19 Apr 2024
Sponsored research
Internet banking/Fintech
Switzerland

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

| | |
|---|---|
| Opinion | **Add** |
| Upside (%) | 12.9 |
| Price (CHF) | 250.4 |
| Target Price (CHF) | 283 |
| Bloomberg Code | SQN SW |
| Market Cap (CHFM) | 3,839 |
| Enterprise Value (CHFM) | 3,355 |

| | |
|---|---|
| Momentum | STRONG |
| Sustainability | 7/10 |
| Credit Risk | AA→ |


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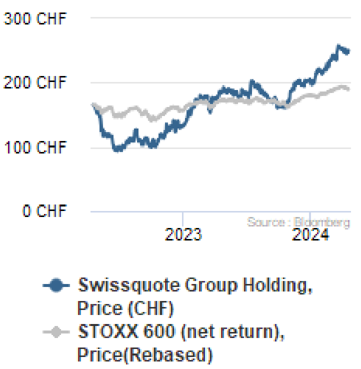



**Conflicts of interest**

| | |
|---|---|
| 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 |

# Swissquote Group Holding

## Suited for all market seasons

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 | 12/22A | 12/23A | 12/24E | 12/25E | 12/26E |
|---|---|---|---|---|---|
| **Adjusted P/E (x)** | **12.5** | **12.3** | **12.5** | **13.1** | **12.7** |
| *Dividend yield (%)* | *1.67* | *2.39* | *2.33* | *2.22* | *2.29* |
| EV/EBITDA(R) (x) | 7.62 | 7.95 | 8.27 | 8.41 | 7.91 |
| **Adjusted EPS (CHF)** | **10.6** | **14.6** | **20.1** | **19.1** | **19.8** |
| *Growth in EPS (%)* | *-18.5* | *38.4* | *37.3* | *-4.73* | *3.19* |
| Dividend (CHF) | 2.20 | 4.30 | 5.84 | 5.57 | 5.75 |
| Sales (CHFM) | 408 | 531 | 680 | 652 | 685 |
| *Pretax Results margin (%)* | *45.7* | *48.1* | *51.7* | *51.4* | *50.5* |
| Attributable net profit (CHFM) | 157 | 218 | 299 | 284 | 294 |
| **ROE (after tax) (%)** | **23.2** | **26.5** | **32.6** | **22.2** | **17.8** |
| *Gearing (%)* | *-30.7* | *-30.1* | *-37.0* | *-28.0* | *-34.7* |

# Swissquote (Add)

Detailed financials at the end of this report

## Key Ratios

| | | 12/23A | 12/24E | 12/25E | 12/26E |
|---|---|---|---|---|---|
| Adjusted P/E | x | 12.3 | 12.5 | 13.1 | 12.7 |
| EV/EBITDA | x | 7.95 | 8.27 | 8.41 | 7.91 |
| P/Book | x | 2.97 | 3.99 | 2.28 | 2.24 |
| Dividend yield | % | 2.39 | 2.33 | 2.22 | 2.29 |
| Free Cash Flow Yield | % | 7.77 | 5.04 | 6.65 | 5.82 |
| ROE (after tax) | % | 26.5 | 32.6 | 22.2 | 17.8 |
| ROCE | % | 49.8 | 64.1 | 56.7 | 53.9 |
| Net debt/EBITDA | x | -0.97 | -0.95 | -1.35 | -1.58 |

## Consolidated P&L

| | | 12/23A | 12/24E | 12/25E | 12/26E |
|---|---|---|---|---|---|
| Sales | CHFM | 531 | 680 | 652 | 685 |
| EBITDA | CHFM | 298 | 405 | 383 | 394 |
| Underlying operating profit | CHFM | 260 | 354 | 334 | 343 |
| Operating profit (EBIT) | CHFM | 255 | 352 | 335 | 346 |
| Net financial expenses | CHFM | 0.00 | 0.00 | 0.00 | 0.00 |
| Pre-tax profit before exceptional items | CHFM | 255 | 352 | 335 | 346 |
| Corporate tax | CHFM | -37.8 | -53.0 | -50.6 | -52.3 |
| Attributable net profit | CHFM | 218 | 299 | 284 | 294 |
| Adjusted attributable net profit | CHFM | 218 | 299 | 284 | 294 |

## Cashflow Statement

| | | 12/23A | 12/24E | 12/25E | 12/26E |
|---|---|---|---|---|---|
| Total operating cash flows | CHFM | 261 | 255 | 312 | 285 |
| Capital expenditure | CHFM | -53.1 | -68.0 | -65.2 | -68.5 |
| Total investment flows | CHFM | -62.6 | -68.0 | -65.2 | -68.5 |
| Dividends (parent company) | CHFM | -32.7 | -63.9 | -86.8 | -82.7 |
| New shareholders' equity | CHFM | -28.2 | -28.2 | -28.2 | -28.2 |
| Total financial flows | CHFM | -64.3 | -93.0 | -115 | -111 |
| Change in net debt position | CHFM | 134 | 94.4 | 132 | 106 |
| Free cash flow (pre div.) | CHFM | 208 | 187 | 247 | 217 |

