

This research has been commissioned and paid for by the company and is deemed to constitute an acceptable minor non-monetary benefit as defined in MiFID II

Swissquote Group Holding

Suited for all market seasons

Opinion	Add
Upside (%)	14.2
Price (CHF)	240.8
Target Price (CHF)	275
Bloomberg Code	SQN SW
Market Cap (CHFM)	3,691
Enterprise Value (CHFM)	3,154
Momentum	STRONG
Sustainability	7/10
Credit Risk	AA→

Research Analysts

Sylvain Perret
+33 (0) 1 70 61 10 50
otherfinancials@alphavalue.eu



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

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
- Swissquote is increasingly targeting less-wealthy retail clients, a segment in which it should face more competition

KEY DATA	12/21A	12/22A	12/23E	12/24E	12/25E
Adjusted P/E (x)	11.5	12.5	11.9	12.7	11.9
Dividend yield (%)	1.48	1.67	1.64	1.52	1.63
EV/EBITDA(R) (x)	7.86	7.62	7.63	8.21	7.34
Adjusted EPS (CHF)	13.0	10.6	15.2	18.9	20.2
Growth in EPS (%)	112	-18.5	43.5	24.6	6.73
Dividend (CHF)	2.20	2.20	2.95	3.67	3.92
Sales (CHFM)	472	408	546	653	697
Pretax Results margin (%)	47.3	45.7	48.5	50.5	50.5
Attributable net profit (CHFM)	193	157	226	281	300
ROE (after tax) (%)	36.6	23.2	24.3	26.7	26.6
Gearing (%)	-25.0	-30.7	-26.1	-40.9	-44.2

Detailed financials at the end of this report

Key Ratios

		12/22A	12/23E	12/24E	12/25E
Adjusted P/E	x	12.5	11.9	12.7	11.9
EV/EBITDA	x	7.62	7.63	8.21	7.34
P/Book	x	2.65	2.40	3.60	2.84
Dividend yield	%	1.67	1.64	1.52	1.63
Free Cash Flow Yield	%	3.68	5.33	5.37	6.45
ROE (after tax)	%	23.2	24.3	26.7	26.6
ROCE	%	43.3	58.0	67.3	66.7
Net debt/EBITDA	x	-1.04	-1.07	-1.22	-1.55

Consolidated P&L

		12/22A	12/23E	12/24E	12/25E
Sales	CHFM	408	546	653	697
EBITDA	CHFM	226	311	383	407
Underlying operating profit	CHFM	193	270	334	355
Operating profit (EBIT)	CHFM	186	265	330	352
Net financial expenses	CHFM	0.00	0.00	0.00	0.00
Pre-tax profit before exceptional items	CHFM	186	265	330	352
Corporate tax	CHFM	-29.0	-38.9	-48.4	-51.7
Attributable net profit	CHFM	157	226	281	300
Adjusted attributable net profit	CHFM	157	226	281	300

Cashflow Statement

		12/22A	12/23E	12/24E	12/25E
Total operating cash flows	CHFM	124	197	258	301
Capital expenditure	CHFM	-51.7	-54.6	-65.3	-69.7
Total investment flows	CHFM	-51.7	-54.6	-65.3	-69.7
Dividends (parent company)	CHFM	-33.0	-32.7	-43.9	-54.6
New shareholders' equity	CHFM	-11.9	-11.9	-11.9	-11.9
Total financial flows	CHFM	-48.6	-46.7	-56.6	-67.1
Change in net debt position	CHFM	23.6	96.0	136	164
Free cash flow (pre div.)	CHFM	72.2	143	192	231

Balance Sheet

		12/22A	12/23E	12/24E	12/25E
Goodwill	CHFM	55.8	55.6	55.6	55.6
Total intangible	CHFM	131	140	145	149
Tangible fixed assets	CHFM	72.5	76.1	79.9	83.9
WCR	CHFM	0.00	0.00	0.00	0.00
Total assets (net of short term liabilities)	CHFM	9,962	11,092	12,380	13,692
Ordinary shareholders' equity (group share)	CHFM	741	1,115	995	1,261
Provisions for pensions	CHFM	6.48	32.4	41.1	49.6
Net debt / (cash)	CHFM	-243	-339	-475	-639
Total liabilities and shareholders' equity	CHFM	9,962	11,092	12,380	13,692
Gross Cash	CHFM	243	339	475	639

Per Share Data

		12/22A	12/23E	12/24E	12/25E
Adjusted EPS (bfr goodwill amort. & dil.)	CHF	10.6	15.2	18.9	20.2
Net dividend per share	CHF	2.20	2.95	3.67	3.92
Free cash flow per share	CHF	4.85	9.59	12.9	15.5
Book value per share	CHF	49.8	74.9	66.9	84.8
Number of diluted shares (average)	Mio	14.9	14.9	14.9	14.9

Contents

Businesses & Trends..... 4

Money Making..... 8

Valuation..... 12

DCF..... 13

NAV/SOTP..... 14

Debt..... 15

Worth Knowing..... 16

Sustainability..... 17

Governance & Management..... 18

Environment..... 19

Social..... 21

Staff & Pension matters..... 23

Updates..... 24

Target Price & Opinion..... 26

Graphics..... 27

Financials..... 31

Methodology..... 40

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).

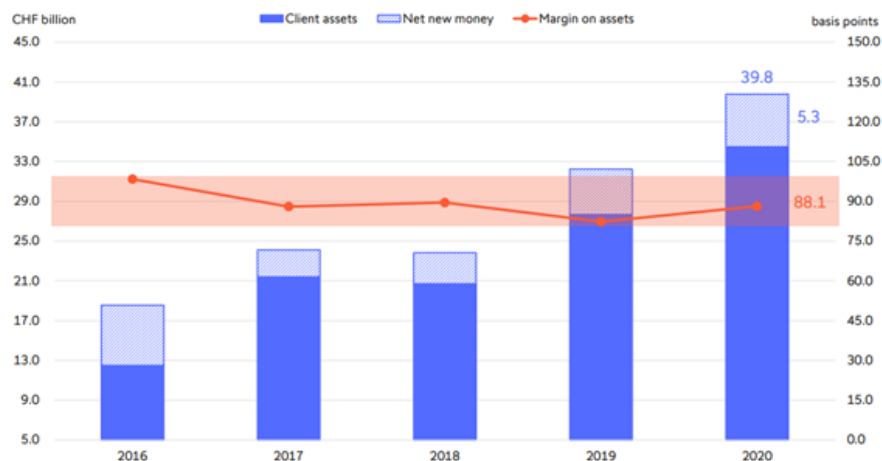
As mentioned on Swissquote's website (section "About us"), "Swissquote is not a typical Swiss bank". According to our understanding, it is indeed more about financial innovation than traditional banking. This is the reason why we have classified the bank as a Fintech (Internet Banking/Fintech).

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	12/22A	12/23E	12/24E	12/25E	Change 23E/22		Change 24E/23E	
					CHFM	of % total	CHFM	of % total
Total sales	408	546	653	697	138 ↑	100%	107 ↑	100%
Net interest income Internet banking/Fintech	73.5	212	221	208	139 ↑	100%	9 ↑	8%
Net fee and commission income Internet banking/Fintech	177	171	252	278	-6 ↓	-4%	81 ↑	76%
Net trading income Internet banking/Fintech	159	163	180	211	4 ↑	3%	17 ↑	16%
Other	-0.85	-0.10	-0.11	-0.13	1 ↑	1%	0 ↓	0%

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%
-------	--------

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 cyclical. 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

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

	12/22A	12/23E	12/24E	12/25E	Change 23E/22		Change 24E/23E	
					CHFM	of % total	CHFM	of % total
Total	186	265	330	352	79 ↑	100%	65 ↑	100%
Net fee and commission income								
Net trading income								
Net interest income								
Other/cancellations	186	265	330	352	79 ↑	100%	65 ↑	100%

Divisional PRETAX RESULTS margin

	12/22A	12/23E	12/24E	12/25E
Total	45.7%	48.5%	50.5%	50.5%
Net fee and commission income				
Net trading income				
Net interest income				

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		254	5%	35%
NAV/SOTP per share		270	12%	20%
EV/Ebitda	Peers	386	60%	20%
P/E	Peers	281	17%	10%
Dividend Yield	Peers	118	-51%	10%
P/Book	Peers	297	24%	5%
Target Price		275	14%	

