of available data.

### Our analysis

We believe that Swissquote's Environmental score can only improve as the firm discloses further information on its environmental footprint.

Beyond that, we believe that its business is very sensitive. In fact, its score would be very much tied to its customers' investment philosophies and willingness to invest responsibly.

## Environmental Score

Data sets evaluated as trends on rolling calendar, made sector relative

Parameters	Score	Sector	Weight
Energy	1/10	3/10	25%
CO <sup>2</sup> Emission	10/10	5/10	30%
Waste	1/10	3/10	15%
Water withdrawal	1/10	3/10	30%
























Company (Sector)

**3.70** (3.57)












## Environmental metrics

	2019	Company 2020	2021	Sector 2021
CO <sup>2</sup> tons per €m in capital employed	1	1	1	149

## Sector figures

Company	Country	Environment score	Energy (total, in GJ)	CO <sub>2</sub> Emissions (in tons)	Water Withdrawal (in m <sup>3</sup> )	Waste (total, in tons)
En+		2/10	287,300,000	50,600,000	852,000,000	213,300,000
DWS		4/10		4,329		
AURELIUS		4/10		507		
Adyen		5/10	49,969	2,443		
Nexi		10/10	57,741	1,167	49,927	664
HBM Healthcare Investments		1/10				
Wise		1/10				
EdenRed		4/10	53,334	7,427	32,312	467
Vivendi		7/10	169	47,038		33,269
Deutsche Boerse		10/10	275,915	3,989	74,633	22
Porsche		1/10				
Bouygues		2/10	30,772,800	2,240,000	1,000,000	
GBL		4/10		200		
Investor		6/10	3,967	88		
Hal Trust		1/10				
Heineken Holding		7/10	25,458,200	1,516,000	92,800,000	4,352,600
London Stock Exchange Group		3/10	247,635	16,949	98,077	822
Eurazeo		6/10	10,062,709	790,076	37,181,108	41,600
Industrivärden		4/10		24		
Corporacion Financiera Alba		10/10	23,883	3,090	31,064	7,469
Kinnevik Investment		4/10		17		
Sonae		9/10	2,705,233	163,306	1,861,481	95,556
Ackermans & van Haaren		1/10		629	811	

## Swissquote (Buy)

<b>Partners Group</b>		3/10		762,066	723,061	
<b>Exor</b>		1/10				
<b>Bolloré</b>		10/10	1,017,954	395,260	1,484,073	31,710
<b>Wendel</b>		4/10		101		
<b>MPC Capital</b>		1/10				
<b>Swissquote Group Holding</b>		4/10		362		
<b>Deutsche Beteiligungs AG</b>		4/10		210		
<b>VIEL &amp; Cie</b>		1/10				
<b>Picanol</b>		1/10				
<b>Amundi</b>		10/10	76,511	3,821	21,476	189
<b>Euronext NV</b>		4/10	41,151	2,130	253,892	
<b>Worldline</b>		10/10	301,172	4,721	81,668	201

## Social

### What the numbers say

Swissquote's Social score is well above the sector's. This is mainly driven by qualitative metrics as well as the average wage trend (meaning a positive wage evolution) and share of added value taken up by taxes (meaning a fair tax contribution).

### Our analysis

Swissquote's workforce profile is qualified and much demanded. In order to feed its growth, the firm will have to compete with the broader FinTech/Neo bank peers, implying an attractive packages. We believe that Swissquote has the resources to attract people with these profiles and, consequently, should maintain a high Social score.

### Social score

Company (Sector)

**8.2** (5.8)

### Quantitative metrics (67%)

Set of staff related numerical metrics available in AlphaValue proprietary modelling aimed at ranking on social/HR matters

Parameters	Score	Weight
Staffing Trend	6/10	15%
Average wage trend	10/10	30%
Share of added value taken up by staff cost	5/10	20%
Share of added value taken up by taxes	8/10	15%
Wage dispersion trend	9/10	20%
Pension bonus (0 or 1)	0	
<b>Quantitative score</b>	<b>7.9/10</b>	<b>100%</b>

### Qualitative metrics (33%)

Set of listed qualitative criterias and for the analyst to tick

Parameters	Score	Weight
Accidents at work	10/10	25%
Human resources development	7/10	35%
Pay	10/10	20%
Job satisfaction	10/10	10%
Internal communication	10/10	10%
<b>Qualitative score</b>	<b>9.0/10</b>	<b>100%</b>

AlphaValue analysts tick boxes on essential components of the social/HR corporate life. Decision about ticking Yes or No is very much an assessment that combines the corporate's communication on relevant issue and the analyst's better judgment from experience.

### Qualitative score

Parameters	Yes  / No 	Weight
<b>Accidents at work</b>		<b>25%</b>
Set targets for work safety on all group sites?		10.0%
Are accidents at work declining?		15.0%
<b>Human resources development</b>		<b>35%</b>
Are competences required to meet medium term targets identified?		3.5%
Is there a medium term (2 to 5 years) recruitment plan?		3.5%
Is there a training strategy tuned to the company objectives?		3.5%
Are employees trained for tomorrow's objectives?		3.5%
Can all employees have access to training?		3.5%
Has the corporate avoided large restructuring lay-offs over the last year to date?		3.5%
Have key competences stayed?		3.5%
Are managers given managerial objectives?		3.5%
If yes, are managerial results a deciding factor when assessing compensation level?		3.5%
Is mobility encouraged between operating units of the group?		3.5%
<b>Pay</b>		<b>20%</b>
Is there a compensation committee?		6.0%
Is employees' performance combining group AND individual performance?		14.0%
<b>Job satisfaction</b>		<b>10%</b>
Is there a measure of job satisfaction?		3.3%
Can anyone participate ?		3.4%
Are there action plans to prop up employees' morale?		3.3%
<b>Internal communication</b>		<b>10%</b>
Are strategy and objectives made available to every employee?		10.0%
<b>Qualitative score</b>	<b>9.0/10</b>	<b>100.0%</b>

## Staff & Pension matters

At the end of 2018, Swissquote has 649 employees. It has been regularly increasing its headcount in recent years (420 employees in 2013) to manage the Fintech's growth. Interestingly, Swissquote's total sales/employee ratio is the highest number within the European banking sector (CHF541m vs CHF292m on average). And, interestingly, engineers make up 35% of the total headcount. These two elements confirm the company's push into technology.

Detailed financials at the end of this report

### Summary Of Pension Risks

		12/21A	12/22E	12/23E	12/24E
<b>Pension ratio</b>	%	<b>7.57</b>	<b>3.68</b>	<b>3.03</b>	<b>2.70</b>
Ordinary shareholders' equity	CHFm	615	848	991	1,072
<b>Total benefits provisions</b>	<b>CHFm</b>	<b>50.4</b>	<b>32.3</b>	<b>31.0</b>	<b>29.7</b>
<i>of which funded pensions</i>	<i>CHFm</i>	<i>50.4</i>	<i>32.3</i>	<i>31.0</i>	<i>29.7</i>
<i>of which unfunded pensions</i>	<i>CHFm</i>	<i>0.00</i>	<i>0.00</i>	<i>0.00</i>	<i>0.00</i>
<i>of which benefits / health care</i>	<i>CHFm</i>		<i>0.00</i>	<i>0.00</i>	<i>0.00</i>
Unrecognised actuarial (gains)/losses	CHFm	0.00	0.00	0.00	0.00

### Geographic Breakdown Of Pension Liabilities

		12/21A	12/22E	12/23E	12/24E
US exposure	%				
UK exposure	%				
Euro exposure	%				
Nordic countries	%				
Switzerland	%				
Other	%	100	100	100	100
Total	%	100	100	100	100

## Recent updates

**25/03/2022**

### Positive momentum ahead despite an unstable global environment

#### Change in Opinion

Buy vs Add

We raise our recommendation to Buy following the FY 21 release and the integration of the firm's ambitions. In fact, while 2021 has been an impressive year top-line and profitability wise for Swissquote, 2022 is expected to deliver the same absolute performance.