## Balance Sheet

| | | 12/23A | 12/24E | 12/25E | 12/26E |
|---|---|---|---|---|---|
| Goodwill | CHFM | 54.7 | 54.7 | 54.7 | 54.7 |
| Total intangible | CHFM | 147 | 152 | 157 | 162 |
| Tangible fixed assets | CHFM | 73.8 | 77.4 | 81.3 | 85.4 |
| WCR | CHFM | 0.00 | 0.00 | 0.00 | 0.00 |
| Total assets (net of short term liabilities) | CHFM | 9,649 | 10,964 | 11,951 | 13,205 |
| Ordinary shareholders' equity (group share) | CHFM | 899 | 932 | 1,633 | 1,662 |
| Provisions for pensions | CHFM | 6.89 | 27.7 | 35.0 | 37.7 |
| Net debt / (cash) | CHFM | -297 | -392 | -524 | -630 |
| Total liabilities and shareholders' equity | CHFM | 9,649 | 10,964 | 11,951 | 13,205 |
| Gross Cash | CHFM | 297 | 392 | 524 | 630 |

## Per Share Data

| | | 12/23A | 12/24E | 12/25E | 12/26E |
|---|---|---|---|---|---|
| **Adjusted EPS (bfr gwill amort. & dil.)** | **CHF** | **14.6** | **20.1** | **19.1** | **19.8** |
| **Net dividend per share** | **CHF** | **4.30** | **5.84** | **5.57** | **5.75** |
| Free cash flow per share | CHF | 14.0 | 12.6 | 16.6 | 14.6 |
| Book value per share | CHF | 60.5 | 62.7 | 110 | 112 |
| **Number of diluted shares (average)** | **Mio** | **14.9** | **14.9** | **14.9** | **14.9** |

# Contents

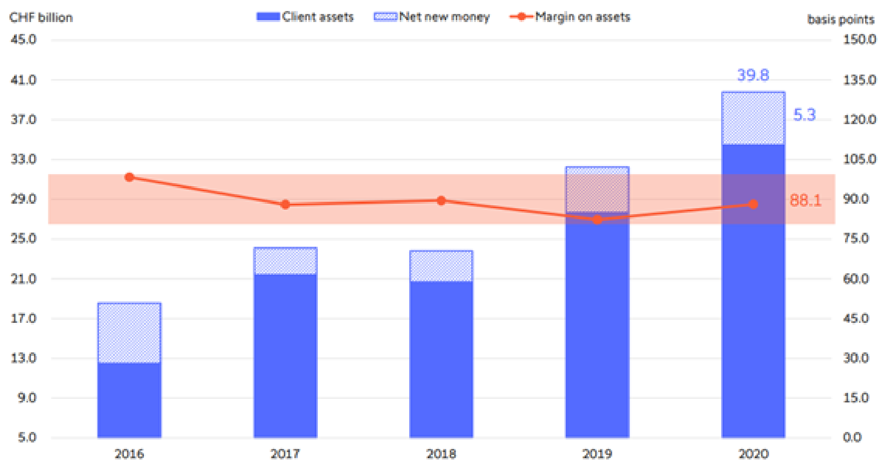
## Businesses & Trends

**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 | 12/23A | 12/24E | 12/25E | 12/26E | Change 24E/23 | | Change 25E/24E | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | CHFM | of % total | CHFM | of % total |
| **Total sales** | | **532** | **680** | **652** | **685** | **148↑** | **100%** | **-28↓** | **100%** |
| **Net interest income** | Internet banking/Fintech | 213 | 218 | 190 | 199 | 5↑ | 3% | -28↓ | 100% |
| **Net fee and commission income** | Internet banking/Fintech | 162 | 282 | 256 | 254 | 120↑ | 81% | -26↓ | 93% |
| **Net trading income** | Internet banking/Fintech | 157 | 179 | 205 | 231 | 22↑ | 15% | 26↑ | -93% |
| Other | | 0.49 | 0.57 | 0.66 | 0.74 | 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

| | |
|---|---|
| Switzerland | 49.0% |
| Europe | 19.0% |
| EMEA | 18.0% |
| Other | 14.0% |

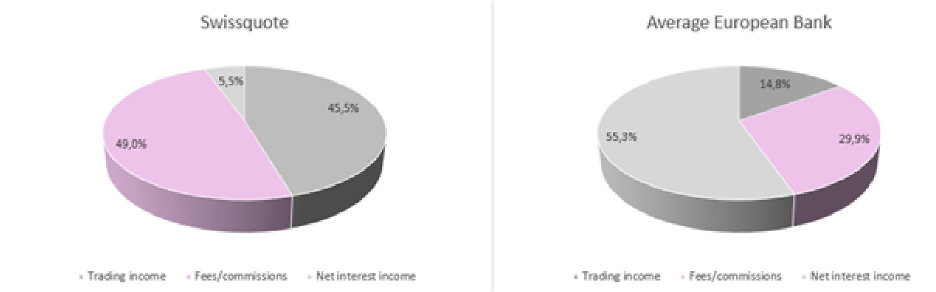
We address exposures (eg. how much of the turnover is exposed to the $ ) rather than sensitivities (say, how much a 5% move in the $ affects the bottom line). This is to make comparisons easier and provides useful tools when extracting relevant data.
Actually, the subject is rather complex on the ground.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

