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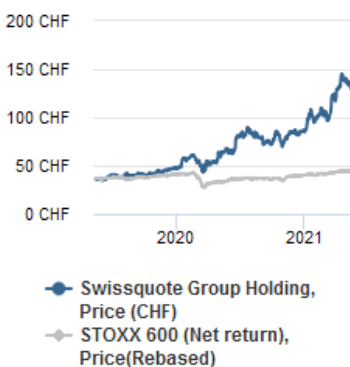
Swissquote Group Holding

Exporting high quality financial technology

Opinion	Add
Upside (%)	21.7
Price (CHF)	129.4
Target Price (CHF)	158
Bloomberg Code	SQN SW
Market Cap (CHFM)	1,984
Enterprise Value (CHFM)	1,767
Momentum	STRONG
Sustainability	5/10
Credit Risk	AA→

Research Analysts

Farhad Moshiri
+33 (0) 1 70 61 10 50
otherfinancials@alphavalue.eu



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
- As a Fintech, the company has managed to remain up to date, enabling to trade ever more assets (cryptocurrencies of late) and offering new financial solutions (i.e. multi-currency credit cards)
- 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	12/19A	12/20A	12/21E	12/22E	12/23E
Adjusted P/E (x)	15.1	11.6	17.4	15.1	13.2
Dividend yield (%)	2.29	2.12	1.73	1.98	2.27
EV/EBITDA(R) (x)	7.02	7.02	10.8	9.22	7.81
Adjusted EPS (CHF)	2.89	6.13	7.46	8.56	9.80
Growth in EPS (%)	-5.72	112	21.7	14.7	14.5
Dividend (CHF)	1.00	1.50	2.24	2.57	2.94
Sales (CHFM)	232	317	363	403	448
Pretax Results margin (%)	22.4	33.4	36.1	37.2	38.4
Attributable net profit (CHFM)	43.0	91.2	111	127	146
ROE (after tax) (%)	11.8	22.4	24.6	25.9	26.0
Gearing (%)	-34.0	-25.1	-30.7	-37.2	-43.0

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

		12/20A	12/21E	12/22E	12/23E
Adjusted P/E	x	11.6	17.4	15.1	13.2
EV/EBITDA	x	7.02	10.8	9.22	7.81
P/Book	x	2.40	4.18	3.68	3.22
Dividend yield	%	2.12	1.73	1.98	2.27
Free Cash Flow Yield	%	12.4	3.69	4.61	5.50
ROE (after tax)	%	22.4	24.6	25.9	26.0
ROCE	%	24.4	34.4	38.6	44.2
Net debt/EBITDA	x	-0.81	-0.97	-1.16	-1.39

Consolidated P&L

		12/20A	12/21E	12/22E	12/23E
Sales	CHFM	317	363	403	448
EBITDA	CHFM	135	162	185	209
Underlying operating profit	CHFM	106	131	150	172
Operating profit (EBIT)	CHFM	106	131	150	172
Net financial expenses	CHFM	0.00	0.00	0.00	0.00
Pre-tax profit before exceptional items	CHFM	106	131	150	172
Corporate tax	CHFM	-14.6	-19.6	-22.5	-25.7
Attributable net profit	CHFM	91.2	111	127	146
Adjusted attributable net profit	CHFM	91.2	111	127	146

Cashflow Statement

		12/20A	12/21E	12/22E	12/23E
Total operating cash flows	CHFM	161	105	126	146
Capital expenditure	CHFM	-30.7	-33.8	-36.8	-40.1
Total investment flows	CHFM	-30.7	-33.8	-36.8	-40.1
Dividends (parent company)	CHFM	-14.9	-22.3	-33.3	-38.2
New shareholders' equity	CHFM	0.00	0.00	0.00	0.00
Total financial flows	CHFM	-14.9	-21.5	-32.6	-37.5
Change in net debt position	CHFM	116	49.6	56.2	68.5
Free cash flow (pre div.)	CHFM	131	71.1	88.8	106

Balance Sheet

		12/20A	12/21E	12/22E	12/23E
Goodwill	CHFM	45.5	46.4	47.3	48.3
Total intangible	CHFM	115	118	120	122
Tangible fixed assets	CHFM	71.0	72.4	73.9	75.3
WCR	CHFM	0.00	0.00	0.00	0.00
Total assets (net of short term liabilities)	CHFM	7,314	7,417	7,566	7,717
Ordinary shareholders' equity (group share)	CHFM	440	461	523	597
Provisions for pensions	CHFM	8.00	1.00	1.19	1.37
Net debt / (cash)	CHFM	-117	-166	-222	-291
Total liabilities and shareholders' equity	CHFM	7,314	7,417	7,566	7,717

Per Share Data

		12/20A	12/21E	12/22E	12/23E
Adjusted EPS (bfr goodwill amort. & dil.)	CHF	6.13	7.46	8.56	9.80
Net dividend per share	CHF	1.50	2.24	2.57	2.94
Free cash flow per share	CHF	8.77	4.78	5.97	7.12
Book value per share	CHF	29.6	31.0	35.1	40.1
Number of diluted shares (average)	Mio	14.9	14.9	14.9	14.9

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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).

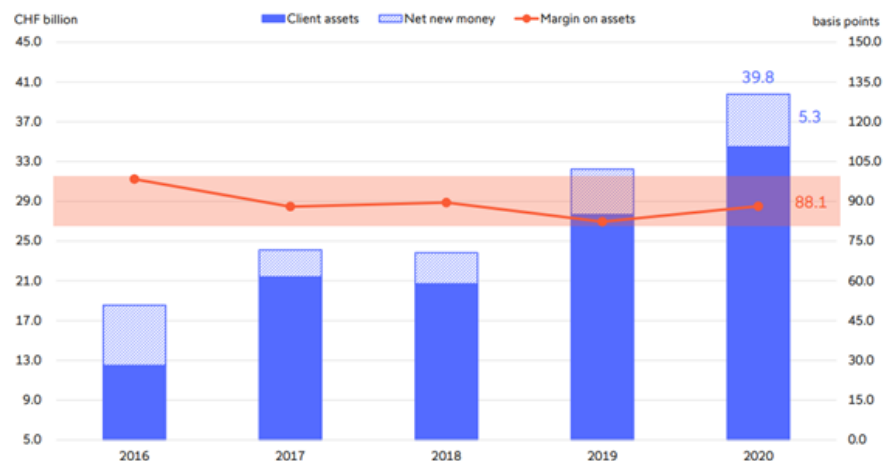
As mentioned on Swissquote's website (section "About us"), "Swissquote is not a typical Swiss bank". According to our understanding, it is indeed more about financial innovation than traditional banking. This is the reason why we have classified the bank as a Fintech (Internet Banking/Fintech).

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, cryptocurrencies) 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	12/20A	12/21E	12/22E	12/23E	Change 21E/20		Change 22E/21E	
					CHFm	of % total	CHFm	of % total
Total sales	317	363	403	448	46 ↑	100%	40 ↑	100%
Net interest income	21.0	20.0	22.4	25.1	-1	-2%	2	6%
Net fee and commission income	162	178	198	220	16	35%	20	50%
Net trading income	134	165	183	203	31	67%	18	45%
Other	0.00	0.00	0.00	0.00	0	0%	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%
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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 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 crypto-currencies trading and which has enabled Swissquote to be well ahead of its competitors (traditional or low-cost brokers). The institutionalisation of crypto-currencies 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

	12/20A	12/21E	12/22E	12/23E	Change 21E/20		Change 22E/21E	
					CHFM	of % total	CHFM	of % total
Total	106	131	150	172	25	100%	19	100%
Other/cancellations	106	131	150	172	25	100%	19	100%

Divisional PRETAX RESULTS margin

	12/20A	12/21E	12/22E	12/23E
Total	33.4%	36.1%	37.2%	38.4%

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		181	40%	35%
NAV/SOTP per share		144	11%	20%
EV/Ebitda	Peers	156	20%	20%
P/E	Peers	173	34%	10%
Dividend Yield	Peers	122	-6%	10%
P/Book	Peers	97.4	-25%	5%
Target Price		158	22%	