In fact, while one could expect 2022 to be rather grey given the current global environment and the fears of recession, we believe Swissquote to be well armed to face this challenging environment.

We expect the firm to increase its customer base consistently, offsetting the potential decrease in trading activity per customer, while we also consider that Swissquote's customer profile (average trade of c.€20,000) should not be the most impacted by a global/ European recession.

Moreover, Swissquote is diversifying its product offering further with additional assets available to trade such as cryptos and crypto staking. The latter being a potential strong hedge against the financial markets' turmoil and increasing reliance on asset-based revenues.

Propelled by an improving rates environment and a strong balance sheet, Swissquote also has the levers to go through these uncertain times swiftly and deliver all its potential as the global situation recovers.

#### Change in Target Price

CHF 231 vs 213 +8.60%

Our target price increases as we update our model with the FY 21 figures and integrate management's updated ambitions. The increase is mainly driven by a DCF improvement, the NAV restatement and the P/Book valuation improvement, on the back of shareholders' equity materially growing.

#### Change in EPS

2022 : CHF 13.1 vs 12.9 +1.49%

2023 : CHF 16.0 vs 13.7 +16.8%

EPS grow materially as we integrate the firm's ambitions in our forecasts. While EPS 2022 is expected flattish vs. 2021, we believe in a material improvement in 2023 driven by a strong top-line growth propelled by customer onboardings, strong net new money flows, increased trading of crypto assets and an improving rates environment wrapped into an easing of the current global tensions.

#### Change in DCF

CHF 288 vs 228 +26.4%

In accordance with the EPS, our DCF valuation increases materially as we consider the firm's ambitions for its top-line growth and pre-tax margin. We believe these to be achievable thanks to a more favourable environment and a structurally well diversified company. We expect pre-tax profit margins to be stable at around 47% over 2023 and 2024.



17/03/2022

## A record year punctuated by diversification to face upcoming challenges

Earnings/sales releases

**Swissquote's FY 21 release yielded a lot of optimism regarding the firm's growth prospects despite the current unsafe environment. While 2021 has been a record year, management has guided for similar revenue generation and profitability in 2022, on the back of product initiations and revenue diversification.**

### Fact

#### Swissquote FY 21 release

- Net revenue of CHF472m (+49% yoy) and pre-tax profit of CHF223m (+111.4% yoy), already disclosed at the beginning of January
- Record high net new money inflow of CHF9.6bn (total client assets at CHF55.9bn) and an increase in customer accounts by 18.9% yoy
- Net fee and commission income up 10.4% yoy, while net crypto assets income grew to CHF102m from CHF16m in 2020
- Net profit of CHF193.1m (CHF91m in 2020) ahead of firm's, consensus, and our expectations
- Basel III capital ratio of 26.2% with a proposed dividend of CHF2.2 per share (vs. CHF1.5 in 2020)
- Revenue and pre-tax profit guidance of CHF475m and CHF225m respectively for 2022 and CHF750m and CHF350m respectively for 2025

### Analysis

Although not a surprise given the pre-announcement at the beginning of January, Swissquote's results for 2021 were outstanding with revenues growing 49% yoy.

Such a growth has been driven by outstanding customer acquisition with a record high net new money inflow of CHF9.6bn, on an organic basis (77,599 accounts have been opened in 2021). Also, this increase in accounts seems qualitative as the average deposit per account has increased to CHF114.6k from a bit less than CHF100k last year. This growth, coupled with exceptional market conditions over 2021 (which have been subject to high volatility and recovered from COVID-19 turmoil), as well as the launch of crypto trading are fuelling a well diversified, net revenue generation which we believe to be crucial to face the potential global economic turmoil stemming from the Russia/Ukraine conflict or customers' varying appetites for asset classes.

In fact, net revenue is almost perfectly split among multi-currencies cash, stocks, eFX and crypto assets. Going forward, we expect crypto assets' income to increase at an even faster pace considering the new assets added to the tradable pool (Tezos & Polkadot) as well as the enabling of crypto staking.

Similarly, we welcome the firm's ability to generate 20% of its net revenues from its asset base (80% transaction based), which should progressively improve, at least on an absolute basis, on the back of increasing account openings and rising interest rates. A great point for the firm's sustainability.

Overall, the firm's performance has yielded a strong Basel III capital ratio of 26%, leaving room for further acquisitions (and potentially bigger than Keytrade Bank Luxembourg). Coupled with the so far successful Yuh application (50% JV with Post Finance), Swissquote seems to have the relevant levers to fuel its high growth profile.

And lastly, the firm has proposed a CHF2.2 dividend per share, up c.47% from 2020. While Bloomberg consensus had expected a dividend of CHF3.0, we consider this dividend as satisfying, granting stability, while we should keep in mind that Swissquote has a growth profile and could use excess cash for fuelling its exponential growth.

### Impact

Our model is under review.

**13/01/2022**

### Buy the dip

Earnings/sales releases

**Swissquote this morning released some numbers regarding FY2021. Both revenues and pre-tax profit were above guidance and our own expectations which had been in line with guidance. This makes FY2021 another incredible year for Swissquote vs 2020. The share price is down about 5% as investors might have (wrongly) bet on H221's numbers coming in close to their H121 level. We remain positive on Swissquote as all growth engines will stay active going into 2022.**

### Fact

Swissquote's FY2021 revenues at CHF472m were above the guidance of CHF465m and the pre-tax profit at CHF223m was also above the guidance of CHF210m. PBT was more than twice its 2020 level (which had also been an exceptional year for Swissquote).

The company will publish full results for FY2021 on the 17th March. There may be new guidance for 2022 and later at that time. The previous guidance for the coming years has been out of date for some time now (NB at the beginning of 2021, management was expecting CHF500m revenues and CHF200m PBT for 2024).

### Analysis

Both revenues and PBT were slightly ahead of guidance (and our expectations). The share price is however down 5% as investors had been hoping for the second semester's revenues to be close to their H121 level or at

least not so far off; they were effectively well below at CHF88m (CHF135m in H121). This still remains a strong semester. And management's most recent guidance (at the time of the H121 release) is ambitious as it currently expects revenues to go on growing in 2022.

While volatility in 2020 and 2021 has helped Swissquote onboard new (active) clients, the key to Swissquote's strong growth will remain the institutionalization of the crypto-market. We are confident Swissquote is well ahead of the competition in Switzerland and its development in Europe should strengthen that expertise.

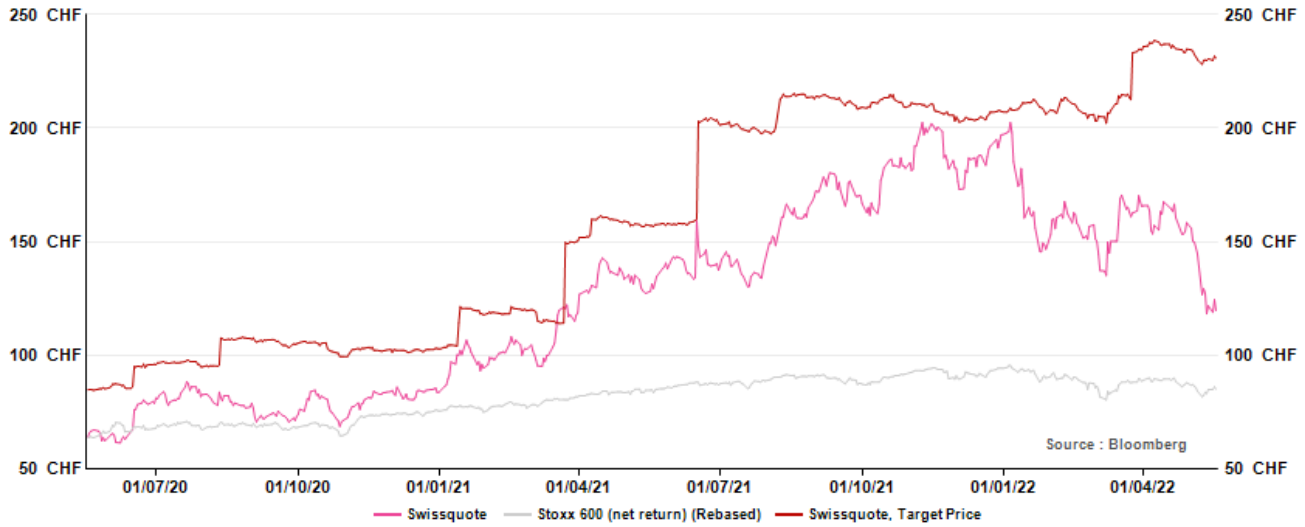
The announced acquisition of Keytrade Bank Luxembourg, a small online and trading bank in Luxembourg, is another brick in the fintech's development. Keytrade has about 8000 clients and €1.7bn of assets under custody. This is slightly lower than InternaxX which was acquired by Swissquote in 2018.