Comparison based valuation

Computed on 18 month forecasts	P/E (x)	Ev/Ebitda (x)	P/Book (x)	Yield(%)
Peers ratios	16.2	22.4	4.80	3.17
Swissquote Group Holding's ratios	12.5	7.91	3.31	1.56
Premium	-10.0%	-40.0%	-15.0%	0.00%
Default comparison based valuation (CHF)	281	386	297	118
Nordnet	19.2	13.1	6.63	3.76
Avanza	17.8	37.7	5.62	4.46
flatexDEGIRO AG	11.8	6.34	2.79	n/a
Smartbroker Holding AG	5.75	3.65	1.23	0.00
sino AG	8.64	45.0	4.83	0.26

DCF Valuation Per Share

WACC	%	8.93	Avg net debt (cash) at book value	CHFM	-407
PV of cashflow FY1-FY11	CHFM	1,533	Provisions	CHFM	32.4
FY11CF	CHFM	296	Unrecognised actuarial losses (gains)	CHFM	0.00
Normalised long-term growth "g"	%	2.00	Financial assets at market price	CHFM	2.12
Sustainability "g"	%	2.20	Minorities interests (fair value)	CHFM	0.00
Terminal value	CHFM	4,393	Equity value	CHFM	3,777
PV terminal value	CHFM	1,867	Number of shares	Mio	14.9
PV terminal value in % of total value	%	54.9	Implied equity value per share	CHF	254
Total PV	CHFM	3,400	Sustainability impact on DCF	%	1.45

Assessing The Cost Of Capital

Synthetic default risk free rate	%	3.50	Company debt spread	bp	25.0
Target equity risk premium	%	5.00	Marginal Company cost of debt	%	3.75
Tax advantage of debt finance (normalised)	%	25.0	Company beta (leveraged)	x	1.01
Average debt maturity	Year	5	Company gearing at market value	%	-9.47
Sector asset beta	x	1.09	Company market gearing	%	-10.5
Debt beta	x	0.05	Required return on geared equity	%	8.55
Market capitalisation	CHFM	3,583	Cost of debt	%	2.81
Net debt (cash) at book value	CHFM	-339	Cost of ungeared equity	%	8.93
Net debt (cash) at market value	CHFM	-339	WACC	%	8.93

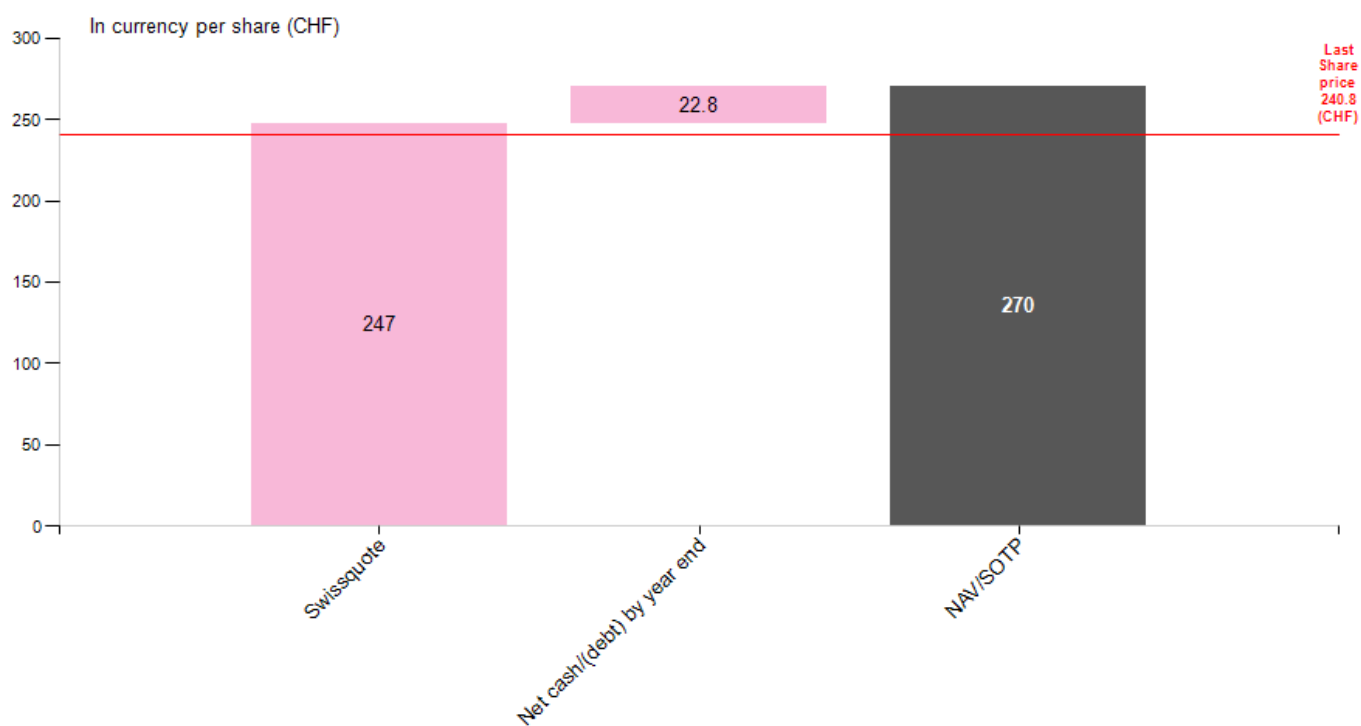
DCF Calculation

		12/22A	12/23E	12/24E	12/25E	Growth	12/26E	12/33E
Sales	CHFM	408	546	653	697	3.00%	718	883
EBITDA	CHFM	226	311	383	407	3.00%	420	516
EBITDA Margin	%	55.4	56.9	58.7	58.5		58.5	58.5
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	153	236	306	353		420	516
Corporate tax	CHFM	-29.0	-38.9	-48.4	-51.7	3.00%	-53.3	-65.5
Net tax shield	CHFM	0.00	0.00	0.00	0.00	0.00%	0.00	0.00
Capital expenditure	CHFM	-51.7	-54.6	-65.3	-69.7	3.00%	-71.8	-88.3
Capex/Sales	%	-12.7	-10.0	-10.0	-10.0		-10.0	-10.0
Pre financing costs FCF (for DCF purposes)	CHFM	72.2	143	192	231		294	362
Various add backs (incl. R&D, etc.) for DCF purposes	CHFM				-57.0		-58.7	-72.2
Free cash flow adjusted	CHFM	72.2	143	192	174		236	290
Discounted free cash flows	CHFM	72.2	143	177	147		182	123
Invested capital	CHF	324	346	372	401		354	-69.7

NAV/SOTP Calculation

	% owned	Valuation technique	Multiple used	Valuation at 100% (CHFM)	Stake valuation (CHFM)	In currency per share (CHF)	% of gross assets
Swissquote	100%	EV/EBITDA	10	3,681	3,681	247	100%
Other							
Total gross assets					3,681	247	100%
Net cash/(debt) by year end					339 ⁽¹⁾	22.8	9.22%
Commitments to pay							
Commitments received							
NAV/SOTP					4,020	270	109%
Number of shares net of treasury shares - year end (Mio)					14.9		
NAV/SOTP per share (CHF)					270		
Current discount to NAV/SOTP (%)					10.9		

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

		12/22A	12/23E	12/24E	12/25E
EBITDA	CHFM	226	311	383	407
Funds from operations (FFO)	CHFM	124	199	261	304
Ordinary shareholders' equity	CHFM	741	1,115	995	1,261
Gross debt	CHFM	0.00	0.00	0.00	0.00
+ Gross Cash	CHFM	243	339	475	639
= Net debt / (cash)	CHFM	-243	-339	-475	-639
Gearing (at book value)	%	-30.7	-26.1	-40.9	-44.2
Equity/Total asset (%)	%	7.44	10.1	8.04	9.21
Adj. Net debt/EBITDA(R)	x	-1.04	-1.07	-1.22	-1.55
Adjusted Gross Debt/EBITDA(R)	x	0.03	0.10	0.11	0.12
Adj. gross debt/(Adj. gross debt+Equity)	%	0.87	2.82	3.97	3.78
Ebit cover	x	645	-191	-122	-111
FFO/Gross Debt	%	1,914	615	635	614
FFO/Net debt	%	-50.9	-58.6	-54.9	-47.6
FCF/Adj. gross debt (%)	%	1,115	441	469	466