Comparison based valuation

Computed on 18 month forecasts	P/E (x)	Ev/Ebitda (x)	P/Book (x)	Yield(%)
Peers ratios	18.9	12.3	1.98	2.61
Swissquote Group Holding's ratios	16.3	10.1	3.94	1.84
Premium	15.0%	0.00%	50.0%	25.0%
Default comparison based valuation (CHF)	173	156	97.4	122
London Stock Exchange Group	25.4	14.2	2.07	1.58
Deutsche Boerse	20.7	13.4	3.61	2.38
Amundi	15.9	10.1	1.39	4.42
Julius Baer	13.7	10.7	1.77	3.07
DWS	12.6	6.40	1.06	5.20
Euronext NV	15.4	12.4	2.04	2.97

DCF Valuation Per Share

WACC	%	7.82	Avg net debt (cash) at book value	CHFM	-194
PV of cashflow FY1-FY11	CHFM	982	Provisions	CHFM	1.00
FY11CF	CHFM	186	Unrecognised actuarial losses (gains)	CHFM	0.00
Normalised long-term growth"g"	%	2.00	Financial assets at market price	CHFM	0.00
Sustainability "g"	%	2.05	Minorities interests (fair value)	CHFM	0.00
Terminal value	CHFM	3,213	Equity value	CHFM	2,688
PV terminal value	CHFM	1,513	Number of shares	Mio	14.9
<i>PV terminal value in % of total value</i>	%	60.6	Implied equity value per share	CHF	181
Total PV	CHFM	2,495	Sustainability impact on DCF	%	0.49

Assessing The Cost Of Capital

Synthetic default risk free rate	%	3.50	Company debt spread	bp	200
Target equity risk premium	%	5.00	Marginal Company cost of debt	%	5.50
Tax advantage of debt finance (normalised)	%	30.0	Company beta (leveraged)	x	0.81
Average debt maturity	Year	5	Company gearing at market value	%	-8.63
Sector asset beta	x	0.86	Company market gearing	%	-9.45
Debt beta	x	0.40	Required return on geared equity	%	7.56
Market capitalisation	CHFM	1,925	Cost of debt	%	3.85
Net debt (cash) at book value	CHFM	-166	Cost of ungeared equity	%	7.82
Net debt (cash) at market value	CHFM	-166	WACC	%	7.82

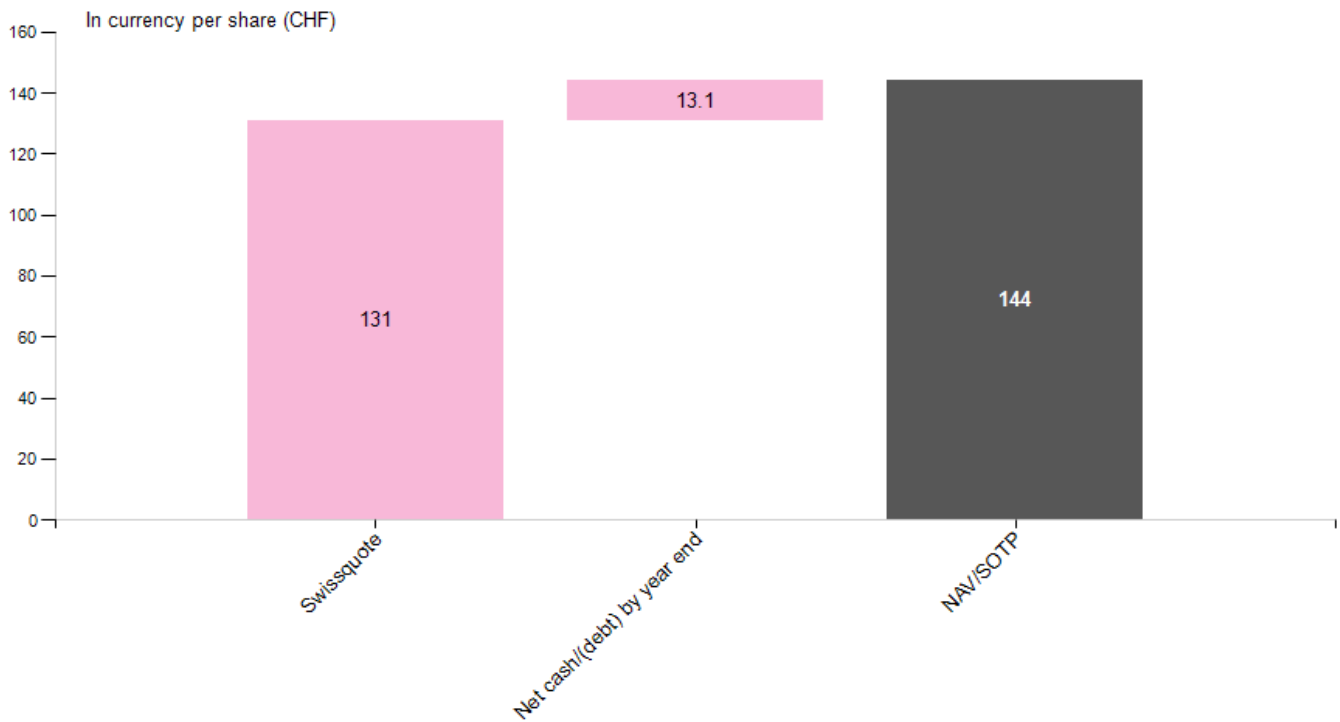
DCF Calculation

		12/20A	12/21E	12/22E	12/23E	Growth	12/24E	12/31E
Sales	CHFM	317	363	403	448	3.00%	462	568
EBITDA	CHFM	135	162	185	209	3.00%	216	265
<i>EBITDA Margin</i>	%	42.5	44.7	45.7	46.7		46.7	46.7
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	176	124	148	172		216	265
Corporate tax	CHFM	-14.6	-19.6	-22.5	-25.7	3.00%	-26.5	-32.6
Net tax shield	CHFM	0.00	0.00	0.00	0.00	3.00%	0.00	0.00
Capital expenditure	CHFM	-30.7	-33.8	-36.8	-40.1	3.00%	-41.3	-50.8
<i>Capex/Sales</i>	%	-9.67	-9.29	-9.12	-8.95		-8.95	-8.95
Pre financing costs FCF (for DCF purposes)	CHFM	131	71.1	88.8	106		148	182
Various add backs (incl. R&D, etc.) for DCF purposes	CHFM							
Free cash flow adjusted	CHFM	131	71.1	88.8	106		148	182
Discounted free cash flows	CHFM	131	71.1	82.4	91.2		118	85.6
Invested capital	CHF	307	269	275	273		281	346

NAV/SOTP Calculation

	% owned	Valuation technique	Multiple used	Valuation at 100% (CHF)	Stake valuation (CHF)	In currency per share (CHF)	% of gross assets
Swissquote	100%	P/Operating profit	13	1,950	1,950	131	100%
Other							
Total gross assets					1,950	131	100%
Net cash/(debt) by year end					194 ⁽¹⁾	13.1	9.96%
Commitments to pay							
Commitments received							
NAV/SOTP					2,144	144	110%
Number of shares net of treasury shares - year end (Mio)					14.9		
NAV/SOTP per share (CHF)					144		
Current discount to NAV/SOTP (%)						10.2	

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

		12/20A	12/21E	12/22E	12/23E
EBITDA	CHFM	135	162	185	209
Funds from operations (FFO)	CHFM	161	106	126	147
Ordinary shareholders' equity	CHFM	440	461	523	597
Gross debt	CHFM	0.00	0.00	0.00	0.00
+ Gross Cash	CHFM	117	166	222	291
= Net debt / (cash)	CHFM	-117	-166	-222	-291
Gearing (at book value)	%	-25.1	-30.7	-37.2	-43.0
Adj. Net debt/EBITDA(R)	x	-0.81	-0.97	-1.16	-1.39
Adjusted Gross Debt/EBITDA(R)	x	0.06	0.01	0.01	0.01
Adj. gross debt/(Adj. gross debt+Equity)	%	1.78	0.22	0.23	0.23
Ebit cover	x	354	-252	-368	-236
FFO/Gross Debt	%	2,015	ns	ns	ns
FFO/Net debt	%	-138	-63.6	-56.8	-50.5
FCF/Adj. gross debt (%)	%	1,631	7,102	7,490	7,756