Considering a margin of 90bps on assets, the contribution to revenues should be in the area of €15m. And as importantly, it should help Swissquote's expansion in Europe.

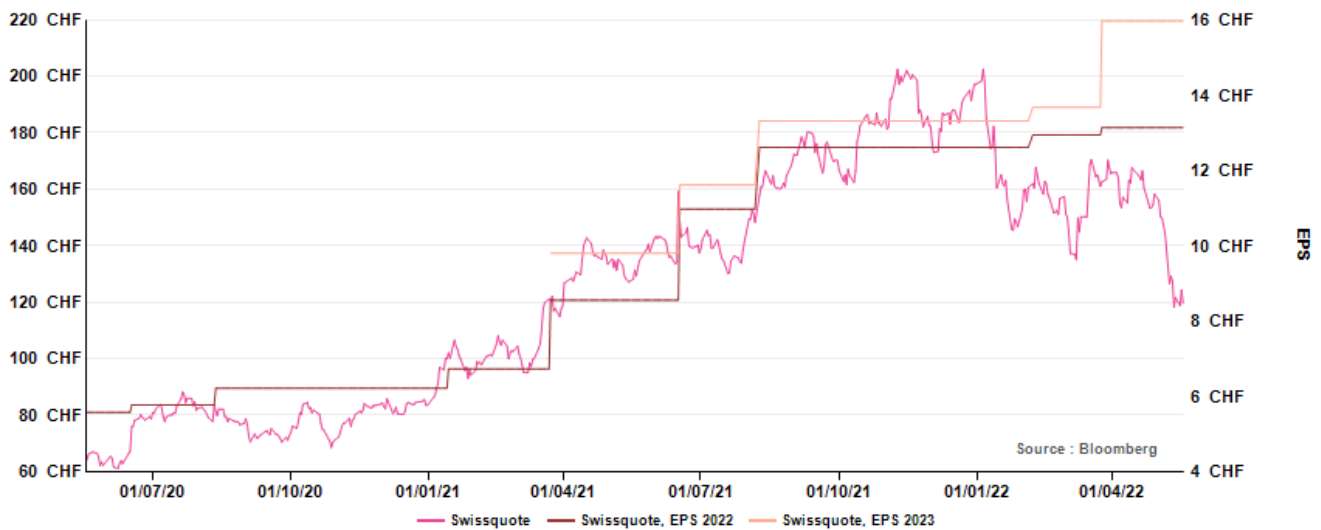
### Impact

Following these results, we will adjust our numbers for 2021. We remain comfortable with our opinion on the company.

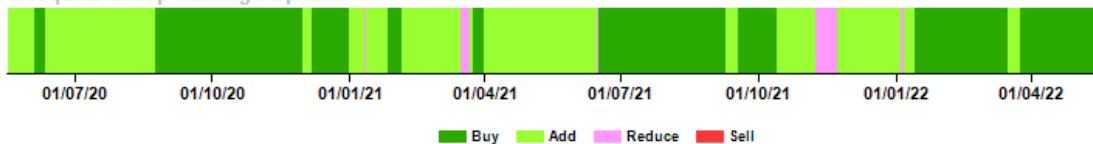
## Stock Price and Target Price



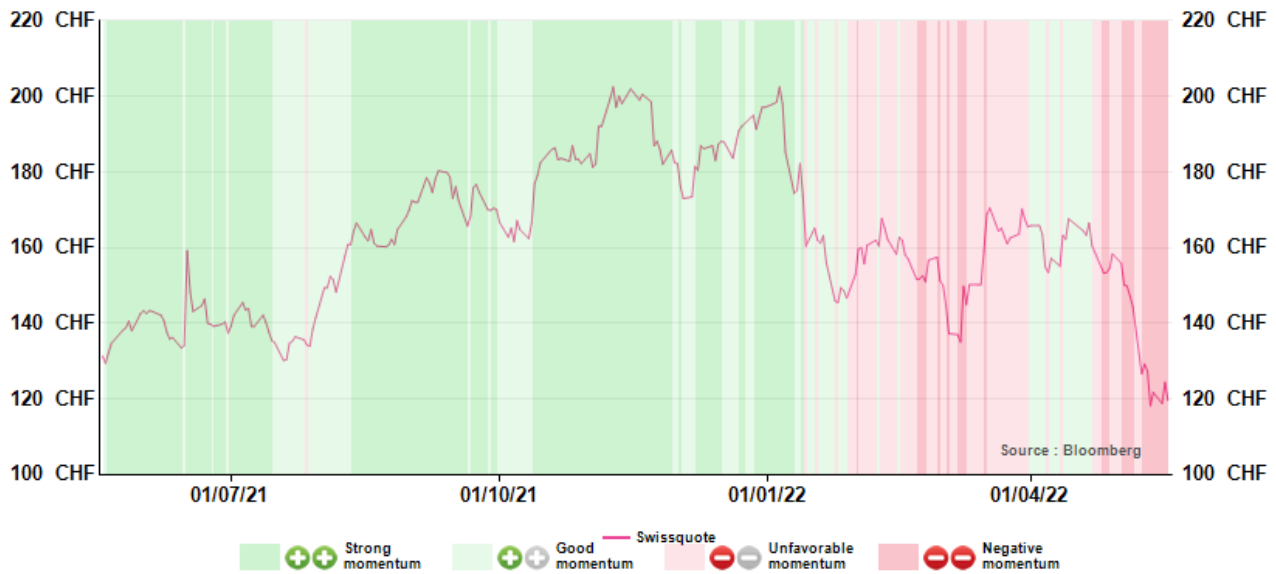
## Earnings Per Share & Opinion



## Swissquote Group Holding : Opinion



## Momentum






Momentum analysis consists in evaluating the stock market trend of a given financial instrument, based on the analysis of its trading flows.



The main indicators used in our momentum tool are simple moving averages over three time frames: short term (20 trading days), medium term (50 days) and long term (150 days). The positioning of these moving averages relative to each other gives us the direction of the flows over these time frames.


For example, if the short and medium-term moving averages are above the long-term moving average, this suggests an uptrend which will need to be confirmed. Attention is also paid to the latest stock price relative to the three moving averages (advance indicator) as well as to the trend in these three moving averages - downtrend, neutral, uptrend - which is more of a lagging indicator.

The trend indications derived from the flows through moving averages and stock prices must be confirmed against trading volumes in order to confirm the signal. This is provided by a calculation based on the average increase in volumes over ten weeks together with a buy/sell volume ratio.