| | 12/23A | 12/24E | 12/25E | 12/26E | Change 24E/23 | | Change 25E/24E | |
|---|---|---|---|---|---|---|---|---|
| | | | | | CHFM | of % total | CHFM | of % total |
| **Total** | **255** | **352** | **335** | **346** | **97↑** | **100%** | **-17↓** | **100%** |
| **Net fee and commission income** | | | | | | | | |
| **Net trading income** | | | | | | | | |
| **Net interest income** | | | | | | | | |
| Other/cancellations | 255 | 352 | 335 | 346 | 97↑ | 100% | -17↓ | 100% |

## Divisional PRETAX RESULTS margin

| | 12/23A | 12/24E | 12/25E | 12/26E |
|---|---|---|---|---|
| **Total** | **48.0%** | **51.7%** | **51.4%** | **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 | | 257 | 3% | 35% |
| NAV/SOTP per share | | 308 | 23% | 20% |
| EV/Ebitda | *Peers* | 351 | 40% | 20% |
| P/E | *Peers* | 276 | 10% | 10% |
| Dividend Yield | *Peers* | 176 | -30% | 10% |
| P/Book | *Peers* | 317 | 27% | 5% |
| **Target Price** | | **283** | **13%** | |

## Comparison based valuation

| Computed on 18 month forecasts | P/E (x) | Ev/Ebitda (x) | P/Book (x) | Yield(%) |
|---|---|---|---|---|
| Peers ratios | 15.5 | 22.0 | 4.60 | 3.26 |
| Swissquote Group Holding's ratios | 12.7 | 8.32 | 3.09 | 2.29 |
| Premium | -10.0% | -45.0% | -15.0% | 0.00% |
| **Default comparison based valuation (CHF)** | **276** | **351** | **317** | **176** |
| Nordnet | 17.5 | 11.9 | 5.91 | 4.11 |
| Avanza | 18.1 | 38.0 | 5.78 | 4.37 |
| flatexDEGIRO AG | 11.8 | 6.34 | 2.79 | n/a |
| Smartbroker Holding AG | 5.87 | 3.69 | 1.26 | 0.00 |
| sino AG | 7.66 | 52.5 | 4.48 | 0.27 |

## DCF Valuation Per Share

| | | |
|---|---|---|
| WACC | % | 8.81 |
| PV of cashflow FY1-FY11 | CHFM | 1,561 |
| FY11CF | CHFM | 280 |
| Normalised long-term growth"g" | % | 2.00 |
| Sustainability "g" | % | 2.20 |
| Terminal value | CHFM | 4,228 |
| PV terminal value | CHFM | 1,817 |
| *PV terminal value in % of total value* | *%* | *53.8* |
| Total PV | CHFM | 3,378 |

| | | |
|---|---|---|
| Avg net debt (cash) at book value | CHFM | -458 |
| Provisions | CHFM | 27.7 |
| Unrecognised actuarial losses (gains) | CHFM | 0.00 |
| Financial assets at market price | CHFM | 8.98 |
| Minorities interests (fair value) | CHFM | 0.00 |
| Equity value | CHFM | 3,818 |
| Number of shares | Mio | 14.9 |
| **Implied equity value per share** | **CHF** | **257** |
| Sustainability impact on DCF | % | 1.42 |

## Assessing The Cost Of Capital

| | | |
|---|---|---|
| Synthetic default risk free rate | % | 3.50 |
| Target equity risk premium | % | 5.00 |
| Tax advantage of debt finance (normalised) | % | 25.0 |
| Average debt maturity | Year | 5 |
| Sector asset beta | x | 1.06 |
| Debt beta | x | 0.05 |
| Market capitalisation | CHFM | 3,721 |
| Net debt (cash) at book value | CHFM | -392 |
| Net debt (cash) at market value | CHFM | -392 |

| | | |
|---|---|---|
| Company debt spread | bp | 25.0 |
| Marginal Company cost of debt | % | 3.75 |
| **Company beta (leveraged)** | **x** | **0.98** |
| Company gearing at market value | % | -10.5 |
| Company market gearing | % | -11.8 |
| **Required return on geared equity** | **%** | **8.39** |
| Cost of debt | % | 2.81 |
| **Cost of ungeared equity** | **%** | **8.81** |
| WACC | % | 8.81 |