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	11.7%	11.7%	0.00%
Paolo Buzzi	10.5%	10.5%	0.00%
PostFinance	5.00%	5.00%	0.00%
Swissquote Group Holding	3.01%	3.01%	0.00%
JP Morgan Chase & Co.	3.00%	3.00%	3.00%
Credit Suisse	3.00%	3.00%	3.00%
Adam Said	2.72%	2.72%	0.00%
Apparent free float			67.2%

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
Governance		
Independent directors rate	6/10	25%
Board geographic diversity	5/10	20%
Chairman vs. Executive split	✓	5%
Environment		
CO ² Emission	10/10	25%
Water withdrawal	1/10	10%
Social		
Wage dispersion trend	7/10	5%
Job satisfaction	10/10	5%
Internal communication	10/10	5%
Sustainability score	6.9/10	100%

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)



7.4 (5.2)

Independent board















Yes

Parameters	Company	Sector	Score	Weight
Number of board members	7	10	9/10	5.0%
Board feminization (%)	28	34	5/10	5.0%
Board domestic density (%)	71	66	5/10	10.0%
Average age of board's members	63	59	4/10	5.0%
Type of company : Small cap, controlled			4/10	10.0%
Independent directors rate	57	43	6/10	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%
Governance score			7.4/10	100.0%

Management

Name			Function	Birth date	Date in	Date out	Compensation, in kCHF (year)	
							Cash	Equity linked
Marc BÜRKI	M		CEO	1961	2002		834 (2022)	(2022)
Yvan CARDENAS	M		CFO	1980	2010		(2022)	(2022)

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		244 (2022)	4,345 (2022)
Paolo BUZZI	M			Member		1961	2022		101 (2022)	212,983 (2022)
Monica DELL'ANNA	F			Member		1955	2016		144 (2022)	346 (2022)
Demetra KALOGEROU	F			Member		1969	2022		99.2 (2022)	31.0 (2022)
Beat OBERLIN	M			Member		1955	2016		152 (2022)	539 (2022)
Jean-Christophe PERNOLLET	M			Member		1966	2014		166 (2022)	615 (2022)
Michael PLOOG	M			Member		1960	2021		147 (2022)	6,074 (2022)

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
CO ² Emission	10/10	5/10	30%
Water withdrawal	1/10	3/10	30%
Energy	10/10	4/10	25%
Waste	1/10	3/10	15%
Environmental score	6.0		100%



















Company (Sector)

















6.0 _(3.6)

Environmental metrics

	2019	2020	Company				Sector
			2021	2022	2023	2024	2022
Energy (GJ) per €m in capital employed		36	44	38			27
			2.2	4.4	5.9	6.0	3.6
CO ² tons per €m in capital employed	1	1	1	0			1
Tons waste generated per €m in capital employed		n/a	n/a	n/a			2
Cubic meter water withdrawal per €m in capital employed		n/a	n/a	n/a			43

Sector figures

Company	Country	Environment score	Energy (total, in GJ)	CO2 Emissions (in tons)	Water Withdrawal (in m3)	Waste (total, in tons)
En+		3/10	367,200,000	53,700,000	992,900,000	199,946,600
DWS		1/10		4,329		
Adyen		3/10	n/a	4,561	n/a	n/a
Nexi		5/10	235,296	14,960	857,400	2,246
HBM Healthcare Investments		1/10				
Wise		4/10	12,565	868	n/a	227
Prosus		2/10	n/a	21,736	n/a	n/a
EdenRed		4/10	46,152	8,474	32,312	478
Vivendi		9/10	558,490	34,589	28,548	20,237
Deutsche Boerse		7/10	278,420	8,771	74,633	20
Porsche SE		1/10				
Bouygues		5/10	5,466,499	1,900,000	1,000,000	
GBL		4/10		150		
Investor		7/10	3,668	69		49
Hal Trust		1/10				
Heineken Holding		7/10	8,287,200	1,478,000	92,500,000	5,238,188
London Stock Exchange Group		10/10	593,842	5,617	89	3,331
Eurazeo		7/10	9,827,411	771,602	36,311,694	40,627

Industrivärden		4/10		26		
Corporacion Financiera Alba		10/10	29,952	3,729	39,883	19,701
Kinnevik Investment		6/10	590	11	n/a	n/a
Sonae		9/10	2,902,000	171,598	2,185,426	102,446
Ackermans & van Haaren		2/10		672,792		
Partners Group		1/10		578,076	2,374,472	
Exor		3/10		351,370		
Bolloré		10/10	979,880	347,629	1,463,062	37,675
Wendel		4/10		173		
D'Ieteren Group		6/10	1,952,302	145,291		166,600
Tessenderlo Group		3/10	13,530,000		19,000,000	n/a
MPC Capital		1/10				
Swissquote Group Holding		6/10	12,370	109	n/a	n/a
Deutsche Beteiligungs AG		1/10		210		
Amundi		9/10	77,645	4,875	29,764	161
Euronext NV		4/10	23,522	6,687	253,892	
Worldline		10/10	278,094	9,109	17,372	2,092

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)

6.7 (5.7)

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	8/10	15%
Average wage trend	5/10	30%
Share of added value taken up by staff cost	4/10	20%
Share of added value taken up by taxes	5/10	15%
Wage dispersion trend	7/10	20%
Pension bonus (0 or 1)	0	
Quantitative score	5.7/10	100%

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%
Qualitative score	9.0/10	100%

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
Accidents at work		25%
Set targets for work safety on all group sites?		10.0%
Are accidents at work declining?		15.0%
Human resources development		35%
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%
Pay		20%
Is there a compensation committee?		6.0%
Is employees' performance combining group AND individual performance?		14.0%
Job satisfaction		10%
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%
Internal communication		10%
Are strategy and objectives made available to every employee?		10.0%
Qualitative score	9.0/10	100.0%

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

		12/22A	12/23E	12/24E	12/25E
Pension ratio	%	1.13	2.82	3.97	3.78
Ordinary shareholders' equity	CHFM	741	1,115	995	1,261
Total benefits provisions	CHFM	8.47	32.4	41.1	49.6
<i>of which funded pensions</i>	<i>CHFM</i>	<i>8.47</i>	<i>32.4</i>	<i>41.1</i>	<i>49.6</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

		12/22A	12/23E	12/24E	12/25E
US exposure	%				
UK exposure	%				
Euro exposure	%				
Nordic countries	%				
Switzerland	%				
Other	%	100	100	100	100
Total	%	100	100	100	100

Recent updates

16/01/2024 Opinion change, due to market moves, from Buy to Add

02/11/2023

Suited for all market seasons

Change in EPS

2023 : CHF 15.2 vs 15.1	+0.84%
2024 : CHF 18.9 vs 17.8	+6.41%

We have left our 2023 EPS estimates unchanged as an increase in net interest income reflecting higher 3-month rates on the liquidity portfolio's currencies has been offset by lower trading income, lower eforex income and higher costs, reflecting the increased headcount and higher wage inflation.

We have however revised up our 2024 EPS estimates as we now factor in a more volatile scenario for markets leading to an increased number of transactions and higher net fee and commission income (CHF226m vs CHF179m), as well as higher crypto asset income (CHF26m vs CHF15m) as we expect a combination of bitcoin halving (April 2024), potential US ETF approval and the first-rate cuts coming from central banks as early as in the Q2-24. This will be offset by a reduction in eforex income and the trading result, on the back of slower account growth as well as higher costs, linked to higher headcount and slightly increased wage inflation.

For 2025, we have left our 2025 EPS estimates unchanged as lower net interest income linked to lower 3-month rates on the liquidity portfolio, as well as lower trading income and lower eforex income linked to slower-than-anticipated account growth and higher operating expenses should be more than fully offset by higher net fee income linked to higher volatility levels and increased net crypto assets income on the back of the improved crypto market conditions and higher assets under custody.