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%
Apparent free float			65.8%

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	4/10	20%
Chairman vs. Executive split		5%
Environment		
CO ² Emission	4/10	25%
Water withdrawal	2/10	10%
Social		
Wage dispersion trend	0/10	5%
Job satisfaction	10/10	5%
Internal communication	10/10	5%
<hr/>		
Sustainability score	5.0/10	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 (5.3)

Independent board











Yes

Parameters	Company	Sector	Score	Weight
Number of board members	5	10	10/10	5.0%
Board feminization	20	35	4/10	5.0%
Board domestic Density	80	68	4/10	10.0%
Average age of board's members	62	60	4/10	5.0%
Type of company : Small cap, controlled			4/10	10.0%
Independent directors rate	60	39	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		919 (2019)	(2019)
Yvan CARDENAS	M	 CFO	1980	2010		(2019)	(2019)
Paolo BUZZI	M	 CTO	1961	2000		(2019)	(2019)

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		178 (2019)	2,517 (2019)	
Monica DELL'ANNA	F	 	Member		1955	2016		133 (2019)	125 (2019)	
Martin NAVILLE	M	 	Member		1959	2007		133 (2019)	902 (2019)	
Beat OBERLIN	M	 	Member		1955	2016		133 (2019)	267 (2019)	
Jean-Christophe PERNOLLET	M	 	Member		1966	2014		133 (2019)	311 (2019)	

Environment

Environmental Score

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

Parameters	Score	Sector	Weight
Energy	2/10	4/10	25%
CO ² Emission	4/10	3/10	30%
Waste	1/10	2/10	15%
Water withdrawal	2/10	4/10	30%

Company (Sector)

2.45 (3.38)

Environmental metrics

	Company 2019	2020	Sector 2020
CO ² tons per €m in capital employed	1,286	1,138	105

Sector figures

Company	Country	Environment score	Energy (total, in GJ)	CO ₂ Emissions (in tons)	Water Withdrawal (in m ³)	Waste (total, (in tons)
GBL		2/10	n/a	n/a	n/a	n/a
Ackermans & van Haaren		2/10	n/a	n/a	811	n/a
EdenRed		3/10	49,795	7,434	36,970	717
Vivendi		8/10	573,783	49,396	n/a	3,766
Bouygues		4/10	30,772,800	17,400,000	1,000,000	n/a
Eurazeo		3/10	10,373,748	806,754	37,979,804	44,377
Bolloré		4/10	5,627,624	346,672	1,731,283	188,942
Wendel		2/10	n/a	28,641	n/a	7,846
VIEL & Cie		2/10	n/a	n/a	n/a	n/a
Amundi		9/10	85,187	11,754	36,573	289
Worldline		10/10	320,571	6,857	22,437	549
DWS		4/10	n/a	11,982	n/a	n/a
Deutsche Boerse		10/10	245,171	6,736	74,633	32
Porsche		2/10	n/a	n/a	n/a	n/a
Nexi		9/10	64,977	79,694	49,927	621
Exor		2/10	110,106	n/a	n/a	7
Adyen		4/10	n/a	2,565	n/a	n/a
Hal Trust		2/10	n/a	n/a	n/a	n/a
Heineken Holding		4/10	25,604,800	1,529,000	93,100,000	4,443,250
Euronext NV		4/10	41,151	n/a	253,892	n/a
Sonae		3/10	3,470,999	198,540	2,938,251	125,433
Corporacion Financiera Alba		2/10	1,503	111	11	n/a
Investor		2/10	n/a	449,170	n/a	n/a
Industrivärden		2/10	n/a	18	n/a	n/a
Kinnevik Investment		2/10	n/a	602	n/a	n/a
Swissquote Group Holding		2/10	n/a	348,912	n/a	n/a
London Stock Exchange Group		7/10	247,635	8,546	98,077	822

Social

Company (Sector)

7.7 (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	6/10	20%
Average wage trend	9/10	35%
Share of added value taken up by staff cost	4/10	25%
Share of added value taken up by taxes	9/10	20%
Wage dispersion trend	0/10	0%
Pension bonus (0 or 1)	0	
Quantitative score	7.2/10	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

		12/20A	12/21E	12/22E	12/23E
Pension ratio	%	1.43	0.22	0.23	0.23
Ordinary shareholders' equity	CHFm	440	461	523	597
Total benefits provisions	CHFm	6.38	1.00	1.19	1.37
<i>of which funded pensions</i>	<i>CHFm</i>	<i>6.38</i>	<i>1.00</i>	<i>1.19</i>	<i>1.37</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

		12/20A	12/21E	12/22E	12/23E
US exposure	%				
UK exposure	%				
Euro exposure	%				
Nordic countries	%				
Switzerland	%				
Other	%	100	100		
Total	%	100	100	0.00	0.00

Recent updates

23/03/2021

All on the 2024 guidance

Change in Opinion

Add vs Reduce

Change in Target Price

CHF 149 vs 114 +30.6%

Change in EPS

2021 : CHF 7.46 vs 6.55 +13.8%

2022 : CHF 8.56 vs 6.73 +27.1%

Following FY2020 and the communication of a new guidance for both 2021 and 2024, we have (sharply) adjusted our EPS. 2020 was supposed to be an exceptional year for Swissquote but from our discussions with management, it appears that 2020 is actually a game-changer for Swissquote. Hence, the very bullish guidance communicated by management for the coming years. Management indeed expects a 15% growth in revenues and a 23% increase in pre-tax profit for 2021. It expects CHF500m revenues and CHF200m pre-tax profit for 2024. The development of Swissquote at the international level and the trading of crypto-currencies are among the reasons for this guidance. At the same time, new accounts opening ytd remains buoyant vs 2020. Management therefore expects about CHF5bn/year new net money until 2024 (vs CHF3bn previously). We wrote a Latest on Monday, 22 March, detailing the guidance.

Change in NAV

CHF 134 vs 86.4 +55.2%

Our NAV is based on a three-year average pre-tax profit. As we have (sharply) increased our expectations for the coming years, it therefore positively impacts the NAV as well.

Change in DCF

CHF 166 vs 117 +42.0%

As we have (sharply) increased our pre-tax profit for 2021, 2022 and 2023, the DCF is mechanically increased as well (we have not changed other hypotheses in terms of long-term growth).

22/03/2021

Bullish (but reachable) targets

Earnings/sales releases

Swissquote released its FY2020 numbers. The key numbers were, however, already known (preliminary release on 14 January 2021). The key takeaways were related to the short and mid-term guidances. These are indeed very bullish with 15% growth in revenues expected in 2021 together with a 23% pre-tax profit margin and CHF500m revenues expected in 2024 (vs CHF320m in 2020) and a CHF200m pre-tax profit (vs CHF100m in 2020). We will adjust our numbers accordingly with a sharp rise expected in the target price.

Fact

Swissquote has reached its 2022 targets two years in advance and the new guidance was therefore highly anticipated. 2020 was a year all kinds of possible

tailwinds for Swissquote. The COVID-19 pandemic led indeed to a sharp rise in volatility, leading to a high degree of volumes (especially from the retail investors). At the same time, crypto-currencies are becoming mainstream with Swissquote at the forefront of the crypto-trading.

Management is therefore very confident that 2020 was a game-changer for Swissquote rather than an exceptional year.

Guidances for both 2021 and 2024 are indeed very bullish and (well) above our expectations. These are greatly detailed and at the same time offer a lot of visibility up to 2024.

Analysis

Management is expecting revenues to increase by 15% in 2021 vs 2020 (CHF365m expected). Pre-tax profit is expected to increase by 23% (to CHF130m) for 2021, with crypto-trading helping. Revenues from the crypto business were CHF16m in 2020 and management is expecting revenues to increase to CHF35m in 2021. At the same, this is ever more profitable as the costs of managing this asset class are very low (pre-tax margin on these revenues are at 80% vs about 35-0% for other asset classes). The interest of institutional investors makes management's guidance regarding the crypto-currencies' revenue expectations credible and sustainable.