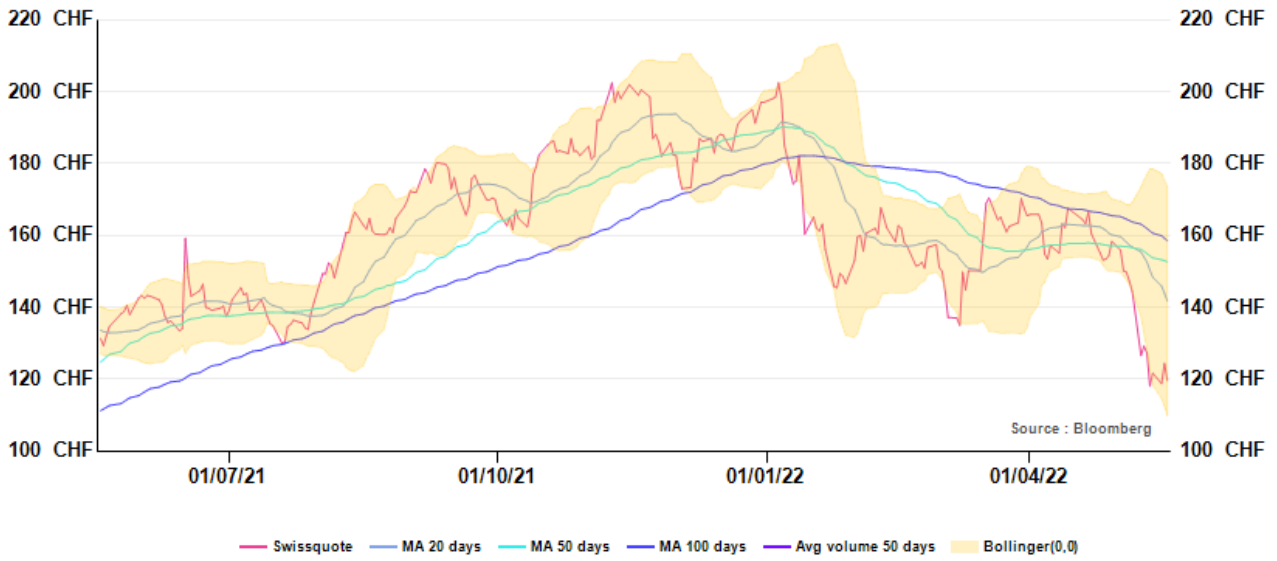
 : Strong momentum corresponding to a continuous and overall positive moving average trend confirmed by volumes

  : Relatively good momentum corresponding to a positively-oriented moving average, but offset by an overbought pattern or lack of confirmation from volumes

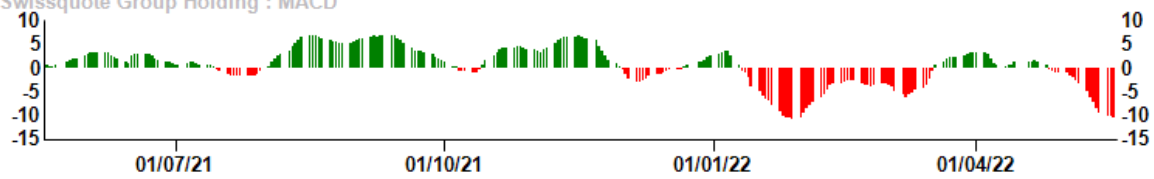
  : Relatively unfavorable momentum with a neutral or negative moving average trend, but offset by an oversold pattern or lack of confirmation from volumes

 : Strongly negative momentum corresponding to a continuous and overall negative moving average trend confirmed by volumes

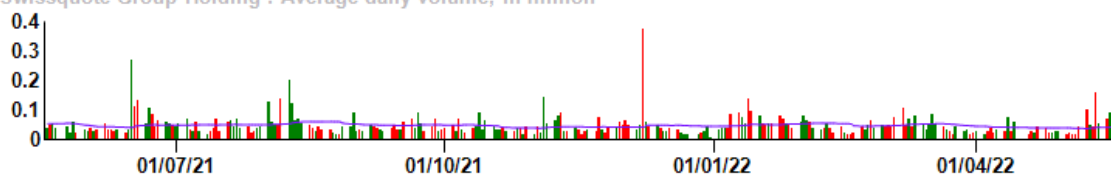
## Moving Average MACD & Volume



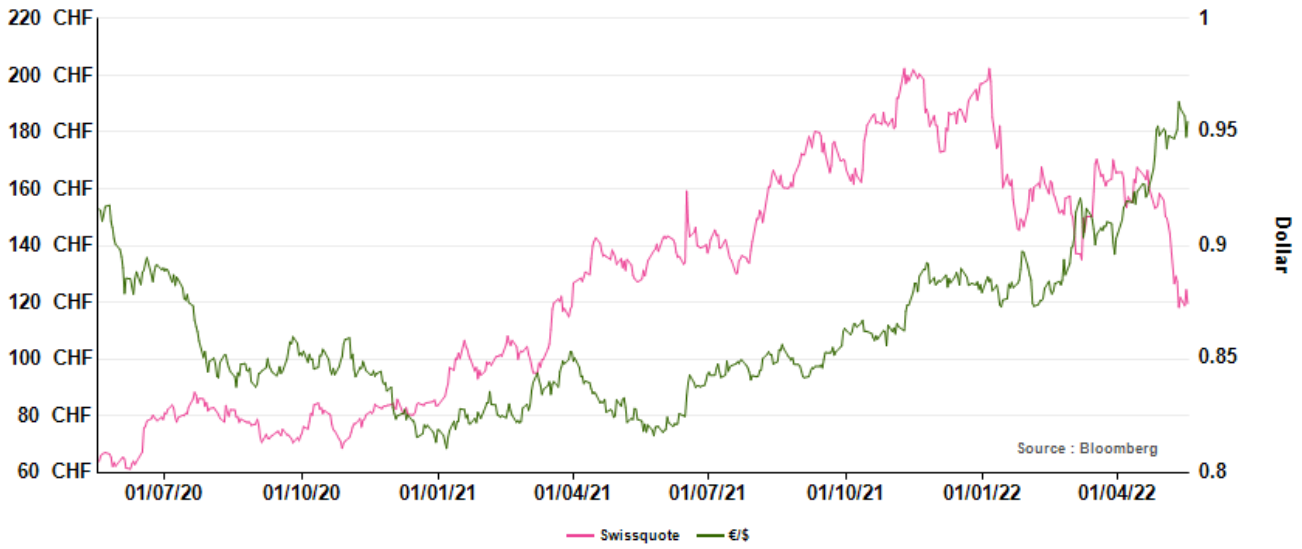
Swissquote Group Holding : MACD



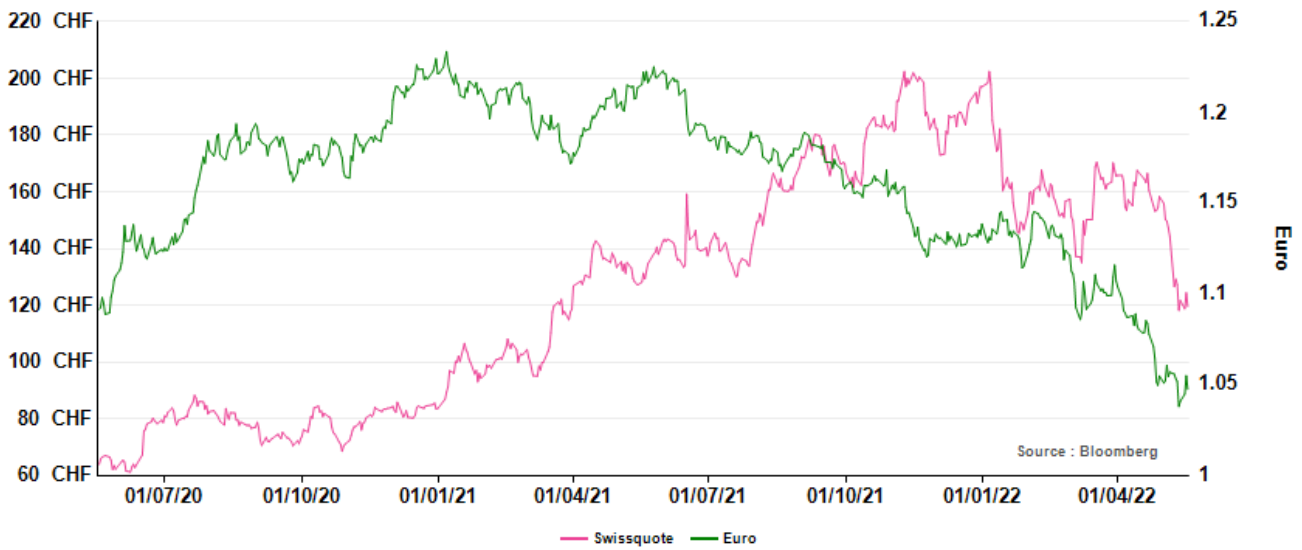
Swissquote Group Holding : Average daily volume, in million