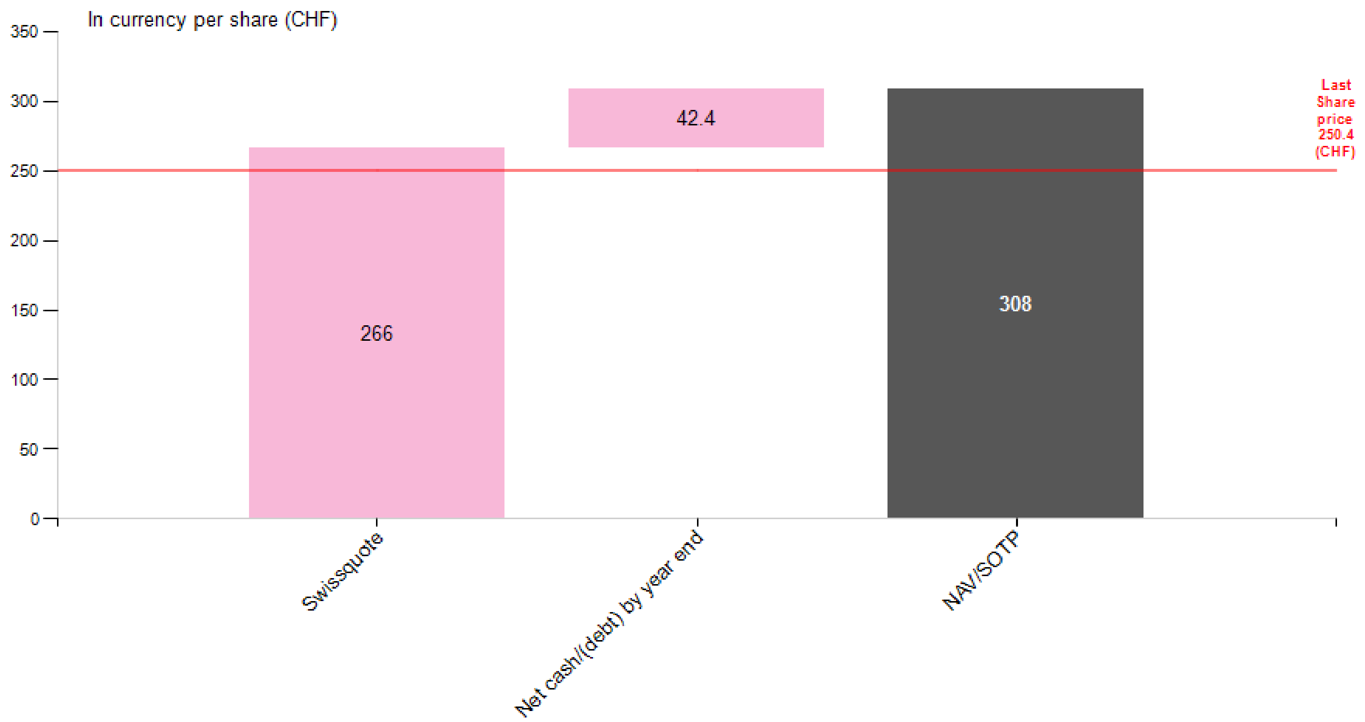
## DCF Calculation

| | | 12/23A | 12/24E | 12/25E | 12/26E | Growth | 12/27E | 12/34E |
|---|---|---|---|---|---|---|---|---|
| Sales | CHFM | 531 | 680 | 652 | 685 | **3.00%** | 706 | 868 |
| EBITDA | CHFM | 298 | 405 | 383 | 394 | **3.00%** | 406 | 499 |
| *EBITDA Margin* | *%* | *56.2* | *59.5* | *58.7* | *57.6* | | *57.6* | *57.6* |
| 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 | 298 | 308 | 363 | 337 | | 406 | 499 |
| Corporate tax | CHFM | -37.8 | -53.0 | -50.6 | -52.3 | **3.00%** | -53.9 | -66.3 |
| **Net tax shield** | **CHFM** | **0.00** | **0.00** | **0.00** | **0.00** | **0.00%** | **0.00** | **0.00** |
| Capital expenditure | CHFM | -53.1 | -68.0 | -65.2 | -68.5 | **3.00%** | -70.6 | -86.8 |
| *Capex/Sales* | *%* | *-9.99* | *-10.0* | *-10.0* | *-10.0* | | *-10.0* | *-10.0* |
| Pre financing costs FCF (for DCF purposes) | CHFM | 208 | 187 | 247 | 217 | | 282 | 346 |
| Various add backs (incl. R&D, etc.) for DCF purposes | CHFM | | | | | | -58.7 | -72.2 |
| **Free cash flow adjusted** | **CHFM** | **208** | **187** | **247** | **217** | | **223** | **274** |
| **Discounted free cash flows** | **CHFM** | **208** | **187** | **227** | **183** | | **173** | **118** |
| Invested capital | CHF | 385 | 415 | 450 | 488 | | 444 | 40.7 |

## 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 | 3,950 | 3,950 | 266 | 100% |
| Other | | | | | | | |
| **Total gross assets** | | | | | **3,950** | **266** | **100%** |
| Net cash/(debt) by year end | | | | | 630 [1] | 42.4 | 15.9% |
| Commitments to pay | | | | | | | |
| Commitments received | | | | | | | |
| NAV/SOTP | | | | | 4,580 | 308 | 116% |
| **Number of shares net of treasury shares - year end (Mio)** | | | | | **14.9** | | |
| **NAV/SOTP per share (CHF)** | | | | | **308** | | |
| **Current discount to NAV/SOTP (%)** | | | | | **18.8** | | |