Net new money and the opening of new accounts remain buoyant with +CHF1.4bn of new money ytd (implicit guidance was CHF3bn per year...) and about 45,000 new accounts ytd (vs 10,000 last year).

Swissquote is therefore expecting more like CHF5bn net new money per year (vs CHF3bn previously) with half from Switzerland and other half from its international network (Swissquote Bank Europe or former InternaxX, Singapore and the Middle East). This is the main scenario leading to the 2024 guidance regarding revenues. The CHF500m revenues expected for 2024 are roughly equal to a 90bp margin on assets of CHF55bn.

Impact

Swissquote's guidance might be bullish, especially in the light of the deflation that online brokers are facing in the US but also in Europe (IG Group or Saxo Bank in Switzerland for instance). Swissquote's offer is, however, quite different as it gives investors a very deep offering in terms of trading. At the same time, the Gamestop/Robinhood debacle showed that commissions-free trading has a liquidity price...that should (and will) benefit Swissquote. We will revise our (conservative) expectations sharply upwards.

14/01/2021

Exporting high quality financial technology...

Change in DCF

CHF 118 vs 110 **+7.57%**

Our DCF is based on earnings/cash flow expectations. Hence, as we have revised these expectations, the DCF mechanically increases. As we mentioned in our

Latest, we have raised our expectations for Swissquote's top line as the sharp increase in clients' assets should prove sustainable going into 2021 and 2022. We also factor in growth from recent and future initiatives (InternaxX and the joint-venture with Postfinance).

Change in Target Price

CHF 121 vs 114

+5.96%

14/01/2021

The party is going on...

Earnings/sales releases

Swissquote released this morning new targets for the FY2020 results (expected to be disclosed on 18 March 2021):

- the company is expecting at least CHF315m (vs CHF300m previously and CHF312m for our expectations)
- profit before tax above CHF105m (vs CHF100m previously and CHF105m for our expectations).
- Clients assets rose to an all-time high of CHF39.8bn

As importantly, these numbers should be sustainable going into 2021 ("Swissquote thus achieves the best results in its history and aims to continue growing its revenues and profit in 2021").

Analysis

These better numbers were partly expected as Swissquote's share price's stellar performance continued on a one-year basis. The share is also still up 2% today.

While we were cautiously optimistic, as the sharp increase in the opening of new accounts had to be maintained, management looks confident this should be the case going into 2021 and later.

It expects to continue increasing its revenues and profits in 2021. We also expect a new guidance for 2022 as the previous one was reached two years ahead of schedule. In 2019, management indeed expected, for 2022, a CHF100m pre-tax profit with CHF36bn of clients' assets. Simply extrapolating this ratio with a stable level of clients' assets in 2022, Swissquote's pre-tax profit would stand at CHF111m in 2022.

And that does not take into account Swissquote's recent or future growth initiatives. InternaxX should indeed prove to grow going into 2021 and later.

We need more details regarding the partnership between Swissquote and Postfinance (a 50% JV between the two companies) to launch an app with the ambition to compete with Revolut or N26. But leveraging Postfinance's three million customers could only prove to be profitable.

The recent volatility of cryptocurrencies in recent weeks will add to Swissquote's Q12021 revenues (as was the case in H1 18). The institutionalisation of the trading of cryptocurrencies should also add to Swissquote's revenues in a sustainable way.

Impact

We will raise our estimates going into 2021 and 2022.

13/01/2021

Exporting high quality financial technology**Change in Opinion**

Add vs Reduce

We are changing our recommendation on Swissquote as, despite a stellar performance ytd led by a sharp increase in trading activity, we believe there is still room for some upside.

Trading should remain buoyant in the short term, adding to the short-term earnings momentum and, more importantly, the (sharp) increase in the number of accounts opened in 2020 should prove sustainable in the future and drive management's guidance for 2022 to a higher level (unchanged since 2019 despite targets being already reached in 2020).

Change in Target Price

CHF 113 vs 104

+9.09%

Change in DCF

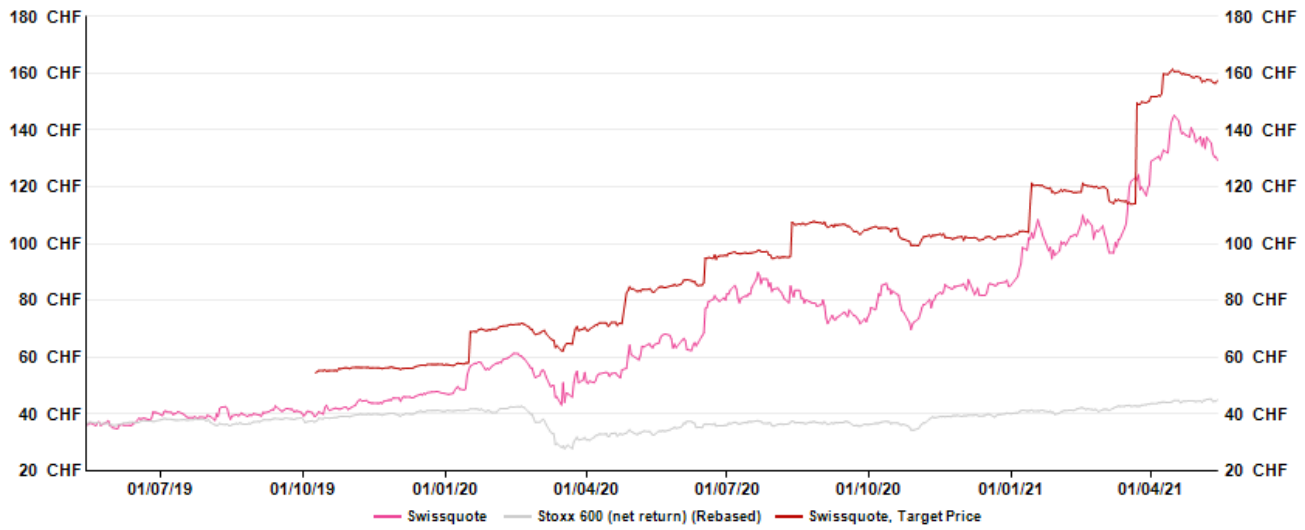
CHF 110 vs 99.8

+9.88%

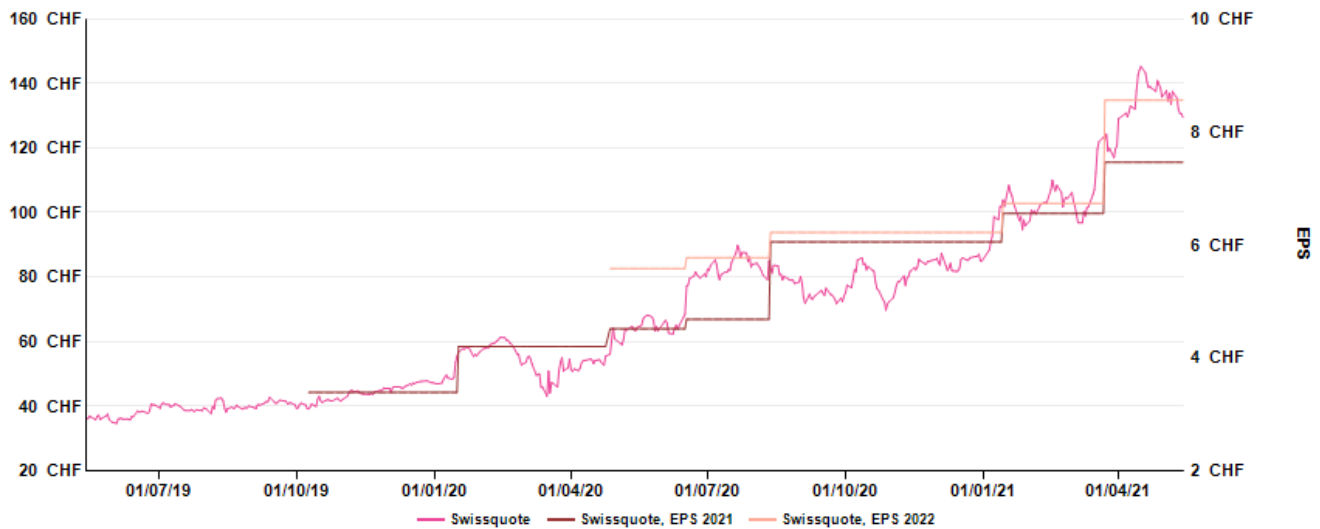
We have long used a beta of 1 for Swissquote for the DCF calculation. As revenues and, more importantly, the opening of new accounts are gathering momentum, earnings should prove more stable in the future.