## €/\$ sensitivity



## Euro sensitivity



## Sector Other Financials





## Detailed Financials

Valuation Key Data		12/21A	12/22E	12/23E	12/24E
<b>Adjusted P/E</b>	<b>x</b>	<b>11.5</b>	<b>9.11</b>	<b>7.49</b>	<b>6.40</b>
Reported P/E	x	11.5	9.11	7.49	6.40
<b>EV/EBITDA(R)</b>	<b>x</b>	<b>7.85</b>	<b>5.71</b>	<b>4.31</b>	<b>3.27</b>
EV/EBIT	x	8.99	6.55	4.93	3.73
EV/Sales	x	4.25	3.05	2.33	1.77
<b>P/Book</b>	<b>x</b>	<b>3.60</b>	<b>2.10</b>	<b>1.80</b>	<b>1.66</b>
<b>Dividend yield</b>	<b>%</b>	<b>1.48</b>	<b>2.13</b>	<b>2.59</b>	<b>3.03</b>
<i>Preferred dividend yield</i>	%	0.00	0.00	0.00	
<i>Free cash flow yield</i>	%	11.5	8.39	9.23	11.3
Average stock price	CHF	149	120	120	120
Average preferred stock price	CHF	0.00	0.00	0.00	0.00

<b>Consolidated P&amp;L</b>		<b>12/21A</b>	<b>12/22E</b>	<b>12/23E</b>	<b>12/24E</b>
<b>Sales</b>	<b>CHFM</b>	<b>472</b>	<b>485</b>	<b>581</b>	<b>678</b>
<i>Sales growth</i>	%	48.9	2.74	19.7	16.7
<i>Sales per employee</i>	<i>CHFth</i>	675	684	807	566
Purchases and external costs (incl. IT)	CHFM	-93.2	-95.8	-120	-146
Staff costs	CHFM	-125	-131	-148	-166
Operating lease payments	CHFM	-1.00	-1.00	-1.00	-1.00
Cost of sales/COGS (indicative)	CHFM				
<b>EBITDA</b>	<b>CHFM</b>	<b>255</b>	<b>258</b>	<b>313</b>	<b>367</b>
EBITDA(R)	CHFM	256	259	314	368
<i>EBITDA(R) margin</i>	%	54.1	53.4	54.1	54.2
<i>EBITDA(R) per employee</i>	<i>CHFth</i>	365	365	436	307
Depreciation	CHFM	-31.3	-32.2	-38.5	-44.9
<i>Depreciations/Sales</i>	%	6.62	6.62	6.62	6.62
Amortisation	CHFM				
<b>Underlying operating profit</b>	<b>CHFM</b>	<b>223</b>	<b>226</b>	<b>275</b>	<b>322</b>
<i>Underlying operating margin</i>	%	47.3	46.6	47.3	47.4
Other income/expense (cash)	CHFM				
Impairment charges/goodwill amortisation	CHFM				
<b>Operating profit (EBIT)</b>	<b>CHFM</b>	<b>223</b>	<b>226</b>	<b>275</b>	<b>322</b>
Interest expenses	CHFM				
<i>of which effectively paid cash interest expenses</i>	<i>CHFM</i>	<i>0.00</i>			
Financial income	CHFM				
Other financial income (expense)	CHFM				
<b>Net financial expenses</b>	<b>CHFM</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<i>of which related to pensions</i>	<i>CHFM</i>		<i>-1.26</i>	<i>-1.16</i>	<i>-1.15</i>
<b>Pre-tax profit before exceptional items</b>	<b>CHFM</b>	<b>223</b>	<b>226</b>	<b>275</b>	<b>322</b>
Exceptional items and other (before taxes)	CHFM				
Current tax	CHFM	-30.2	-30.6	-37.2	-43.5
Deferred tax	CHFM				
<b>Corporate tax</b>	<b>CHFM</b>	<b>-30.2</b>	<b>-30.6</b>	<b>-37.2</b>	<b>-43.5</b>
<i>Tax rate</i>	%	13.5	13.5	13.5	13.5
<i>Net margin</i>	%	40.9	40.3	40.9	41.0
Equity associates	CHFM				
<i>Actual dividends received from equity holdings</i>	<i>CHFM</i>				
Minority interests	CHFM				
Income from discontinued operations	CHFM				
<b>Attributable net profit</b>	<b>CHFM</b>	<b>193</b>	<b>195</b>	<b>238</b>	<b>278</b>
Impairment charges/goodwill amortisation	CHFM	0.00	0.00	0.00	0.00
Other adjustments	CHFM				
<b>Adjusted attributable net profit</b>	<b>CHFM</b>	<b>193</b>	<b>195</b>	<b>238</b>	<b>278</b>
<b>Fully diluted adjusted attr. net profit</b>	<b>CHFM</b>	<b>193</b>	<b>195</b>	<b>238</b>	<b>278</b>
<b>NOPAT</b>	<b>CHFM</b>	<b>156</b>	<b>159</b>	<b>193</b>	<b>226</b>

## Cashflow Statement

		12/21A	12/22E	12/23E	12/24E
EBITDA	CHFM	255	258	313	367
Change in WCR	CHFM	0.00	0.00	0.00	0.00
<i>of which (increases)/decr. in receivables</i>	CHFM		0.00	0.00	0.00
<i>of which (increases)/decr. in inventories</i>	CHFM		0.00	0.00	0.00
<i>of which increases/(decr.) in payables</i>	CHFM		0.00	0.00	0.00
<i>of which increases/(decr.) in other curr. liab.</i>	CHFM		0.00	0.00	0.00
Actual dividends received from equity holdings	CHFM	0.00	0.00	0.00	0.00
Paid taxes	CHFM	-19.1	-30.6	-37.2	-43.5
Exceptional items	CHFM				
Other operating cash flows	CHFM	46.8 <sup>(2)</sup>	-29.8	-53.8	-54.7
<b>Total operating cash flows</b>	<b>CHFM</b>	<b>282 <sup>(3)</sup></b>	<b>198</b>	<b>222</b>	<b>268</b>
Capital expenditure	CHFM	-28.0	-48.5	-58.1	-67.8
<i>Capex as a % of depreciation &amp; amort.</i>	%	89.5	151	151	151
Net investments in shares	CHFM				
Other investment flows	CHFM				
<b>Total investment flows</b>	<b>CHFM</b>	<b>-28.0 <sup>(3)</sup></b>	<b>-48.5</b>	<b>-58.1</b>	<b>-67.8</b>
Net interest expense	CHFM	0.00	0.00	0.00	0.00
<i>of which cash interest expense</i>	CHFM	0.00	1.26	1.16	1.15
<b>Dividends (parent company)</b>	<b>CHFM</b>	<b>-22.3</b>	<b>-32.7</b>	<b>-37.9</b>	<b>-46.1</b>
Dividends to minorities interests	CHFM	0.00	0.00	0.00	0.00
<b>New shareholders' equity</b>	<b>CHFM</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<i>of which (acquisition) release of treasury shares</i>	CHFM	0.00	0.00	0.00	0.00
(Increase)/decrease in net debt position	CHFM		0.00	0.00	0.00
Other financial flows	CHFM	-2.64	-2.72	-2.80	-2.88
<b>Total financial flows</b>	<b>CHFM</b>	<b>-25.0 <sup>(3)</sup></b>	<b>-34.2</b>	<b>-39.6</b>	<b>-47.8</b>
Change in cash position	CHFM	229 <sup>(3)</sup>	115	125	153
<b>Change in net debt position</b>	<b>CHFM</b>	<b>229</b>	<b>115</b>	<b>125</b>	<b>153</b>
Free cash flow (pre div.)	CHFM	254	149	164	201
Operating cash flow (clean)	CHFM	282	198	222	268
<i>Reinvestment rate (capex/tangible fixed assets)</i>	%	27.5	66.1	75.3	83.8

2. That is an estimation of required capital for growth based on a 15% CET1 ratio and growth in risk-weighted assets in line with that of the top-line

3. For understanding the cash flow statement (versus the one disclosed in Swissquote's financial statements), please refer to the Worth Knowing section.