Change in Target Price

CHF 250 vs 235 +6.56%

Our change in target price on Swissquote reflects mostly the upgrade to our 2024 EPS estimate which has led to an increase in our 3-year average EBITDA estimate to which we apply a 10x multiple for our NAV valuation.

We continue to believe that Swissquote can thrive in any environment thanks to its business model where high rates act as a natural hedge to volatility and a trading activity decline.

Based on the assumption of sustainably high interest rates in 2024, higher market volatility compared to 2023 and a potential revival of the crypto market, we expect Swissquote to make good progress towards its 2025 guidance as soon as in 2024. This should be sustained in 2025 with still-higher volatility levels which should more than offset the higher costs and lower net interest income as we believe rates should decline amidst an overall softening in global monetary policy.

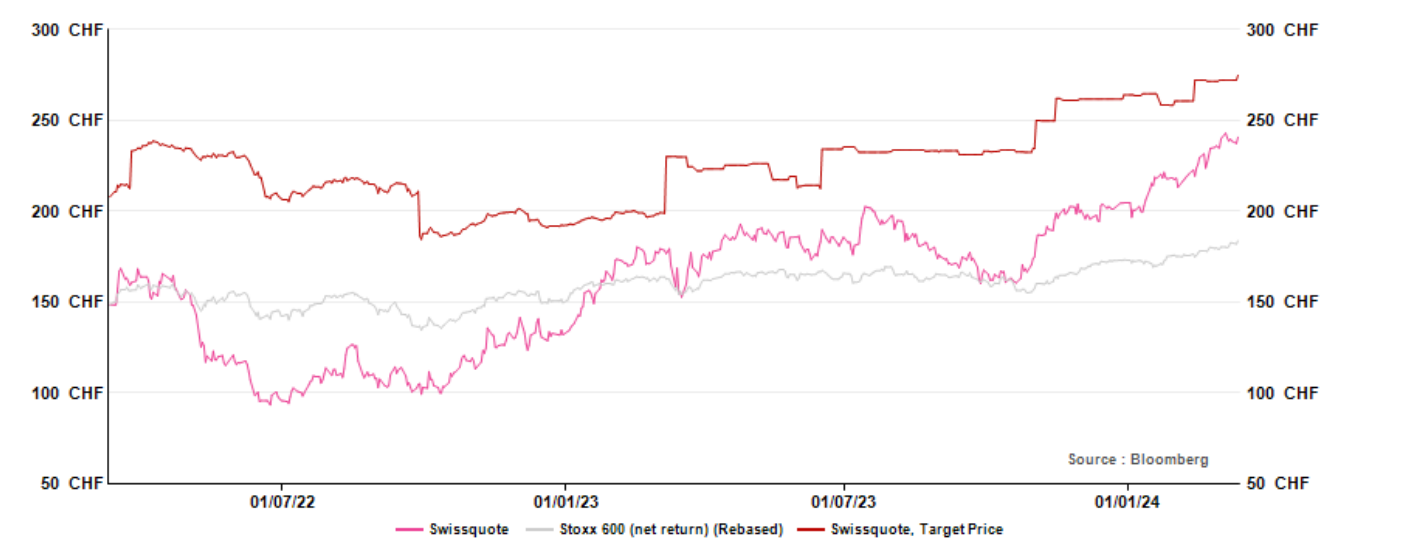
Change in NAV

CHF 270 vs 229

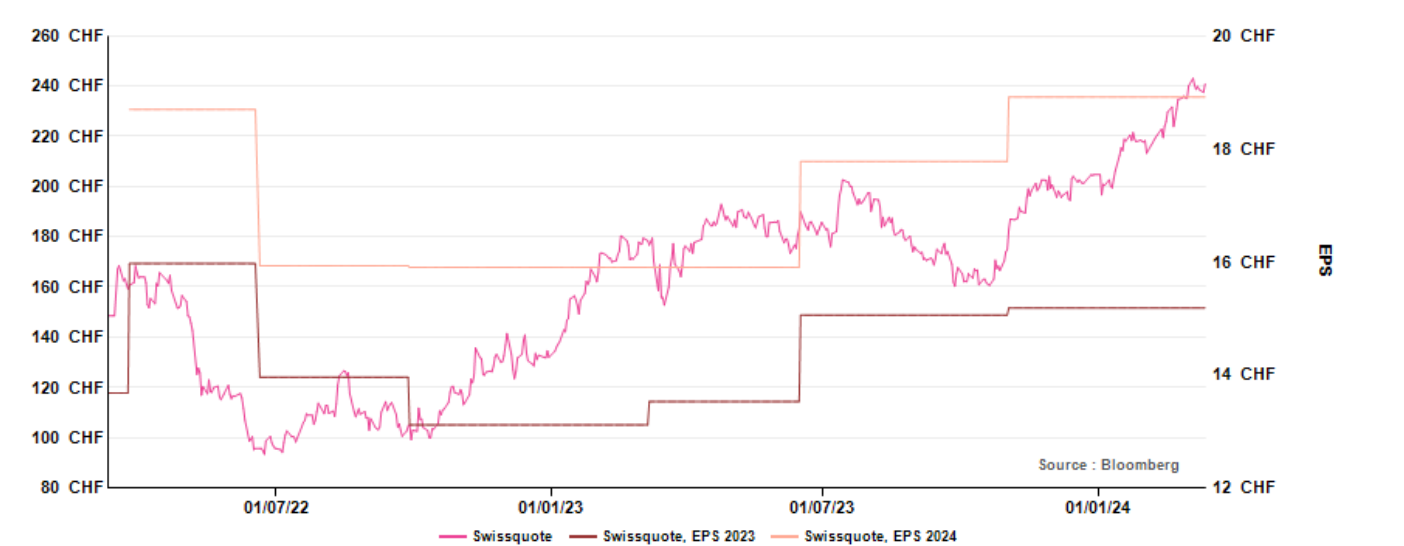
+17.9%

Our NAV is based on a 3-year average EV/EBITDA multiple applied to Swissquote's EBITDA estimates. With the 2024 upgrade, this leads to a rise in our 3-year average EBITDA to which we apply a conservative 10x multiple, leading to an improvement in our NAV valuation.

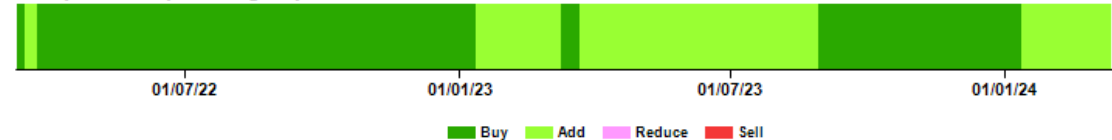
Stock Price and Target Price



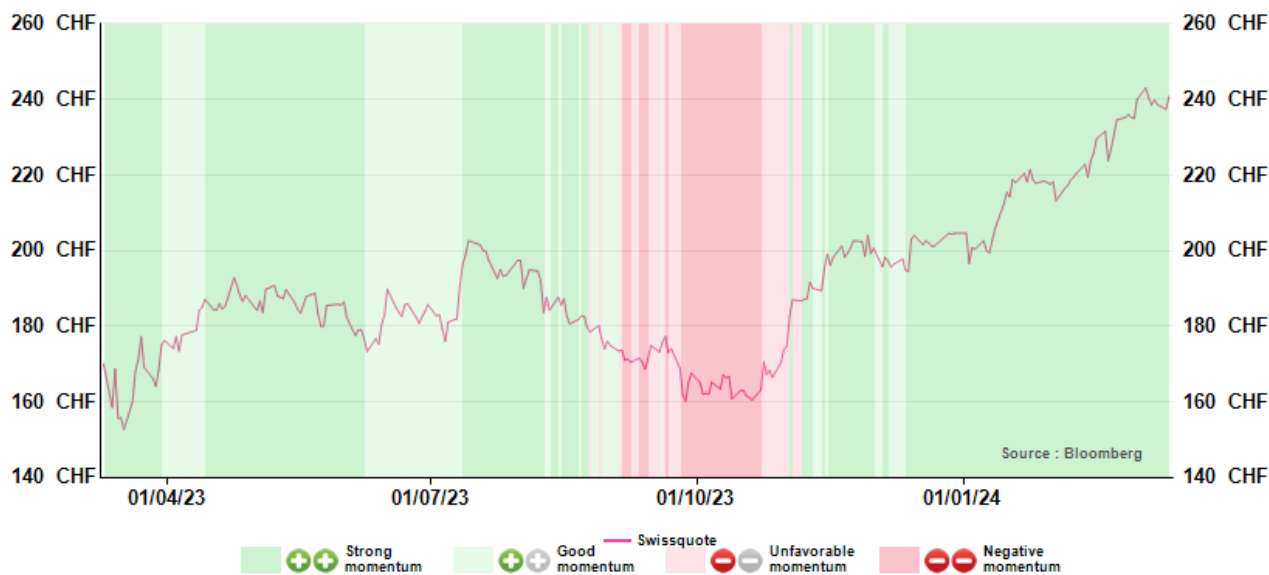
Earnings Per Share & Opinion



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.