Hence, we now use the beta given by our model (at 0.87 currently).

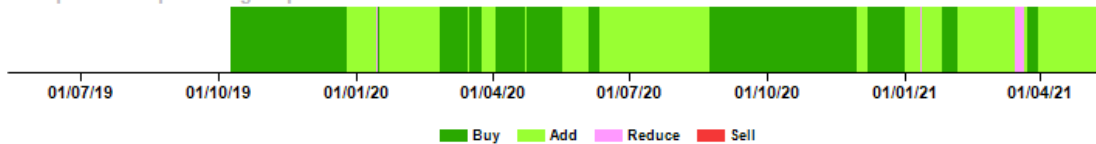
Stock Price and Target Price



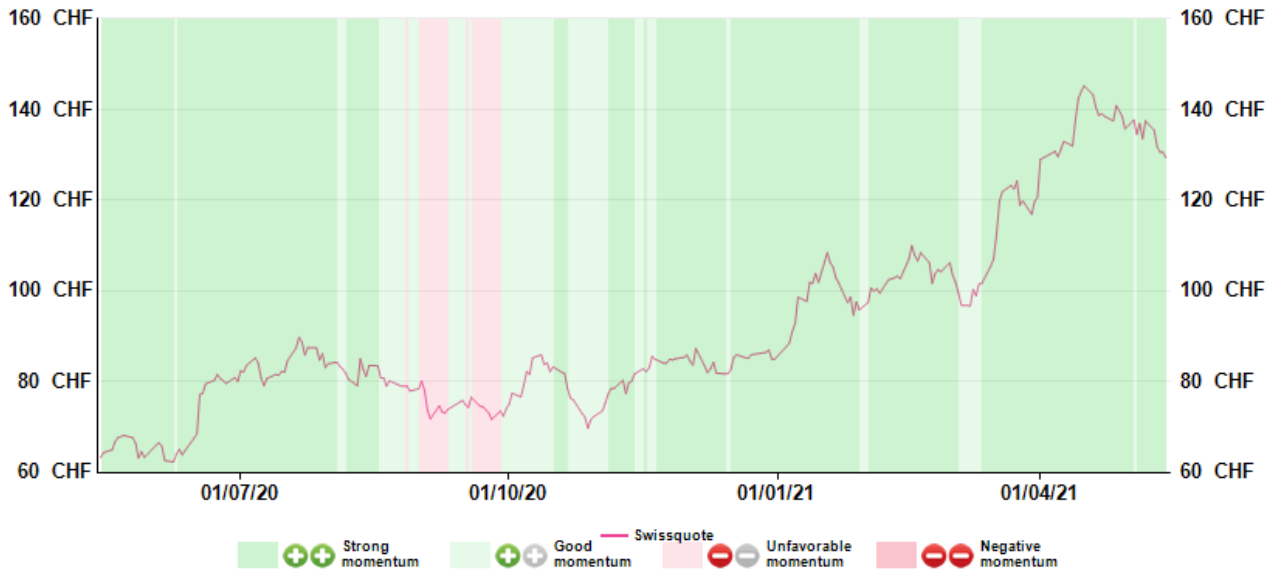
Earnings Per Share & Opinion



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.

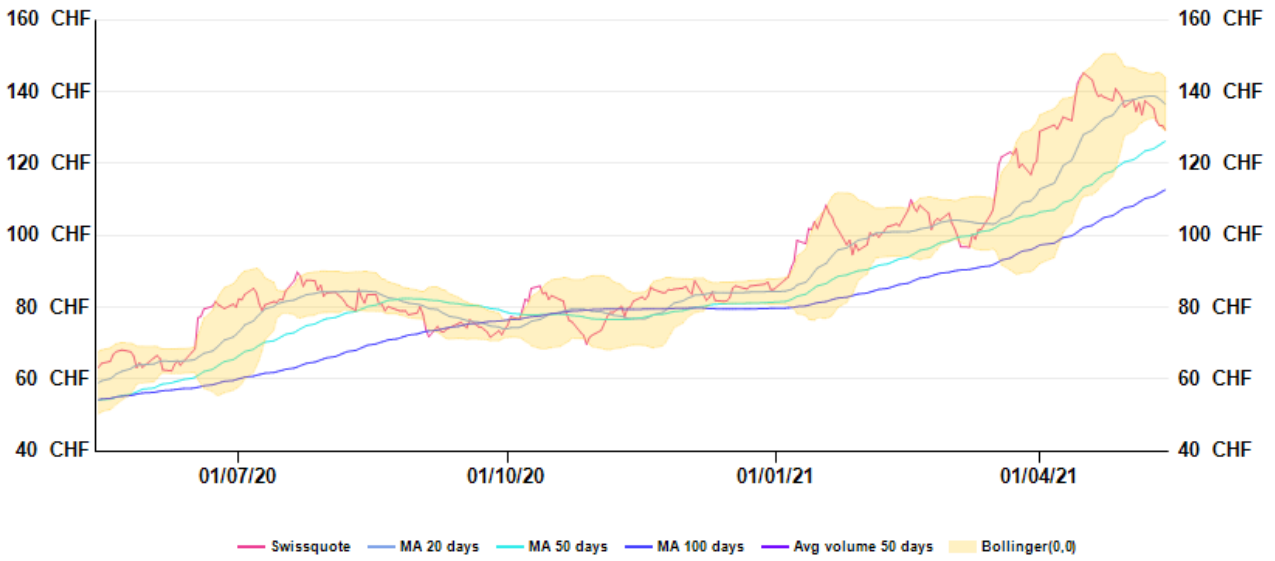
 : Strong momentum corresponding to a continuous and overall positive moving average trend confirmed by volumes

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

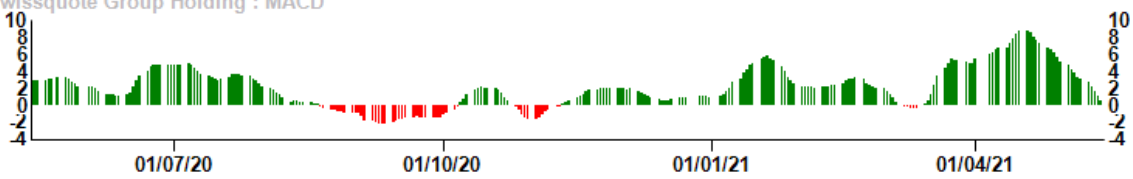
 : Relatively unfavorable momentum with a neutral or negative moving average trend, but offset by an oversold pattern or lack of confirmation from volumes