**Balance Sheet**

		12/21A	12/22E	12/23E	12/24E
Goodwill	CHFM	44.5	44.5	44.5	44.5
Other intangible assets	CHFM	56.8	56.8	56.8	56.8
<b>Total intangible</b>	<b>CHFM</b>	<b>101</b>	<b>101</b>	<b>101</b>	<b>101</b>
Tangible fixed assets	CHFM	70.0	73.5	77.1	81.0
Financial fixed assets (part of group strategy)	CHFM	11.2	11.2	11.2	11.2
Financial hedges (LT derivatives)	CHFM	92.7	107	123	141
Other financial assets (investment purpose mainly)	CHFM	8,496 <sup>(4)</sup>	9,328	10,433	11,481
<b>WCR</b>	<b>CHFM</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<i>of which trade &amp; receivables (+)</i>	CHFM				
<i>of which inventories (+)</i>	CHFM				
<i>of which payables (+)</i>	CHFM				
<i>of which other current liabilities (+)</i>	CHFM				
Other current assets	CHFM	54.5	56.9	59.7	63.1
<i>of which tax assets (+)</i>	CHFM	3.84	4.90	6.26	7.99
<b>Total assets (net of short term liabilities)</b>	<b>CHFM</b>	<b>8,826</b>	<b>9,678</b>	<b>10,805</b>	<b>11,878</b>
Ordinary shareholders' equity (group share)	CHFM	615	848	991	1,072
Minority interests	CHFM				
Provisions for pensions	CHFM	11.0	32.3	31.0	29.7
Other provisions for risks and liabilities	CHFM				
Deferred tax liabilities	CHFM	1.67	1.92	2.21	2.54
Other liabilities	CHFM	8,410 <sup>(5)</sup>	9,123	10,233	11,379
<b>Net debt / (cash)</b>	<b>CHFM</b>	<b>-213</b>	<b>-328</b>	<b>-452</b>	<b>-605</b>
<b>Total liabilities and shareholders' equity</b>	<b>CHFM</b>	<b>8,826</b>	<b>9,678</b>	<b>10,805</b>	<b>11,878</b>
Average net debt / (cash)	CHFM	-155	-270	-390	-529

4. Mainly risk-free assets and cash held at central banks (from the investment of clients' deposits).

5. Mostly clients' deposits

**EV Calculations**

		12/21A	12/22E	12/23E	12/24E
<b>EV/EBITDA(R)</b>	<b>x</b>	<b>7.85</b>	<b>5.71</b>	<b>4.31</b>	<b>3.27</b>
<b>EV/EBIT</b>	<b>x</b>	<b>8.99</b>	<b>6.55</b>	<b>4.93</b>	<b>3.73</b>
<b>EV/Sales</b>	<b>x</b>	<b>4.25</b>	<b>3.05</b>	<b>2.33</b>	<b>1.77</b>
EV/Invested capital	x	7.11	4.94	4.24	3.52
Market cap	CHFM	2,213	1,780	1,780	1,780
+ Provisions (including pensions)	CHFM	11.0	32.3	31.0	29.7
+ Unrecognised actuarial losses/(gains)	CHFM	0.00	0.00	0.00	0.00
+ Net debt at year end (ex Right-of-use from 2019)	CHFM	-213	-328	-452	-605
+ Right-of-use (from 2019)/Leases debt equivalent	CHFM	7.00	7.00	7.00	7.00
- Financial fixed assets (fair value) & Others	CHFM	11.2	11.2	11.2	11.2
+ Minority interests (fair value)	CHFM				
<b>= Enterprise Value</b>	<b>CHFM</b>	<b>2,007</b>	<b>1,480</b>	<b>1,354</b>	<b>1,200</b>

## Per Share Data

		12/21A	12/22E	12/23E	12/24E
<b>Adjusted EPS (bfr gwill amort. &amp; dil.)</b>	<b>CHF</b>	<b>13.0</b>	<b>13.1</b>	<b>16.0</b>	<b>18.7</b>
<i>Growth in EPS</i>	%	112	1.18	21.6	17.1
Reported EPS	CHF	13.0	13.1	16.0	18.7
<b>Net dividend per share</b>	<b>CHF</b>	<b>2.20</b>	<b>2.55</b>	<b>3.10</b>	<b>3.63</b>
Free cash flow per share	CHF	17.1	10.0	11.0	13.5
Operating cash flow per share	CHF	19.0	13.3	14.9	18.0
Book value per share	CHF	41.4	57.0	66.6	72.0
<b>Number of ordinary shares</b>	<b>Mio</b>	<b>15.3</b>	<b>15.3</b>	<b>15.3</b>	<b>15.3</b>
Number of equivalent ordinary shares (year end)	Mio	15.3	15.3	15.3	15.3
Number of shares market cap.	Mio	15.3	15.3	15.3	15.3
Treasury stock (year end)	Mio	0.45	0.45	0.45	0.45
Number of shares net of treasury stock (year end)	Mio	14.9	14.9	14.9	14.9
<b>Number of common shares (average)</b>	<b>Mio</b>	<b>14.9</b>	<b>14.9</b>	<b>14.9</b>	<b>14.9</b>
Conversion of debt instruments into equity	Mio				
Settlement of cashable stock options	Mio				
Probable settlement of non mature stock options	Mio				
Other commitments to issue new shares	Mio				
Increase in shares outstanding (average)	Mio	0.00	0.00	0.00	0.00
<b>Number of diluted shares (average)</b>	<b>Mio</b>	<b>14.9</b>	<b>14.9</b>	<b>14.9</b>	<b>14.9</b>
Goodwill per share (diluted)	CHF	0.00	0.00	0.00	0.00
EPS after goodwill amortisation (diluted)	CHF	13.0	13.1	16.0	18.7
EPS before goodwill amortisation (non-diluted)	CHF	13.0	13.1	16.0	18.7
<b>Payout ratio</b>	<b>%</b>	<b>17.0</b>	<b>19.4</b>	<b>19.4</b>	<b>19.4</b>
<b>Capital payout ratio (div +share buy back/net income)</b>	<b>%</b>	<b>17.0</b>	<b>19.4</b>	<b>19.4</b>	

## Funding - Liquidity

		12/21A	12/22E	12/23E	12/24E
EBITDA	CHFM	255	258	313	367
Funds from operations (FFO)	CHFM	282	199	223	269
<b>Ordinary shareholders' equity</b>	<b>CHFM</b>	<b>615</b>	<b>848</b>	<b>991</b>	<b>1,072</b>
Gross debt	CHFM	0.00	0.00	0.00	0.00
+ Gross Cash	CHFM	213	328	452	605
<b>= Net debt / (cash)</b>	<b>CHFM</b>	<b>-213</b>	<b>-328</b>	<b>-452</b>	<b>-605</b>
Other financing	CHFM	0.00	0.00	0.00	0.00
Gearing (at book value)	%	-25.1	-31.9	-39.3	-49.3
Equity/Total asset (%)	%	6.97	8.76	9.17	9.02
<i>Adj. Net debt/EBITDA(R)</i>	x	-0.80	-1.24	-1.42	-1.63
<i>Adjusted Gross Debt/EBITDA(R)</i>	x	0.04	0.12	0.10	0.08
<i>Adj. gross debt/(Adj. gross debt+Equity)</i>	%	1.76	3.68	3.03	2.70
<i>Ebit cover</i>	x	745	-236	-322	-377
<i>FFO/Gross Debt</i>	%	2,565	615	721	907
<i>FFO/Net debt</i>	%	-133	-60.8	-49.4	-44.6
<i>FCF/Adj. gross debt (%)</i>	%	2,310	461	530	675