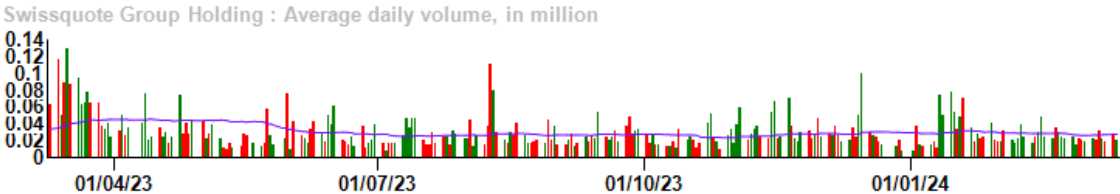
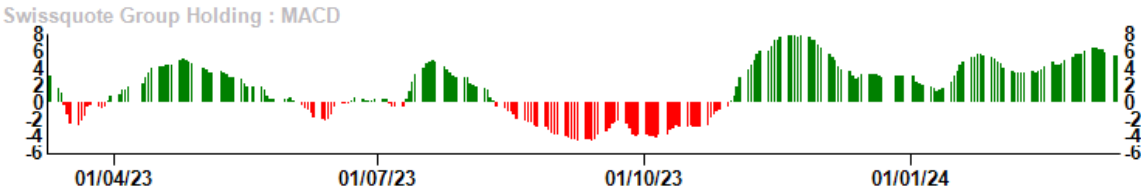
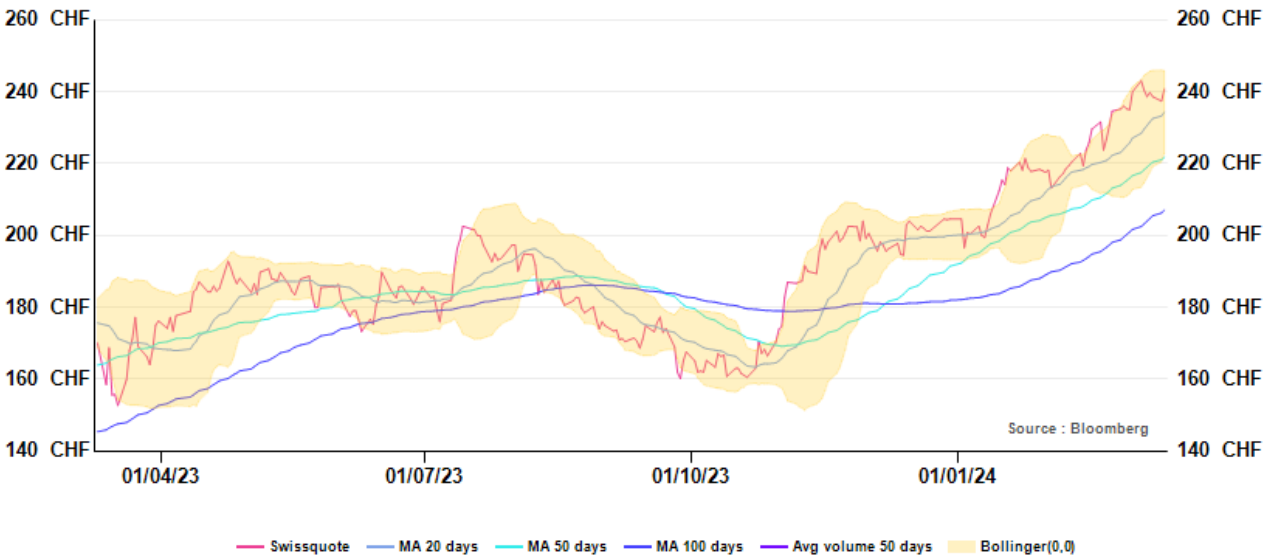
 : Strong momentum corresponding to a continuous and overall positive moving average trend confirmed by volumes

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

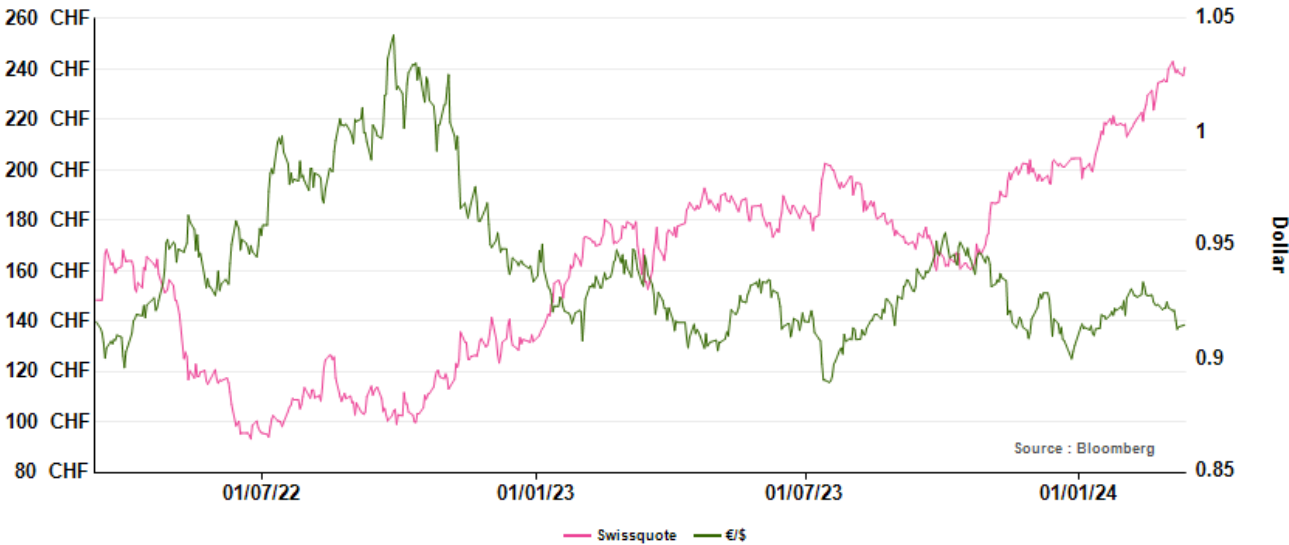
 : Relatively unfavorable momentum with a neutral or negative moving average trend, but offset by an oversold pattern or lack of confirmation from volumes