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

| | | 12/23A | 12/24E | 12/25E | 12/26E |
|---|---|---|---|---|---|
| EBITDA | CHFM | 298 | 405 | 383 | 394 |
| Funds from operations (FFO) | CHFM | 261 | 258 | 316 | 289 |
| | | | | | |
| **Ordinary shareholders' equity** | **CHFM** | **899** | **932** | **1,633** | **1,662** |
| Gross debt | CHFM | 0.00 | 0.00 | 0.00 | 0.00 |
| + Gross Cash | CHFM | 297 | 392 | 524 | 630 |
| **= Net debt / (cash)** | **CHFM** | **-297** | **-392** | **-524** | **-630** |
| | | | | | |
| Gearing (at book value) | % | -30.1 | -37.0 | -28.0 | -34.7 |
| Equity/Total asset (%) | % | 9.31 | 8.50 | 13.7 | 12.6 |
| *Adj. Net debt/EBITDA(R)* | *x* | *-0.97* | *-0.95* | *-1.35* | *-1.58* |
| *Adjusted Gross Debt/EBITDA(R)* | *x* | *0.02* | *0.07* | *0.09* | *0.10* |
| *Adj. gross debt/(Adj. gross debt+Equity)* | *%* | *0.76* | *2.89* | *2.10* | *2.22* |
| *Ebit cover* | *x* | *216* | *-156* | *-102* | *-94.2* |
| *FFO/Gross Debt* | *%* | *3,784* | *931* | *902* | *768* |
| *FFO/Net debt* | *%* | *-87.6* | *-65.8* | *-60.3* | *-45.9* |
| *FCF/Adj. gross debt (%)* | *%* | *3,013* | *677* | *706* | *575* |

## 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 | **5/10** | 25% |
| Board geographic diversity | **6/10** | 20% |
| Chairman vs. Executive split | ✔ | 5% |
| **Environment** | | |
| CO² 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) | Independent board |
|---|---|
| 7.5 (5.2) | Yes |

| Parameters | Company | Sector | Score | Weight |
|---|---|---|---|---|
| Number of board members | 8 | 10 | 8/10 | 5.0% |
| Board feminization (%) | 37 | 34 | 7/10 | 5.0% |
| Board domestic density (%) | 62 | 67 | 6/10 | 10.0% |
| Average age of board's members | 60 | 59 | 5/10 | 5.0% |
| Type of company : Small cap, controlled | | | 4/10 | 10.0% |
| Independent directors rate | 50 | 43 | 5/10 | 20.0% |
| One share, one vote | | | ✓ | 10.0% |
| Chairman vs. Executive split | | | ✓ | 0.0% |
| Chairman not ex executive | | | ✓ | 5.0% |
| Full disclosure on mgt pay | | | ✓ | 5.0% |
| Disclosure of performance anchor for bonus trigger | | | ✓ | 5.0% |
| Compensation committee reporting to board of directors | | | ✓ | 5.0% |
| Straightforward, clean by-laws | | | ✓ | 15.0% |
| **Governance score** | | | **7.5/10** | **100.0%** |

### Management

| Name | | Function | Birth date | Date in | Date out | Compensation, in kCHF (year) Cash | Equity linked |
|---|---|---|---|---|---|---|---|
| Marc BÜRKI | M | CEO | 1961 | 2002 | | 1,058 (2023) | (2023) |
| Yvan CARDENAS | M | CFO | 1980 | 2010 | | (2023) | (2023) |

### 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 | | 255 (2023) | 6,730 (2023) |
| Paolo BUZZI | M | ✗ | Member | | 1961 | 2022 | | 148 (2023) | 327,085 (2023) |
| Monica DELL'ANNA | F | ✓ | Member | | 1955 | 2018 | | 148 (2023) | 564 (2023) |
| Esther FINIDORI | F | ✓ | Member | | 1986 | 2023 | | 102 (2023) | 28.7 (2023) |
| Demetra KALOGEROU | F | ✓ | Member | | 1969 | 2022 | | 142 (2023) | 80.0 (2023) |
| Beat OBERLIN | M | ✓ | Member | | 1955 | 2016 | | 160 (2023) | 863 (2023) |
| Jean-Christophe PERNOLLET | M | ✗ | Member | | 1966 | 2015 | | 173 (2023) | 983 (2023) |
| Michael PLOOG | M | ✗ | Member | | 1960 | 2021 | | 148 (2023) | 9,359 (2023) |

## 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 willigness to invest responsibly.

### Environmental score

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

| Parameters | Score | Sector | Weight |
|---|---|---|---|
| CO² Emission | 10/10 | 5/10 | 30% |
| Water withdrawal | 1/10 | 3/10 | 30% |
| Energy | 10/10 | 4/10 | 25% |
| Waste | 10/10 | 3/10 | 15% |
| **Environmental score** | **7.3** | | **100%** |

Company (Sector)

7.3 (3.6)