## ROE Analysis (Dupont's Breakdown)

		12/21A	12/22E	12/23E	12/24E
Tax burden (Net income/pretax pre expc income)	x	0.86	0.86	0.86	0.86
EBIT margin (EBIT/sales)	%	47.3	46.6	47.3	47.4
Assets rotation (Sales/Avg assets)	%	5.85	5.25	5.68	5.98
Financial leverage (Avg assets /Avg equity)	x	15.3	12.6	11.1	11.0
<b>ROE</b>	<b>%</b>	<b>36.6</b>	<b>26.7</b>	<b>25.8</b>	<b>27.0</b>
ROA	%	130	129	154	176

## Shareholder's Equity Review (Group Share)

		12/21A	12/22E	12/23E	12/24E
Y-1 shareholders' equity	CHFM	463	634	848	991
+ Net profit of year	CHFM	193	195	238	278
- Dividends (parent cy)	CHFM	-22.3	-32.7	-37.9	-46.1
+ Additions to equity	CHFM	0.00	0.00	0.00	0.00
<i>o/w reduction (addition) to treasury shares</i>	<i>CHFM</i>	<i>0.00</i>	<i>0.00</i>	<i>0.00</i>	<i>0.00</i>
- Unrecognised actuarial gains/(losses)	CHFM	0.00	0.00	0.00	0.00
+ Comprehensive income recognition	CHFM		51.5	-56.1	-151
<b>= Year end shareholders' equity</b>	<b>CHFM</b>	<b>634</b>	<b>848</b>	<b>991</b>	<b>1,072</b>

## Staffing Analytics

		12/21A	12/22E	12/23E	12/24E
Sales per staff	CHFth	675	684	807	566
Staff costs per employee	CHFth	-178	-185	-205	-138
<i>Change in staff costs</i>	<i>%</i>	<i>18.8</i>	<i>5.53</i>	<i>12.2</i>	<i>12.3</i>
<i>Change in unit cost of staff</i>	<i>%</i>	<i>17.1</i>	<i>4.04</i>	<i>10.6</i>	<i>-32.6</i>
<i>Staff costs/(EBITDA+Staff costs)</i>	<i>%</i>	<i>32.9</i>	<i>33.7</i>	<i>32.0</i>	<i>31.1</i>

		12/21A	12/22E	12/23E	12/24E
<b>Average workforce</b>	<b>unit</b>	<b>700</b>	<b>710</b>	<b>720</b>	<b>1,199</b>
Europe	unit	952	1,000	1,100	1,199
North America	unit	0.00	0.00	0.00	0.00
South Americas	unit	0.00	0.00	0.00	0.00
Asia	unit	0.00	0.00	0.00	0.00
Other key countries	unit	0.00	0.00	0.00	0.00
<b>Total staff costs</b>	<b>CHFM</b>	<b>-125</b>	<b>-131</b>	<b>-148</b>	<b>-166</b>
Wages and salaries	CHFM	-125	-131	-148	-166
Pension related costs	CHFM		0.00	0.00	0.00

## Divisional Breakdown Of Revenues

		12/21A	12/22E	12/23E	12/24E
<b>Total sales</b>	<b>CHFM</b>	<b>472</b>	<b>485</b>	<b>581</b>	<b>678</b>
Net interest income	CHFM	23.2	24.0	39.5	51.5
Net fee and commission income	CHFM	161	168	181	194
Net trading income	CHFM	71.9	74.6	84.3	100
Other	CHFM	216	219	276	333

## Divisional Breakdown Of Earnings

		12/21A	12/22E	12/23E	12/24E
<b>PRETAX RESULTS Analysis</b>					
Other/cancellations	CHFM	223	226	275	322
<b>Total</b>	<b>CHFM</b>	<b>223</b>	<b>226</b>	<b>275</b>	<b>322</b>
PRETAX RESULTS margin	%	47.3	46.6	47.3	47.4

## Revenue Breakdown By Country

		12/21A	12/22E	12/23E	12/24E
Other	%	100	100		

ROCE		12/21A	12/22E	12/23E	12/24E
ROCE (NOPAT+lease exp. *(1-tax))/(net) cap employed adjusted	%	55.7	53.3	60.7	66.4
CFROIC	%	90.2	49.8	51.4	58.7
Goodwill	CHFM	44.5	44.5	44.5	44.5
Accumulated goodwill amortisation	CHFM	0.00	0.00	0.00	0.00
All intangible assets	CHFM	56.8	56.8	56.8	56.8
Accumulated intangible amortisation	CHFM	54.8	0.00	0.00	0.00
Financial hedges (LT derivatives)	CHFM	92.7	107	123	141
Capitalised R&D	CHFM	0.00	0.00	0.00	0.00
Rights of use/ Capitalised leases	CHFM	7.00	7.00	7.00	7.00
Other fixed assets	CHFM	70.0	73.5	77.1	81.0
Accumulated depreciation	CHFM	31.8	0.00	0.00	0.00
WCR	CHFM	0.00	0.00	0.00	0.00
Other assets	CHFM	11.2	11.2	11.2	11.2
Unrecognised actuarial losses/(gains)	CHFM	0.00	0.00	0.00	0.00
<b>Capital employed after deprec. (Invested capital)</b>	<b>CHFM</b>	<b>282</b>	<b>300</b>	<b>319</b>	<b>341</b>
Capital employed before depreciation	CHFM	276	193	197	200

Divisional Breakdown Of Capital Employed		12/21A	12/22E	12/23E	12/24E
Other	CHFM	282	300	319	341
<b>Total capital employed</b>	<b>CHFM</b>	<b>282</b>	<b>300</b>	<b>319</b>	<b>341</b>

Essential Balance Sheet Data		12/21A	12/22E	12/23E	12/24E
Clients assets	CHFM	55,890	63,207	71,065	79,152
Clients deposits	CHFM	7,955	8,637	9,711	10,816
Total Risk Weighted Assets	CHFM	2,026	2,191	2,516	2,848
Of which counterparty RWA	CHFM	1,150	1,244	1,428	1,616
Of which operating RWA	CHFM	655	709	814	921
Of which market related RWA	CHFM	94.0	102	117	132
Common equity tier 1 capital	CHFM	532	669	835	1,030
CET1 ratio	%	26.2	30.5	33.2	36.2

## Pension Risks

### Summary Of Pension Risks

		12/21A	12/22E	12/23E	12/24E
<b>Pension ratio</b>	%	<b>7.57</b>	<b>3.68</b>	<b>3.03</b>	<b>2.70</b>
Ordinary shareholders' equity	CHFM	615	848	991	1,072
<b>Total benefits provisions</b>	<b>CHFM</b>	<b>50.4</b>	<b>32.3</b>	<b>31.0</b>	<b>29.7</b>
<i>of which funded pensions</i>	<i>CHFM</i>	<i>50.4</i>	<i>32.3</i>	<i>31.0</i>	<i>29.7</i>
<i>of which unfunded pensions</i>	<i>CHFM</i>	<i>0.00</i>	<i>0.00</i>	<i>0.00</i>	<i>0.00</i>
<i>of which benefits / health care</i>	<i>CHFM</i>		<i>0.00</i>	<i>0.00</i>	<i>0.00</i>
Unrecognised actuarial (gains)/losses	CHFM	0.00	0.00	0.00	0.00
<i>Company discount rate</i>	%	<i>1.00</i>	<i>1.00</i>	<i>1.00</i>	<i>1.00</i>
Normalised recomputed discount rate	%		2.50		
<i>Company future salary increase</i>	%	<i>1.30</i>	<i>1.30</i>	<i>1.30</i>	<i>1.30</i>
Normalised recomputed future salary increase	%		2.00		
<i>Company expected rate of return on plan assets</i>	%	<i>1.00</i>	<i>1.00</i>	<i>1.00</i>	<i>1.00</i>
Normalised recomputed expd rate of return on plan assets	%		1.78		
<b>Funded : Impact of actuarial assumptions</b>	<b>CHFM</b>		<b>-5.43</b>		
<b>Unfunded : Impact of actuarial assumptions</b>	<b>CHFM</b>		<b>0.00</b>		