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

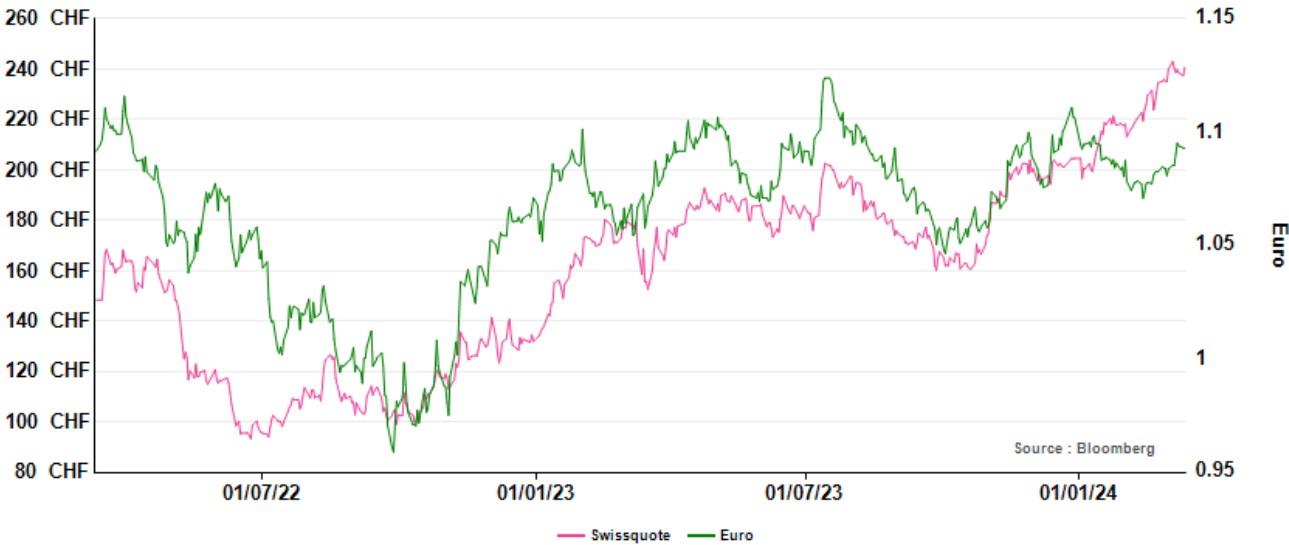
Moving Average MACD & Volume



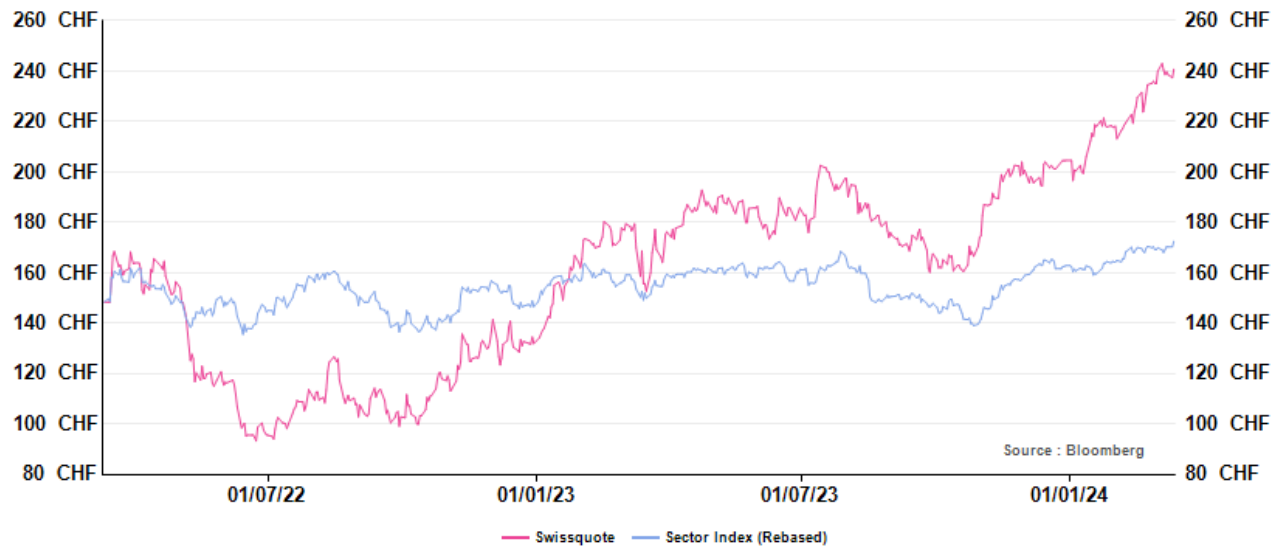
€/\$ sensitivity



Euro sensitivity



Sector Other Financials



Detailed Financials

Valuation Key Data		12/22A	12/23E	12/24E	12/25E
Adjusted P/E	x	12.5	11.9	12.7	11.9
Reported P/E	x	12.5	11.9	12.7	11.9
EV/EBITDA(R)	x	7.62	7.63	8.21	7.34
EV/EBIT	x	8.95	8.81	9.43	8.44
EV/Sales	x	4.23	4.36	4.83	4.30
P/Book	x	2.65	2.40	3.60	2.84
Dividend yield	%	1.67	1.64	1.52	1.63
Preferred dividend yield	%	0.00	0.00	0.00	0.00
Free cash flow yield	%	3.68	5.33	5.37	6.45
Average stock price	CHF	132	180	241	241
Average preferred stock price	CHF	0.00	0.00	0.00	0.00

Consolidated P&L

		12/22A	12/23E	12/24E	12/25E
Sales	CHFM	408	546	653	697
<i>Sales growth</i>	%	-13.6	33.8	19.7	6.69
<i>Sales per employee</i>	<i>CHFth</i>	406	490	546	560
Purchases and external costs (incl. IT)	CHFM	-79.1	-108	-134	-145
Staff costs	CHFM	-103	-127	-136	-144
Operating lease payments	CHFM	-1.00	-1.00	-1.00	-1.00
Cost of sales/COGS (indicative)	CHFM				
EBITDA	CHFM	226	311	383	407
EBITDA(R)	CHFM	227	312	384	408
<i>EBITDA(R) margin</i>	%	55.6	57.1	58.8	58.6
<i>EBITDA(R) per employee</i>	<i>CHFth</i>	226	280	321	328
Depreciation	CHFM	-32.8	-40.9	-49.0	-52.3
<i>Depreciations/Sales</i>	%	8.03	7.50	7.50	7.50
Amortisation	CHFM				
Underlying operating profit	CHFM	193	270	334	355
<i>Underlying operating margin</i>	%	47.3	49.4	51.2	51.0
Other income/expense (cash)	CHFM				
Earnings from joint venture(s)	CHFM	-6.70	-5.00	-4.50	-3.00
Impairment charges/goodwill amortisation	CHFM				
Operating profit (EBIT)	CHFM	186	265	330	352
Interest expenses	CHFM				
<i>of which effectively paid cash interest expenses</i>	<i>CHFM</i>	0.00			
Financial income	CHFM				
Other financial income (expense)	CHFM				
Net financial expenses	CHFM	0.00	0.00	0.00	0.00
<i>of which related to pensions</i>	<i>CHFM</i>		-1.71	-3.04	-3.49
Pre-tax profit before exceptional items	CHFM	186	265	330	352
Exceptional items and other (before taxes)	CHFM				
Current tax	CHFM	-29.0	-38.9	-48.4	-51.7
Deferred tax	CHFM				
Corporate tax	CHFM	-29.0	-38.9	-48.4	-51.7
<i>Tax rate</i>	%	15.6	14.7	14.7	14.7
<i>Net margin</i>	%	38.6	41.4	43.1	43.1
Equity associates	CHFM				
<i>Actual dividends received from equity holdings</i>	<i>CHFM</i>				
Minority interests	CHFM				
Income from discontinued operations	CHFM				
Attributable net profit	CHFM	157	226	281	300
Impairment charges/goodwill amortisation	CHFM	0.00	0.00	0.00	0.00
Other adjustments	CHFM				
Adjusted attributable net profit	CHFM	157	226	281	300
Fully diluted adjusted attr. net profit	CHFM	157	226	281	300
NOPAT	CHFM	140	200	250	267

Cashflow Statement

		12/22A	12/23E	12/24E	12/25E
EBITDA	CHFM	226	311	383	407
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	-23.8	-38.9	-48.4	-51.7
Exceptional items	CHFM				
Other operating cash flows	CHFM	-78.1	-74.6	-77.1	-54.7
Total operating cash flows	CHFM	124	197	258	301
Capital expenditure	CHFM	-51.7	-54.6	-65.3	-69.7
<i>Capex as a % of depreciation & amort.</i>	%	158	133	133	133
Net investments in shares	CHFM				
Other investment flows	CHFM				
Total investment flows	CHFM	-51.7	-54.6	-65.3	-69.7
Net interest expense	CHFM	0.00	0.00	0.00	0.00
<i>of which cash interest expense</i>	CHFM		1.71	3.04	3.49
Dividends (parent company)	CHFM	-33.0	-32.7	-43.9	-54.6
Dividends to minorities interests	CHFM	0.00	0.00	0.00	0.00
New shareholders' equity	CHFM	-11.9	-11.9	-11.9	-11.9
<i>of which (acquisition) release of treasury shares</i>	CHFM	-11.9	-11.9	-11.9	-11.9
Change in gross debt	CHFM		0.00	0.00	0.00
Other financial flows	CHFM	-3.70	-3.81	-3.92	-4.04
Total financial flows	CHFM	-48.6	-46.7	-56.6	-67.1
Change in cash position	CHFM	23.6	96.0	136	164
Change in net debt position	CHFM	23.6	96.0	136	164
Free cash flow (pre div.)	CHFM	72.2	143	192	231
Operating cash flow (clean)	CHFM	124	197	258	301
<i>Reinvestment rate (capex/tangible fixed assets)</i>	%	71.3	71.7	81.7	83.0