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

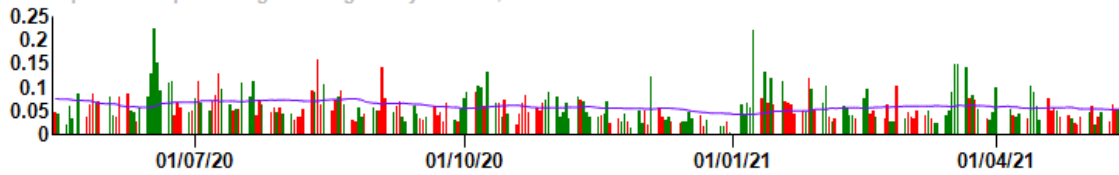
Moving Average MACD & Volume



Swissquote Group Holding : MACD



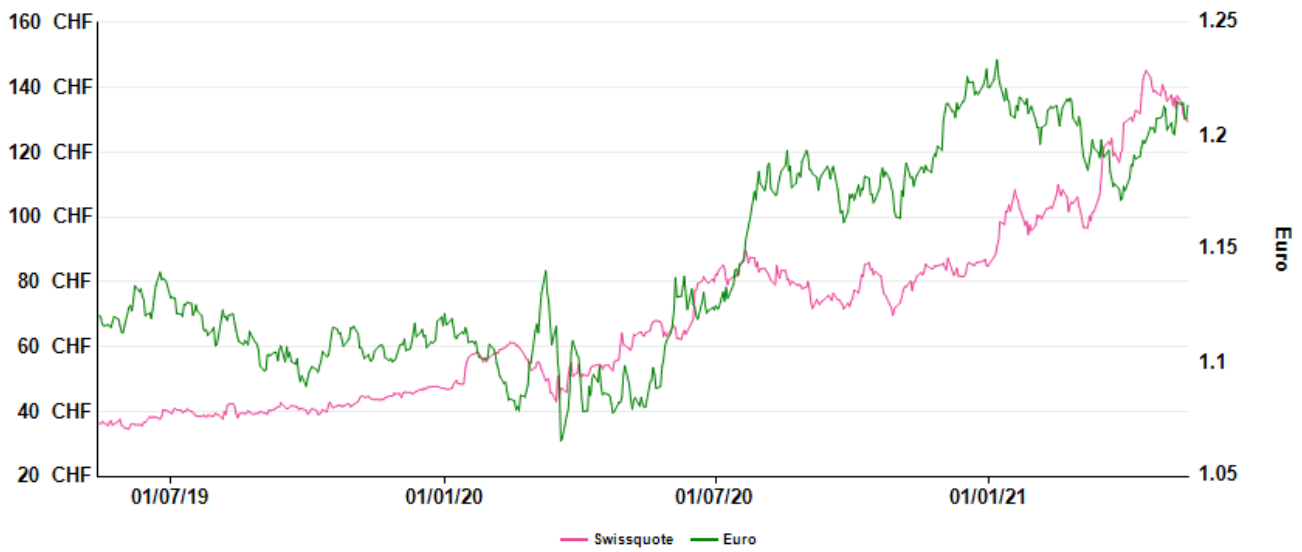
Swissquote Group Holding : Average daily volume, in million



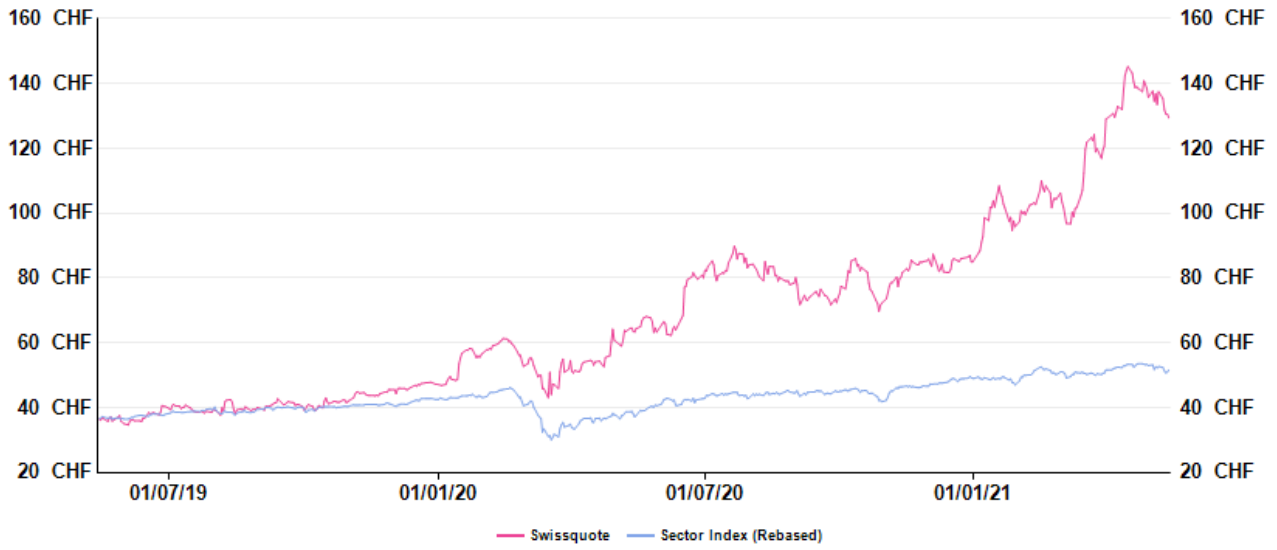
€/\$ sensitivity



Euro sensitivity



Sector Other financials



Detailed Financials

Valuation Key Data

		12/20A	12/21E	12/22E	12/23E
Adjusted P/E	x	11.6	17.4	15.1	13.2
Reported P/E	x	11.6	17.4	15.1	13.2
EV/EBITDA(R)	x	7.02	10.8	9.22	7.81
P/Book	x	2.40	4.18	3.68	3.22
Dividend yield	%	2.12	1.73	1.98	2.27
<i>Preferred dividend yield</i>	%	0.00	0.00	0.00	0.00
<i>Free cash flow yield</i>	%	12.4	3.69	4.61	5.50
Average stock price	CHF	70.9	129	129	129
Average preferred stock price	CHF	0.00	0.00	0.00	0.00

Consolidated P&L

		12/20A	12/21E	12/22E	12/23E
Sales	CHFM	317	363	403	448
<i>Sales growth</i>	%	36.6	14.5	11.1	11.1
<i>Sales per employee</i>	CHFth	460	519	568	622
Organic change in sales	%				
Purchases and external costs (incl. IT)	CHFM	-77.6	-85.4	-93.0	-101
Staff costs	CHFM	-105	-116	-126	-137
Operating lease payments	CHFM	-1.00	-1.00	-1.00	0.00
Cost of sales/COGS (indicative)	CHFM				
EBITDA	CHFM	135	162	185	209
EBITDA(R)	CHFM	136	163	186	209
<i>EBITDA(R) margin</i>	%	42.8	45.0	46.0	46.7
<i>EBITDA(R) per employee</i>	CHFth	197	234	261	291
Depreciation	CHFM	-29.0	-31.9	-34.8	-37.9
<i>Depreciations/Sales</i>	%	9.14	8.78	8.62	8.46
Amortisation	CHFM				
Underlying operating profit	CHFM	106	131	150	172
<i>Underlying operating margin</i>	%	33.3	35.9	37.1	38.3
Other income/expense (cash)	CHFM				
Other inc./ exp. (non cash; incl. assets revaluation)	CHFM	0.00 ⁽¹⁾	0.00 ⁽¹⁾	0.00	0.00
Earnings from joint venture(s)	CHFM				
Impairment charges/goodwill amortisation	CHFM				
Operating profit (EBIT)	CHFM	106	131	150	172
Interest expenses	CHFM				
<i>of which effectively paid cash interest expenses</i>	CHFM	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>	CHFM		-0.82	-0.71	-0.73
Pre-tax profit before exceptional items	CHFM	106	131	150	172
Exceptional items and other (before taxes)	CHFM				
<i>of which cash (cost) from exceptionals</i>	CHFM				
Current tax	CHFM	-14.6	-19.6	-22.5	-25.7
Impact of tax loss carry forward	CHFM				
Deferred tax	CHFM				
Corporate tax	CHFM	-14.6	-19.6	-22.5	-25.7
<i>Tax rate</i>	%	13.8	15.0	15.0	15.0
<i>Net margin</i>	%	28.7	30.5	31.6	32.5
Equity associates	CHFM				
<i>Actual dividends received from equity holdings</i>	CHFM				
Minority interests	CHFM				
<i>Actual dividends paid out to minorities</i>	CHFM				

1. Credit loss expenses

Income from discontinued operations	CHF M				
Attributable net profit	CHF M	91.2	111	127	146
Impairment charges/goodwill amortisation	CHF M	0.00	0.00	0.00	0.00
Other adjustments	CHF M				
Adjusted attributable net profit	CHF M	91.2	111	127	146
Interest expense savings	CHF M				
Fully diluted adjusted attr. net profit	CHF M	91.2	111	127	146
NOPAT	CHF M	74.1	92.0	105	121