### Environmental metrics

| | Company | | | | | Sector |
|---|---|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2023 |
| Energy (GJ) per €m in capital employed | 36 | 44 | 38 | 33 | | 27 |
| | | 2.2 | 4.4 | 5.9 | 7.3 | 3.6 |
| CO² tons per €m in capital employed | 1 | 1 | 0 | 0 | | 1 |
| Tons waste generated per €m in capital employed | n/a | n/a | n/a | 1 | | 2 |
| Cubic meter water withdrawal per €m in capital employed | n/a | 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** | | 4/10 | | 2,126 | | |
| **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 | | | | |
| **Pluxee** | | 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 | 303,076 | 9,227 | 74,633 | 20 |
| **Porsche SE** | | 1/10 | | | | |
| **Bouygues** | | 4/10 | 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** | | 8/10 | 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** | | 7/10 | 12,751 | 113 | n/a | 276 |
| **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)

6.9 (5.6)

### 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 | 6/10 | 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** | **6.0/10** | **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? | Yes | 10.0% |
| Are accidents at work declining? | Yes | 15.0% |
| **Human resources development** | | **35%** |
| Are competences required to meet medium term targets identified? | Yes | 3.5% |
| Is there a medium term (2 to 5 years) recruitment plan? | No | 3.5% |
| Is there a training strategy tuned to the company objectives? | No | 3.5% |
| Are employees trained for tomorrow's objectives? | Yes | 3.5% |
| Can all employees have access to training? | Yes | 3.5% |
| Has the corporate avoided large restructuring lay-offs over the last year to date? | Yes | 3.5% |
| Have key competences stayed? | Yes | 3.5% |
| Are managers given managerial objectives? | Yes | 3.5% |
| If yes, are managerial results a deciding factor when assessing compensation level? | Yes | 3.5% |
| Is mobility encouraged between operating units of the group? | No | 3.5% |
| **Pay** | | **20%** |
| Is there a compensation committee? | Yes | 6.0% |
| Is employees' performance combining group AND individual performance? | Yes | 14.0% |
| **Job satisfaction** | | **10%** |
| Is there a measure of job satisfaction? | Yes | 3.3% |
| Can anyone participate ? | Yes | 3.4% |
| Are there action plans to prop up employees' morale? | Yes | 3.3% |
| **Internal communication** | | **10%** |
| Are strategy and objectives made available to every employee? | Yes | 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

| | | 12/23A | 12/24E | 12/25E | 12/26E |
|---|---|---|---|---|---|
| **Pension ratio** | **%** | **1.10** | **2.89** | **2.10** | **2.22** |
| Ordinary shareholders' equity | CHFM | 899 | 932 | 1,633 | 1,662 |
| **Total benefits provisions** | **CHFM** | **9.98** | **27.7** | **35.0** | **37.7** |
| *of which funded pensions* | *CHFM* | *9.98* | *27.7* | *35.0* | *37.7* |
| *of which unfunded pensions* | *CHFM* | *0.00* | *0.00* | *0.00* | *0.00* |
| *of which benefits / health care* | *CHFM* | | *0.00* | *0.00* | *0.00* |
| Unrecognised actuarial (gains)/losses | CHFM | 0.00 | 0.00 | 0.00 | 0.00 |

### Geographic Breakdown Of Pension Liabilities

| | | 12/23A | 12/24E | 12/25E | 12/26E |
|---|---|---|---|---|---|
| US exposure | % | | | | |
| UK exposure | % | | | | |
| Euro exposure | % | | | | |
| Nordic countries | % | | | | |
| Switzerland | % | | | | |
| Other | % | 100 | 100 | 100 | 100 |
| Total | % | 100 | 100 | 100 | 100 |

## Recent updates

### 02/04/2024

**An all-weather model supported by crypto tailwinds**

| | | |
|---|---|---|
| **Change in NAV** | CHF 308 vs 270 | +14.1% |

Our NAV upgrade reflects for the most part the roll-forward of the long-term fair EV/EBITDA multiple (10x) on the 3-year average EBITDA as we now integrate the 2026 EBITDA in our calculation and have excluded the 2023 EBITDA, the former being higher than the latter. We have also rolled-forward the integration of the group's net cash position in 2026 into the NAV calculation, which is a higher than previously projected cash position, thus having a positive impact on the NAV.

| | | |
|---|---|---|
| **Change in Target Price** | CHF 286 vs 277 | +3.29% |

The slight upward change in our target price on Swissquote mostly reflects the increase in Swissquote's projected dividend yield and our NAV upgrade.

The former is based on the management's decision to upgrade its dividend policy to a 30% fixed dividend pay-out ratio target instead of a dividend growth policy from 2023. This decision has resulted in a considerable increase to our dividend projections: CHF5.84 dividend per share vs CHF3.67 for 2024 and CHF5.57 dividend per share vs CHF3.92 for 2025.

Our 2024 EPS upgrade has also had a stronger positive impact on the TP than our 2025 EPS downgrade, reflecting positively on the group's multiples.

We remain confident in Swissquote's ability to thrive in all market weathers. We will however remain watchful of any positive or negative developments regarding the current crypto cycle (and whether the crypto summer will last), the return of market volatility (with its impact on Swissquote's client assets and activity) and policy rates developments across geographies, which may impact positively or negatively Swissquote's top line in the coming quarters.

| | | |
|---|---|---|
| **Change in EPS** | 2024 : CHF 20.1 vs 18.9 | +6.26% |
| | 2025 : CHF 19.1 vs 20.2 | -5.14% |

The 2023 EPS came slightly below our previous estimates (-4%) due to lower revenue (-3%) on the back of weaker fee income and lower eforex income than anticipated, offset in part by lower opex (-2%).