### Geographic Breakdown Of Pension Liabilities

		12/21A	12/22E	12/23E	12/24E
US exposure	%				
UK exposure	%				
Euro exposure	%				
Nordic countries	%				
Switzerland	%				
Other	%	100	100	100	100
Total	%	100	100	100	100

### Balance Sheet Implications

		12/21A	12/22E	12/23E	12/24E
Funded status surplus / (deficit)	CHFM	-50.4	-46.2	-44.3	-42.5
Unfunded status surplus / (deficit)	CHFM	0.00	0.00	0.00	0.00
Total surplus / (deficit)	CHFM	-50.4	-46.2	-44.3	-42.5
<b>Total unrecognised actuarial (gains)/losses</b>	<b>CHFM</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
Provision (B/S) on funded pension	CHFM	50.4	32.3	31.0	29.7
Provision (B/S) on unfunded pension	CHFM	0.00	0.00	0.00	0.00
Other benefits (health care) provision	CHFM		0.00	0.00	0.00
<b>Total benefit provisions</b>	<b>CHFM</b>	<b>50.4</b>	<b>32.3</b>	<b>31.0</b>	<b>29.7</b>

### P&L Implications

		12/21A	12/22E	12/23E	12/24E
Funded obligations periodic costs	CHFM	0.00	-1.26	-1.16	-1.15
Unfunded obligations periodic costs	CHFM	0.00	0.00	0.00	0.00
<b>Total periodic costs</b>	<b>CHFM</b>	<b>0.00</b>	<b>-1.26</b>	<b>-1.16</b>	<b>-1.15</b>
<i>of which incl. in labour costs</i>	<i>CHFM</i>	<i>0.00</i>	<i>0.00</i>	<i>0.00</i>	<i>0.00</i>
<i>of which incl. in interest expenses</i>	<i>CHFM</i>	<i>0.00</i>	<i>-1.26</i>	<i>-1.16</i>	<i>-1.15</i>



<b>Funded Obligations</b>		12/21A	12/22E	12/23E	12/24E
<b>Balance beginning of period</b>	<b>CHFM</b>	<b>50.4</b>	<b>50.4</b>	<b>46.2</b>	<b>47.4</b>
Current service cost	CHFM		0.00	0.00	0.00
Interest expense	CHFM		1.26	1.16	1.18
Employees' contributions	CHFM				
Impact of change in actuarial assumptions	CHFM		-5.43	0.00	0.00
<i>of which impact of change in discount rate</i>	<i>CHFM</i>		<i>-12.9</i>		
<i>of which impact of change in salary increase</i>	<i>CHFM</i>		<i>7.44</i>		
<b>Changes to scope of consolidation</b>	<b>CHFM</b>				
Currency translation effects	CHFM				
Pension payments	CHFM				
Other	CHFM				
<b>Year end obligation</b>	<b>CHFM</b>	<b>50.4</b>	<b>46.2</b>	<b>47.4</b>	<b>48.6</b>

<b>Plan Assets</b>		12/21A	12/22E	12/23E	12/24E
<b>Value at beginning</b>	<b>CHFM</b>		<b>0.00</b>	<b>0.00</b>	<b>3.08</b>
Company expected return on plan assets	CHFM		0.00	0.00	0.03
Actuarial gain /(loss)	CHFM		0.00	0.00	0.02
Employer's contribution	CHFM	0.00	0.00	3.08	2.95
Employees' contributions	CHFM	0.00	0.00	0.00	0.00
Changes to scope of consolidation	CHFM				
Currency translation effects	CHFM				
Pension payments	CHFM	0.00	0.00	0.00	0.00
Other	CHFM				
<b>Value end of period</b>	<b>CHFM</b>	<b>0.00</b>	<b>0.00</b>	<b>3.08</b>	<b>6.09</b>
Actual and normalised future return on plan assets	CHFM	0.00	0.00	0.00	0.05

<b>Unfunded Obligations</b>		12/21A	12/22E	12/23E	12/24E
<b>Balance beginning of period</b>	<b>CHFM</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
Current service cost	CHFM		0.00	0.00	0.00
Interest expense	CHFM		0.00	0.00	0.00
Employees' contributions	CHFM				
Impact of change in actuarial assumptions	CHFM		0.00	0.00	0.00
<i>of which Impact of change in discount rate</i>	<i>CHFM</i>		<i>0.00</i>		
<i>of which Impact of change in salary increase</i>	<i>CHFM</i>		<i>0.00</i>		
Changes to scope of consolidation	CHFM				
Currency translation effects	CHFM				
Pension payments	CHFM				
Other	CHFM				
<b>Year end obligation</b>	<b>CHFM</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>

## Fundamental Opinion

It is implicit that recommendations are made in good faith but should not be regarded as the sole source of advice.

Recommendations are geared to a “value” approach.

Valuations are computed from the point of view of a **secondary market minority holder** looking at a medium term (say 6 months) performance.

Valuation tools are built around the concepts of **transparency**, all underlying figures are accessible, and **consistency**, same methodology whichever the stock, allowing for differences in nature between financial and non financial stocks. A stock with a target price below its current price should not and will not be regarded as an Add or a Buy.

Recommendations are based on target prices with no allowance for dividend returns. The thresholds for the four recommendation levels may change from time to time depending on market conditions. Thresholds are defined as follows, ASSUMING long risk free rates remain in the 2-5% region.

Recommendation	Low Volatility 10 < VIX index < 30	Normal Volatility 15 < VIX index < 35	High Volatility 35 < VIX index
Buy ●	More than 15% upside	More than 20% upside	More than 30% upside
Add ●	From 5% to 15%	From 5% to 20%	From 10% to 30%
Reduce ●	From -10% to 5%	From -10% to 5%	From -10% to 10%
Sell ●	Below -10%	Below -10%	Below -10%

There is deliberately no “neutral” recommendation. The principle is that there is no point investing in equities if the return is not at least the risk free rate (and the dividend yield which again is not allowed for).

Although recommendations are automated (a function of the target price whenever a new equity research report is released), the management of AlphaValue intends to maintain global consistency within its universe coverage and may, from time to time, decide to change global parameters which may affect the level of recommendation definitions and /or the distribution of recommendations within the four levels above. For instance, lowering the risk premium in a gloomy context may increase the proportion of positive recommendations.

## Valuation

Valuation processes have been organized around transparency and consistency as primary objectives.

Stocks belong to different categories that recognise their main operating features : Banks, Insurers and Non Financials.

Within those three universes, the valuation techniques are the same and in relation to the financial data available.

The weighting given to individual valuation techniques is managed centrally and may be changed from time to time. As a rule, all stocks of a similar profile are valued using equivalent weighting of the various valuation techniques. This is for obvious consistency reasons.

Within the very large universe of Non Financials, there are in effect 4 sub-categories of weightings to cater for subsets: 1) 'Mainstream' stocks; 2) 'Holding companies' where the stress is on NAV measures; 3) 'Growth' companies where the stress is on peer based valuations; 4) 'Loss making sectors' where peers review is essentially pointing nowhere (ex: Bio techs). The bulk of the valuation is then built on DCF and NAV, in effect pushing back the time horizon.

Valuation Issue	Normal industrials	Growth industrials	Holding company	Loss runners	Bank	Insurers
DCF	35%	35%	10%	40%	0%	0%
NAV	20%	20%	55%	40%	50%	15%
PE	10%	10%	10%	5%	10%	20%
EV/EBITDA	20%	20%	0%	5%	0%	0%
Yield	10%	10%	20%	5%	10%	15%
Book	5%	5%	5%	5%	10%	10%
Banks' intrinsic method	0%	0%	0%	0%	10%	0%
Embedded Value	0%	0%	0%	0%	0%	40%
Mkt Cap/Gross Operating Profit	0%	0%	0%	0%	10%	0%