Cashflow Statement

		12/20A	12/21E	12/22E	12/23E
EBITDA	CHF M	135	162	185	209
Change in WCR	CHF M	0.00	0.00	0.00	0.00
<i>of which (increases)/decr. in receivables</i>	CHF M		0.00	0.00	0.00
<i>of which (increases)/decr. in inventories</i>	CHF M		0.00	0.00	0.00
<i>of which increases/(decr.) in payables</i>	CHF M		0.00	0.00	0.00
<i>of which increases/(decr.) in other curr. liab.</i>	CHF M		0.00	0.00	0.00
Actual dividends received from equity holdings	CHF M	0.00	0.00	0.00	0.00
Paid taxes	CHF M	-14.6	-19.6	-22.5	-25.7
Exceptional items	CHF M				
Other operating cash flows	CHF M	41.0 ⁽²⁾	-38.0 ⁽²⁾	-36.5	-37.6
Total operating cash flows	CHF M	161 ^{(2) (3)}	105 ⁽³⁾	126	146
Capital expenditure	CHF M	-30.7	-33.8	-36.8	-40.1
<i>Capex as a % of depreciation & amort.</i>	%	106	106	106	106
Net investments in shares	CHF M				
Other investment flows	CHF M				
Total investment flows	CHF M	-30.7 ⁽³⁾	-33.8 ⁽³⁾	-36.8	-40.1
Net interest expense	CHF M	0.00	0.00	0.00	0.00
<i>of which cash interest expense</i>	CHF M	0.00	0.82	0.71	0.73
Dividends (parent company)	CHF M	-14.9	-22.3	-33.3	-38.2
Dividends to minorities interests	CHF M	0.00	0.00	0.00	0.00
New shareholders' equity	CHF M	0.00	0.00	0.00	0.00
<i>of which (acquisition) release of treasury shares</i>	CHF M	0.00	0.00	0.00	0.00
(Increase)/decrease in net debt position	CHF M		0.00	0.00	0.00
Other financial flows	CHF M				
Total financial flows	CHF M	-14.9 ⁽³⁾	-21.5 ⁽³⁾	-32.6	-37.5
Change in cash position	CHF M	116 ⁽³⁾	49.6 ⁽³⁾	56.2	68.5
Change in net debt position	CHF M	116	49.6	56.2	68.5
Free cash flow (pre div.)	CHF M	131	71.1	88.8	106
Operating cash flow (clean)	CHF M	161	105	126	146
<i>Reinvestment rate (capex/tangible fixed assets)</i>	%	43.2	46.6	49.8	53.3

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

Balance Sheet

		12/20A	12/21E	12/22E	12/23E
Goodwill	CHFM	45.5	46.4	47.3	48.3
Other intangible assets	CHFM	69.8	71.2	72.6	74.1
Total intangible	CHFM	115	118	120	122
Tangible fixed assets	CHFM	71.0	72.4	73.9	75.3
Financial fixed assets (part of group strategy)	CHFM				
Financial hedges (LT derivatives)	CHFM	113	72.4	73.9	75.3
Other financial assets (investment purpose mainly)	CHFM	6,967 ⁽⁴⁾	7,106 ⁽⁴⁾	7,248	7,393
WCR	CHFM	0.00	0.00	0.00	0.00
<i>of which trade & receivables (+)</i>	<i>CHFM</i>				
<i>of which inventories (+)</i>	<i>CHFM</i>				
<i>of which payables (+)</i>	<i>CHFM</i>				
<i>of which other current liabilities (+)</i>	<i>CHFM</i>				
Other current assets	CHFM	47.6	48.6	49.5	50.5
<i>of which tax assets (+)</i>	<i>CHFM</i>	<i>3.00</i>	<i>3.06</i>	<i>3.12</i>	<i>3.18</i>
Total assets (net of short term liabilities)	CHFM	7,314	7,417	7,566	7,717
Ordinary shareholders' equity (group share)	CHFM	440	461	523	597
Minority interests	CHFM				
Provisions for pensions	CHFM	8.00	1.00	1.19	1.37
Other provisions for risks and liabilities	CHFM				
Deferred tax liabilities	CHFM	8.40	8.57	8.74	8.91
Other liabilities	CHFM	6,974 ⁽⁵⁾	7,113 ⁽⁵⁾	7,255	7,400
Net debt / (cash)	CHFM	-117	-166	-222	-291
Total liabilities and shareholders' equity	CHFM	7,314	7,417	7,566	7,717
Average net debt / (cash)	CHFM	-111	-141	-194	-257

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

5. Mostly clients' deposits

EV Calculations

		12/20A	12/21E	12/22E	12/23E
EV/EBITDA(R)	x	7.02	10.8	9.22	7.81
EV/EBIT (underlying profit)	x	9.01	13.5	11.4	9.54
EV/Sales	x	3.00	4.86	4.24	3.65
EV/Invested capital	x	3.11	6.56	6.23	5.99
Market cap	CHFM	1,055	1,925	1,925	1,925
+ Provisions (including pensions)	CHFM	8.00	1.00	1.19	1.37
+ 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	-117	-166	-222	-291
+ Right-of-use (from 2019)/Leases debt equivalent	CHFM	7.00	7.00	7.00	0.00
- Financial fixed assets (fair value) & Others	CHFM				
+ Minority interests (fair value)	CHFM				
= Enterprise Value	CHFM	953	1,767	1,711	1,636

Per Share Data

		12/20A	12/21E	12/22E	12/23E
Adjusted EPS (bfr gwill amort. & dil.)	CHF	6.13	7.46	8.56	9.80
<i>Growth in EPS</i>	%	112	21.7	14.7	14.5
Reported EPS	CHF	6.13	7.46	8.56	9.80
Net dividend per share	CHF	1.50	2.24	2.57	2.94
Free cash flow per share	CHF	8.77	4.78	5.97	7.12
Operating cash flow per share	CHF	10.8	7.05	8.44	9.82
Book value per share	CHF	29.6	31.0	35.1	40.1

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	6.13	7.46	8.56	9.80
EPS before goodwill amortisation (non-diluted)	CHF	6.13	7.46	8.56	9.80
Actual payment	CHF				
	%	24.5	30.0	30.0	30.0
Capital payout ratio (div +share buy back/net income)	%	24.5	30.0	30.0	

Funding - Liquidity

		12/20A	12/21E	12/22E	12/23E
EBITDA	CHFM	135	162	185	209
Funds from operations (FFO)	CHFM	161	106	126	147
Ordinary shareholders' equity	CHFM	440	461	523	597
Gross debt	CHFM	0.00	0.00	0.00	0.00
+ Gross Cash	CHFM	117	166	222	291
= Net debt / (cash)	CHFM	-117	-166	-222	-291
Other financing	CHFM	0.00	0.00	0.00	0.00
Gearing (at book value)	%	-25.1	-30.7	-37.2	-43.0
<i>Adj. Net debt/EBITDA(R)</i>	x	-0.81	-0.97	-1.16	-1.39
<i>Adjusted Gross Debt/EBITDA(R)</i>	x	0.06	0.01	0.01	0.01
<i>Adj. gross debt/(Adj. gross debt+Equity)</i>	%	1.78	0.22	0.23	0.23
<i>Ebit cover</i>	x	354	-252	-368	-236
<i>FFO/Gross Debt</i>	%	2,015	ns	ns	ns
<i>FFO/Net debt</i>	%	-138	-63.6	-56.8	-50.5
<i>FCF/Adj. gross debt (%)</i>	%	1,631	7,102	7,490	7,756

ROE Analysis (Dupont's Breakdown)

		12/20A	12/21E	12/22E	12/23E
Tax burden (Net income/pretax pre excp income)	x	0.86	0.85	0.85	0.85
EBIT margin (EBIT/sales)	%	33.3	35.9	37.1	38.3
Assets rotation (Sales/Avg assets)	%	4.64	4.93	5.39	5.86
Financial leverage (Avg assets /Avg equity)	x	16.8	16.3	15.2	13.6
ROE	%	22.4	24.6	25.9	26.0
ROA	%	56.8	68.7	77.3	86.8

Shareholder's Equity Review (Group Share)

		12/20A	12/21E	12/22E	12/23E
Y-1 shareholders' equity	CHFM	379	456	461	523
+ Net profit of year	CHFM	91.2	111	127	146
- Dividends (parent cy)	CHFM	-14.9	-22.3	-33.3	-38.2
+ 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		-83.5	-32.1	-33.3
= Year end shareholders' equity	CHFM	456	461	523	597