Building on anticipated increased activity and market volatility, we have upgraded our 2024 EPS estimates as we now expect net revenue to be 4% higher than previously anticipated on the back of considerably higher estimated crypto assets income (CHF70m vs CHF26m) on the back of a continued acceleration in crypto rally with a $125k end-of-year bitcoin target price as a benchmark. This will be offset in part by lower fee income reflecting increased fee expenses, slightly lower transactions per account, slightly lower than expected trading client assets and lower fee margins compared to our initial projections and a lower eforex income, as a result of lower accounts and volume per account than previously estimated. Combined with an upward opex revision, reflecting the stronger wage increases observed in 2023 compared to our expectation, we now expect the pretax result to be 7% higher than our initial projections, at CHF352m (51.7% pretax profit margin).

As our market scenario implies declining activity and volatility in 2025, we have revised our revenue projections downward (-6%) due to a combination of lower net interest income (linked to lower rates), lower fee income and lower eforex income, all partly offset by lower opex, resulting in a 5% downward revision of the pretax result to CHF335m (51.4% pretax profit margin).

### 14/03/2024

**FY-23: all-weather business model continues to thrive**

Earnings/sales releases

**Swissquote published strong results in 2023, in-line with trends observed in H1-23, thanks to a considerable rise in asset margins on the back of higher interest income generated on clients' cash deposits. The regain in customer activity at the end of 2023, continuing in 2024, continued customer asset gathering and the gradual decline in policy rates should continue to support earnings going into 2024 and help the group in achieving its 2025 target, as Swissquote's business model remains prone to any environment.**

### Fact

Net revenue: CHF531m (+30% yoy, 3% below our estimates and 1% below consensus).

• Net fee and commission income: CHF162m (-8% yoy, 5% below our estimates and 1% below consensus).
• Net interest income (NII): CHF213m vs CHF73m in FY-22 (in-line with our estimates and consensus).
• Net trading income: CHF157m (-1% yoy, 3% below our estimates).

Opex: CHF271m (+26% yoy, 2% below our estimates).

Net result from JV: CHF5m loss (vs CHF6.7m loss in FY-22).

Pre-tax result: CHF255m (+37% yoy, 4% below our estimates and 1% below consensus). Pre-tax profit margin at 48% vs 46% in FY-22. This was above management's 2023 target (47%).

Client assets reached CHF58bn (vs CHF52.2bn in FY22 and CHF59.5bn AV estimates). Number of client accounts rose by 6.6% yoy to 574k accounts.

Net new money: CHF5bn vs CHF7.7bn in FY-22 (AV estimates: CHF5.7bn).

Dividend: CHF4.30 per share proposal vs CHF2.20 in 2022 (AV: CHF2.95 per share).

2024 outlook: CHF595m net revenue (AV estimates: CHF653m, consensus: CHF611m) and a CHF300m pre-tax profit (AV: CHF330m, consensus: CHF312m).

2025 guidance for pre-tax profit was left unchanged at CHF350m (AV: CHF352m, consensus: CHF347m)(above 50% pre-tax profit margin) while net revenue is projected to be below CHF700m. Management estimates that considering the structural improvement in margin on client assets, its 2025 pre-tax profit target is achievable with a lower net revenue than initially guided (CHF750m guided at end-2022).

## Analysis

Swissquote realised a very strong 2023 year, keeping to the trends which marked H1-23, namely i) a considerable rise in interest income, fuelled by a strong increase in rates over the year across all currencies, ii) continued net new money, albeit at a more normalized rate compared with the pandemic era, iii) declining transaction-based revenue on the back of the lower market volatility and the macroeconomic uncertainty weighing over 2023 (despite a regain of activity at the end of 2023 and the beginning of 2024).

Swissquote's revenue mix was again strongly biased towards non-transaction based revenue (interest income, custody fees and management fees/referral fees) which represented 58% of the revenue generation this year (vs 40% in 2022), as revenue was lifted by the strong rise in interest rates in all geographies, more than offsetting the slight decline in cash deposits (which decreased from CHF9.2bn to CHF8.6bn, as client activity recovered slightly during H2-23 leading to an increased allocation towards other assets). Much of the decline in cash deposits was directly inputted to the liquidity portfolio (CHF5.7bn) which remained invested in short-term government securities, benefiting from the current market interest rates.

Despite markets forecasting a decline in policy rates across currencies, Swissquote anticipates that interest rate declines from their peak level will remain gradual, leaving rates at an historically elevated level. Combined with continued net new money additions (and a stable proportion of cash deposits), the margin on client assets linked to interest is likely to see a slight decline from 39bp in 2023 to 35bp in 2024, a considerably higher level than in 2022 (14bp) and the pre-COVID era.