Balance Sheet

		12/22A	12/23E	12/24E	12/25E
Goodwill	CHFM	55.8	55.6	55.6	55.6
Other intangible assets	CHFM	75.3	84.9	89.2	93.7
Total intangible	CHFM	131	140	145	149
Tangible fixed assets	CHFM	72.5	76.1	79.9	83.9
Financial fixed assets (part of group strategy)	CHFM	4.46	2.12	2.12	2.12
Financial hedges (LT derivatives)	CHFM	109	120	138	159
Other financial assets (investment purpose mainly)	CHFM	9,566	10,597	11,858	13,139
WCR	CHFM	0.00	0.00	0.00	0.00
of which trade & receivables (+)	CHFM				
of which inventories (+)	CHFM				
of which payables (+)	CHFM				
of which other current liabilities (+)	CHFM				
Other current assets	CHFM	78.6	157	158	159
of which tax assets (+)	CHFM	1.39	0.51	0.18	0.07
Total assets (net of short term liabilities)	CHFM	9,962	11,092	12,380	13,692
Ordinary shareholders' equity (group share)	CHFM	741	1,115	995	1,261
Minority interests	CHFM				
Provisions for pensions	CHFM	6.48	32.4	41.1	49.6
Other provisions for risks and liabilities	CHFM				
Deferred tax liabilities	CHFM	1.58	1.74	2.00	2.30
Other liabilities	CHFM	9,456	10,283	11,817	13,018
Net debt / (cash)	CHFM	-243	-339	-475	-639
Total liabilities and shareholders' equity	CHFM	9,962	11,092	12,380	13,692
Gross Cash	CHFM	243	339	475	639
Average net debt / (cash)	CHFM	-227	-291	-407	-557

EV Calculations

		12/22A	12/23E	12/24E	12/25E
EV/EBITDA(R)	x	7.62	7.63	8.21	7.34
EV/EBIT	x	8.95	8.81	9.43	8.44
EV/Sales	x	4.23	4.36	4.83	4.30
EV/Invested capital	x	5.33	6.88	8.48	7.47
Market cap	CHFM	1,962	2,680	3,583	3,583
+ Provisions (including pensions)	CHFM	6.48	32.4	41.1	49.6
+ 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	-243	-339	-475	-639
+ Right-of-use (from 2019)/Leases debt equivalent	CHFM	7.00	7.00	7.00	7.00
- Financial fixed assets (fair value) & Others	CHFM	4.46	2.12	2.12	2.12
+ Minority interests (fair value)	CHFM				
= Enterprise Value	CHFM	1,728	2,378	3,154	2,998

Per Share Data

		12/22A	12/23E	12/24E	12/25E
Adjusted EPS (bfr goodwill amort. & dil.)	CHF	10.6	15.2	18.9	20.2
<i>Growth in EPS</i>	%	-18.5	43.5	24.6	6.73
Reported EPS	CHF	10.6	15.2	18.9	20.2
Net dividend per share	CHF	2.20	2.95	3.67	3.92
Free cash flow per share	CHF	4.85	9.59	12.9	15.5
Operating cash flow per share	CHF	8.33	13.3	17.3	20.2
Book value per share	CHF	49.8	74.9	66.9	84.8

Number of ordinary shares	Mio	15.3	15.3	15.3	15.3
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
Number of common shares (average)	Mio	14.9	14.9	14.9	14.9
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
Number of diluted shares (average)	Mio	14.9	14.9	14.9	14.9
Goodwill per share (diluted)	CHF	0.00	0.00	0.00	0.00
EPS after goodwill amortisation (diluted)	CHF	10.6	15.2	18.9	20.2
EPS before goodwill amortisation (non-diluted)	CHF	10.6	15.2	18.9	20.2
Payout ratio	%	20.8	19.4	19.4	19.4
Capital payout ratio (div +share buy back/net income)	%	28.3	24.7	23.6	

Funding - Liquidity

		12/22A	12/23E	12/24E	12/25E
EBITDA	CHFM	226	311	383	407
Funds from operations (FFO)	CHFM	124	199	261	304
Ordinary shareholders' equity	CHFM	741	1,115	995	1,261
Gross debt	CHFM	0.00	0.00	0.00	0.00
+ Gross Cash	CHFM	243	339	475	639
= Net debt / (cash)	CHFM	-243	-339	-475	-639

Other financing	CHFM	0.00	0.00	0.00	0.00
-----------------	------	------	------	------	------

Gearing (at book value)	%	-30.7	-26.1	-40.9	-44.2
Equity/Total asset (%)	%	7.44	10.1	8.04	9.21
<i>Adj. Net debt/EBITDA(R)</i>	<i>x</i>	<i>-1.04</i>	<i>-1.07</i>	<i>-1.22</i>	<i>-1.55</i>
<i>Adjusted Gross Debt/EBITDA(R)</i>	<i>x</i>	<i>0.03</i>	<i>0.10</i>	<i>0.11</i>	<i>0.12</i>
<i>Adj. gross debt/(Adj. gross debt+Equity)</i>	<i>%</i>	<i>0.87</i>	<i>2.82</i>	<i>3.97</i>	<i>3.78</i>
<i>Ebit cover</i>	<i>x</i>	<i>645</i>	<i>-191</i>	<i>-122</i>	<i>-111</i>
<i>FFO/Gross Debt</i>	<i>%</i>	<i>1,914</i>	<i>615</i>	<i>635</i>	<i>614</i>
<i>FFO/Net debt</i>	<i>%</i>	<i>-50.9</i>	<i>-58.6</i>	<i>-54.9</i>	<i>-47.6</i>
<i>FCF/Adj. gross debt (%)</i>	<i>%</i>	<i>1,115</i>	<i>441</i>	<i>469</i>	<i>466</i>

ROE Analysis (Dupont's Breakdown)

		12/22A	12/23E	12/24E	12/25E
Tax burden (Net income/pretax pre excp income)	x	0.84	0.85	0.85	0.85
EBIT margin (EBIT/sales)	%	45.7	48.5	50.5	50.5
Assets rotation (Sales/Avg assets)	%	4.34	5.18	5.57	5.35
Financial leverage (Avg assets /Avg equity)	x	13.9	11.3	11.1	11.6
ROE	%	23.2	24.3	26.7	26.6
ROA	%	91.6	122	147	151

Shareholder's Equity Review (Group Share)

		12/22A	12/23E	12/24E	12/25E
Y-1 shareholders' equity	CHFM	639	741	1,115	995
+ Net profit of year	CHFM	157	226	281	300
- Dividends (parent cy)	CHFM	-33.0	-32.7	-43.9	-54.6
+ Additions to equity	CHFM	-11.9	-11.9	-11.9	-11.9
<i>o/w reduction (addition) to treasury shares</i>	<i>CHFM</i>	<i>-11.9</i>	<i>-11.9</i>	<i>-11.9</i>	<i>-11.9</i>
- Unrecognised actuarial gains/(losses)	CHFM	0.00	0.00	0.00	0.00
+ Comprehensive income recognition	CHFM	-10.0	193	-346	32.7
= Year end shareholders' equity	CHFM	741	1,115	995	1,261

Staffing Analytics

		12/22A	12/23E	12/24E	12/25E
Sales per staff	CHFth	406	490	546	560
Staff costs per employee	CHFth	-103	-114	-113	-116
<i>Change in staff costs</i>	<i>%</i>	<i>-17.2</i>	<i>23.4</i>	<i>6.53</i>	<i>6.33</i>
<i>Change in unit cost of staff</i>	<i>%</i>	<i>-27.6</i>	<i>11.2</i>	<i>-0.73</i>	<i>2.24</i>
<i>Staff costs/(EBITDA+Staff costs)</i>	<i>%</i>	<i>31.3</i>	<i>29.1</i>	<i>26.1</i>	<i>26.1</i>