Staffing Analytics

		12/20A	12/21E	12/22E	12/23E
Sales per staff	CHFth	460	519	568	622
Staff costs per employee	CHFth	-152	-165	-177	-191
<i>Change in staff costs</i>	<i>%</i>	<i>24.7</i>	<i>10.0</i>	<i>9.00</i>	<i>9.00</i>
<i>Change in unit cost of staff</i>	<i>%</i>	<i>22.9</i>	<i>8.43</i>	<i>7.46</i>	<i>7.49</i>
<i>Staff costs/(EBITDA+Staff costs)</i>	<i>%</i>	<i>43.8</i>	<i>41.6</i>	<i>40.6</i>	<i>39.6</i>

Average workforce	unit	690	700	710	720
Europe	unit	690	700	710	720
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	-105	-116	-126	-137
Wages and salaries	CHFM	-105	-116	-126	-137
<i>of which social security contributions</i>	<i>CHFM</i>				
Equity linked payments	CHFM				
Pension related costs	CHFM		0.00	0.00	0.00

Divisional Breakdown Of Revenues

		12/20A	12/21E	12/22E	12/23E
Total sales	CHFM	317	363	403	448
Net interest income	CHFM	21.0	20.0	22.4	25.1
Net fee and commission income	CHFM	162	178	198	220
Net trading income	CHFM	134	165	183	203
Other	CHFM	0.00	0.00	0.00	0.00

Divisional Breakdown Of Earnings

		12/20A	12/21E	12/22E	12/23E
PRETAX RESULTS Analysis					
Other/cancellations	CHFM	106	131	150	172
Total	CHFM	106	131	150	172
PRETAX RESULTS margin	%	33.4	36.1	37.2	38.4

Revenue Breakdown By Country

		12/20A	12/21E	12/22E	12/23E
Other	%	100	100		

ROCE		12/20A	12/21E	12/22E	12/23E
ROCE (NOPAT+lease exp.*(1-tax))/(net cap employed adjusted)	%	24.4	34.4	38.6	44.2
CFROIC	%	42.5	26.4	32.3	38.8
Goodwill	CHFM	45.5	46.4	47.3	48.3
Accumulated goodwill amortisation	CHFM	0.00	0.00	0.00	0.00
All intangible assets	CHFM	69.8	71.2	72.6	74.1
Accumulated intangible amortisation	CHFM	0.00	0.00	0.00	0.00
Financial hedges (LT derivatives)	CHFM	113	72.4	73.9	75.3
Capitalised R&D	CHFM	0.00	0.00	0.00	0.00
Rights of use/ Capitalised leases	CHFM	7.00	7.00	7.00	0.00
Other fixed assets	CHFM	71.0	72.4	73.9	75.3
Accumulated depreciation	CHFM	0.00	0.00	0.00	0.00
WCR	CHFM	0.00	0.00	0.00	0.00
Other assets	CHFM	0.00	0.00	0.00	0.00
Unrecognised actuarial losses/(gains)	CHFM	0.00	0.00	0.00	0.00
Capital employed after deprec. (Invested capital)	CHFM	307	269	275	273
Capital employed before depreciation	CHFM	193	197	201	198

Divisional Breakdown Of Capital Employed		12/20A	12/21E	12/22E	12/23E
Other	CHFM	307	269	275	273
Total capital employed	CHFM	307	269	275	273

Essential Balance Sheet Data		12/20A	12/21E	12/22E	12/23E
Clients assets	CHFM	39,773	44,773	49,773	54,773
Clients deposits	CHFM	6,105	6,872	7,640	8,407
Total Risk Weighted Assets	CHFM	1,665	1,885	2,095	2,312
Of which counterparty RWA	CHFM	955	1,081	1,201	1,326
Of which operating RWA	CHFM	547	619	688	760
Of which market related RWA	CHFM	165	187	208	229
Common equity tier 1 capital	CHFM	384	462	551	653
CET1 ratio	%	23.1	24.5	26.3	28.2

Pension Risks

Summary Of Pension Risks

		12/20A	12/21E	12/22E	12/23E
Pension ratio	%	1.43	0.22	0.23	0.23
Ordinary shareholders' equity	CHFM	440	461	523	597
Total benefits provisions	CHFM	6.38	1.00	1.19	1.37
<i>of which funded pensions</i>	<i>CHFM</i>	<i>6.38</i>	<i>1.00</i>	<i>1.19</i>	<i>1.37</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>		
Normalised recomputed discount rate	%		2.50		
<i>Company future salary increase</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>		
Normalised recomputed expd rate of return on plan assets	%		1.78		
Funded : Impact of actuarial assumptions	CHFM		-5.43		
Unfunded : Impact of actuarial assumptions	CHFM		0.00		

Geographic Breakdown Of Pension Liabilities

		12/20A	12/21E	12/22E	12/23E
US exposure	%				
UK exposure	%				
Euro exposure	%				
Nordic countries	%				
Switzerland	%				
Other	%	100	100		
Total	%	100	100	0.00	0.00

Balance Sheet Implications

		12/20A	12/21E	12/22E	12/23E
Funded status surplus / (deficit)	CHFM	-6.38	-1.43	-1.69	-1.95
Unfunded status surplus / (deficit)	CHFM	0.00	0.00	0.00	0.00
Total surplus / (deficit)	CHFM	-6.38	-1.43	-1.69	-1.95
Total unrecognised actuarial (gains)/losses	CHFM	0.00	0.00	0.00	0.00
Provision (B/S) on funded pension	CHFM	6.38	1.00	1.19	1.37
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	6.38	1.00	1.19	1.37

P&L Implications

		12/20A	12/21E	12/22E	12/23E
Funded obligations periodic costs	CHFM	0.00	-0.82	-0.71	-0.73
Unfunded obligations periodic costs	CHFM	0.00	0.00	0.00	0.00
Total periodic costs	CHFM	0.00	-0.82	-0.71	-0.73
<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>-0.82</i>	<i>-0.71</i>	<i>-0.73</i>

Funded Obligations

		12/20A	12/21E	12/22E	12/23E
Balance beginning of period	CHF M	50.4	50.4	46.2	47.4
Current service cost	CHF M		0.00	0.00	0.00
Interest expense	CHF M		1.26	1.16	1.18
Employees' contributions	CHF M				
Impact of change in actuarial assumptions	CHF M		-5.43	0.00	0.00
<i>of which impact of change in discount rate</i>	<i>CHF M</i>		-12.9		
<i>of which impact of change in salary increase</i>	<i>CHF M</i>		7.44		
Changes to scope of consolidation	CHF M				
Currency translation effects	CHF M				
Pension payments	CHF M				
Other	CHF M				
Year end obligation	CHF M	50.4	46.2	47.4	48.6

Plan Assets

		12/20A	12/21E	12/22E	12/23E
Value at beginning	CHF M	44.0	44.0	44.8	45.7
Company expected return on plan assets	CHF M		0.44	0.45	0.46
Actuarial gain /(loss)	CHF M		0.34	0.35	0.36
Employer's contribution	CHF M	0.00	0.00	0.10	0.11
Employees' contributions	CHF M	0.00	0.00	0.00	0.00
Changes to scope of consolidation	CHF M				
Currency translation effects	CHF M				
Pension payments	CHF M	0.00	0.00	0.00	0.00
Other	CHF M				
Value end of period	CHF M	44.0	44.8	45.7	46.6
Actual and normalised future return on plan assets	CHF M	0.00	0.78	0.80	0.81

Unfunded Obligations

		12/20A	12/21E	12/22E	12/23E
Balance beginning of period	CHF M	0.00	0.00	0.00	0.00
Current service cost	CHF M		0.00	0.00	0.00
Interest expense	CHF M		0.00	0.00	0.00
Employees' contributions	CHF M				
Impact of change in actuarial assumptions	CHF M		0.00	0.00	0.00
<i>of which Impact of change in discount rate</i>	<i>CHF M</i>		0.00		
<i>of which Impact of change in salary increase</i>	<i>CHF M</i>		0.00		
Changes to scope of consolidation	CHF M				
Currency translation effects	CHF M				
Pension payments	CHF M				
Other	CHF M				
Year end obligation	CHF M	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%