Average workforce	unit	1,004	1,114	1,196	1,243
Europe	unit	1,056	1,172	1,219	1,268
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
Total staff costs	CHFM	-103	-127	-136	-144
Wages and salaries	CHFM	-103	-121	-129	-138
Pension related costs	CHFM		-6.35	-6.35	-6.35

Divisional Breakdown Of Revenues

		12/22A	12/23E	12/24E	12/25E
Total sales	CHFM	408	546	653	697
Net interest income	CHFM	73.5	212	221	208
Net fee and commission income	CHFM	177	171	252	278
Net trading income	CHFM	159	163	180	211
Other	CHFM	-0.85	-0.10	-0.11	-0.13

Divisional Breakdown Of Earnings

		12/22A	12/23E	12/24E	12/25E
PRETAX RESULTS Analysis					
Net fee and commission income	CHFM				
Net trading income	CHFM				
Net interest income	CHFM				
Other/cancellations	CHFM	186	265	330	352
Total	CHFM	186	265	330	352
PRETAX RESULTS margin	%	45.7	48.5	50.5	50.5

Revenue Breakdown By Country

		12/22A	12/23E	12/24E	12/25E
Other	%	100	100		

ROCE

		12/22A	12/23E	12/24E	12/25E
ROCE (NOPAT+lease exp.*(1-tax))/(net) cap employed adjusted	%	43.3	58.0	67.3	66.7
CFROIC	%	22.3	41.3	51.8	57.6

Goodwill	CHFM	55.8	55.6	55.6	55.6
Accumulated goodwill amortisation	CHFM	0.00	0.00	0.00	0.00
All intangible assets	CHFM	75.3	84.9	89.2	93.7
Accumulated intangible amortisation	CHFM	0.00	0.00	0.00	0.00
Financial hedges (LT derivatives)	CHFM	109	120	138	159
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	72.5	76.1	79.9	83.9
Accumulated depreciation	CHFM	0.00	0.00	0.00	0.00
WCR	CHFM	0.00	0.00	0.00	0.00
Other assets	CHFM	4.46	2.12	2.12	2.12
Unrecognised actuarial losses/(gains)	CHFM	0.00	0.00	0.00	0.00
Capital employed after deprec. (Invested capital)	CHFM	324	346	372	401
Capital employed before depreciation	CHFM	215	226	234	242

Divisional Breakdown Of Capital Employed

		12/22A	12/23E	12/24E	12/25E
Net fee and commission income	CHFM				
Net trading income	CHFM				
Net interest income	CHFM				
Other	CHFM	324	346	372	401
Total capital employed	CHFM	324	346	372	401

Essential Balance Sheet Data

		12/22A	12/23E	12/24E	12/25E
Clients assets	CHFM	52,189	59,449	68,323	77,484
Clients deposits	CHFM	8,861	9,705	11,154	12,277
Total Risk Weighted Assets	CHFM	2,617	3,114	3,628	3,992
Of which counterparty RWA	CHFM	1,548	1,842	2,146	2,362
Of which operating RWA	CHFM	763	908	1,058	1,165
Of which market related RWA	CHFM	148	176	219	241
Common equity tier 1 capital	CHFM	649	830	1,055	1,295
CET1 ratio	%	24.8	26.7	29.1	32.4

Pension Risks

Summary Of Pension Risks

		12/22A	12/23E	12/24E	12/25E
Pension ratio	%	1.13	2.82	3.97	3.78
Ordinary shareholders' equity	CHFM	741	1,115	995	1,261
Total benefits provisions	CHFM	8.47	32.4	41.1	49.6
<i>of which funded pensions</i>	<i>CHFM</i>	<i>8.47</i>	<i>32.4</i>	<i>41.1</i>	<i>49.6</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>2.20</i>	<i>2.20</i>	<i>2.20</i>	<i>2.20</i>
Normalised recomputed discount rate	%		4.00		
<i>Company future salary increase</i>	%	<i>1.75</i>	<i>1.75</i>	<i>1.75</i>	<i>1.75</i>
Normalised recomputed future salary increase	%		4.00		
<i>Company expected rate of return on plan assets</i>	%	<i>2.20</i>	<i>2.20</i>	<i>2.20</i>	<i>2.20</i>
Normalised recomputed expd rate of return on plan assets	%		3.41		
Funded : Impact of actuarial assumptions	CHFM		21.5		
Unfunded : Impact of actuarial assumptions	CHFM		0.00		

Geographic Breakdown Of Pension Liabilities

		12/22A	12/23E	12/24E	12/25E
US exposure	%				
UK exposure	%				
Euro exposure	%				
Nordic countries	%				
Switzerland	%				
Other	%	100	100	100	100
Total	%	100	100	100	100

Balance Sheet Implications

		12/22A	12/23E	12/24E	12/25E
Funded status surplus / (deficit)	CHFM	-8.47	-43.2	-54.8	-66.1
Unfunded status surplus / (deficit)	CHFM	0.00	0.00	0.00	0.00
Total surplus / (deficit)	CHFM	-8.47	-43.2	-54.8	-66.1
Total unrecognised actuarial (gains)/losses	CHFM	0.00	0.00	0.00	0.00
Provision (B/S) on funded pension	CHFM	8.47	32.4	41.1	49.6
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
Total benefit provisions	CHFM	8.47	32.4	41.1	49.6

P&L Implications

		12/22A	12/23E	12/24E	12/25E
Funded obligations periodic costs	CHFM	-16.8	-8.06	-9.39	-9.84
Unfunded obligations periodic costs	CHFM	0.00	0.00	0.00	0.00
Total periodic costs	CHFM	-16.8	-8.06	-9.39	-9.84
<i>of which incl. in labour costs</i>	<i>CHFM</i>	<i>-9.00</i>	<i>-6.35</i>	<i>-6.35</i>	<i>-6.35</i>
<i>of which incl. in interest expenses</i>	<i>CHFM</i>	<i>-7.81</i>	<i>-1.71</i>	<i>-3.04</i>	<i>-3.49</i>

Funded Obligations

		12/22A	12/23E	12/24E	12/25E
Balance beginning of period	CHFM	101	84.8	116	127
Current service cost	CHFM	9.00	6.35	6.35	6.35
Interest expense	CHFM	0.29	3.39	4.65	5.08
Employees' contributions	CHFM	4.57			
Impact of change in actuarial assumptions	CHFM	-25.8	21.5	0.00	0.00
<i>of which impact of change in discount rate</i>	<i>CHFM</i>		-25.0		
<i>of which impact of change in salary increase</i>	<i>CHFM</i>		46.6		
Changes to scope of consolidation	CHFM				
Currency translation effects	CHFM				
Pension payments	CHFM	1.42			
Other	CHFM	-5.19			
Year end obligation	CHFM	84.8	116	127	139

Plan Assets

		12/22A	12/23E	12/24E	12/25E
Value at beginning	CHFM	72.3	76.4	73.0	72.3
Company expected return on plan assets	CHFM	-7.51	1.68	1.61	1.59
Actuarial gain /(loss)	CHFM		0.92	0.88	0.87
Employer's contribution	CHFM	5.77	0.00	2.88	3.65
Employees' contributions	CHFM	4.57	0.00	0.00	0.00
Changes to scope of consolidation	CHFM				
Currency translation effects	CHFM				
Pension payments	CHFM	1.42	0.00	0.00	0.00
Other	CHFM	-0.20	-6.00	-6.00	-6.00
Value end of period	CHFM	76.4	73.0	72.3	72.5
Actual and normalised future return on plan assets	CHFM	-7.51	2.60	2.49	2.47

Unfunded Obligations

		12/22A	12/23E	12/24E	12/25E
Balance beginning of period	CHFM	0.00	0.00	0.00	0.00
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>		0.00		
<i>of which Impact of change in salary increase</i>	<i>CHFM</i>		0.00		
Changes to scope of consolidation	CHFM				
Currency translation effects	CHFM				
Pension payments	CHFM				
Other	CHFM				
Year end obligation	CHFM	0.00	0.00	0.00	0.00

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%