The apparent decline of client activity over FY23 hid a recovery in H2, as net fee and commission income (including cryptos) rose by 6% yoy, offseting the slight decline in net trading income (-1% yoy) (eForex income + trading income) in the second half of the year, as clients began to re-position on various markets as they saw more stability in the market and the macroeconomic environment, with stronger conviction on both the economic environment and interest rates. This regain in customer activity, apparent in both traditional assets and crypto assets, should support the margin on client assets in 2024, with management guiding for a rise in margin on client assets from crypto assets (3bp to 6bp), securities trading and eForex (54bp to 56bp).

Swissquote's ability to attract new customers and new money continued to remain strong although H2 confirmed that growth in new money is returning to pre-COVID levels, probably affected by market uncertainty, partly offset by the group's continued product offering expansion and the return of appeal for crypto assets as well as the remuneration of trading and savings accounts (depending on the level of cash for trading accounts and on the currency for savings accounts). Management anticipates that net new money will continue to be gathered at a strong pace (CHF7bn per year on average).

Opex growth was largely the result of increased payroll & related expenses (+33% yoy), which rose due to higher variable compensation and the rising headcount (+7% yoy), due mainly to hiring in the field of technology and in foreign offices (sales), expenses dedicated to fuel Swissquote's attractivity and customer and assets growth.

Regarding growth, Swissquote announced the acquisition of Optimatrade, a South African financial services company, which has acted as an introducer for Swissquote for more than ten years, increasing Swissquote's distribution capacity in international markets. The transaction was closed at the beginning of March 2024 for an undisclosed purchase price.

With record results, Swissquote's equity position grew to CHF899m, leading management to propose a CHF4.30 dividend per share at the next AGM, due to the 2023 results (vs CHF2.20 in 2022). Considering the group's improved capital generation and their ability to continuously finance its growth, Swissquote's management decided to switch its dividend policy from a dividend per share growth to a fixed dividend payout ratio policy. Swissquote should thus target a 30% dividend payout ratio from 2023, boosting the group's distribution profile and further improving shareholder return.

The 2025 apparent revenue outlook downgrade hid a pre-tax margin upgrade, as Management indicated that the group was confident in achieving its pre-tax result target (CHF350m in 2025) with a lower revenue (CHF700m vs CHF750m guided) based on a more elevated margin on client assets.

In conclusion, Swissquote's "all-weather" business model should continue to thrive in 2024, with a regain in customer activity on both crypto and traditional assets and continued growth in net new money more than offsetting the slight decline in interest income from anticipated lower rates. The upside on management's guidance looks quite possible assuming that market volatility rises in 2024, that the crypto rally continues and that central banks are slower and more cautious in decreasing their policy rates.

### Impact

The outlook for 2024 looks slightly below both the consensus and our estimates, but the upside potential from the targets provided remains valid. Our estimates are under review.

**02/11/2023**
**Update**

### 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.

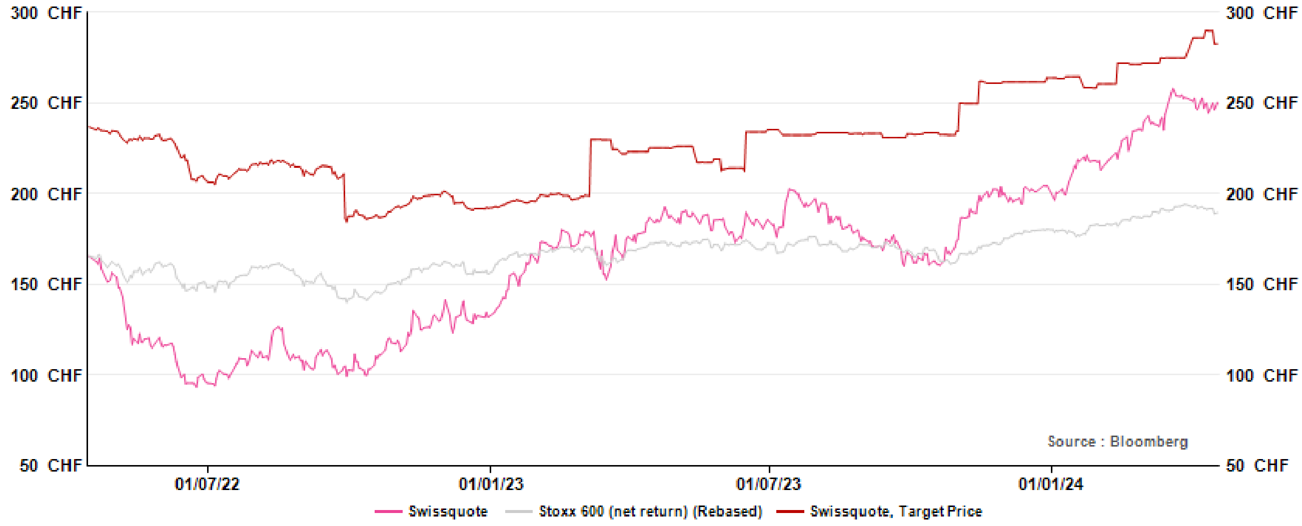
Based on the assumption of sustainably high interest rates in 2024, higher market volatility compared to 2023 and a potential revival of the crypto market, we expect Swissquote to make good progress towards its 2025 guidance as soon as in 2024. This should be sustained in 2025 with still-higher volatility 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

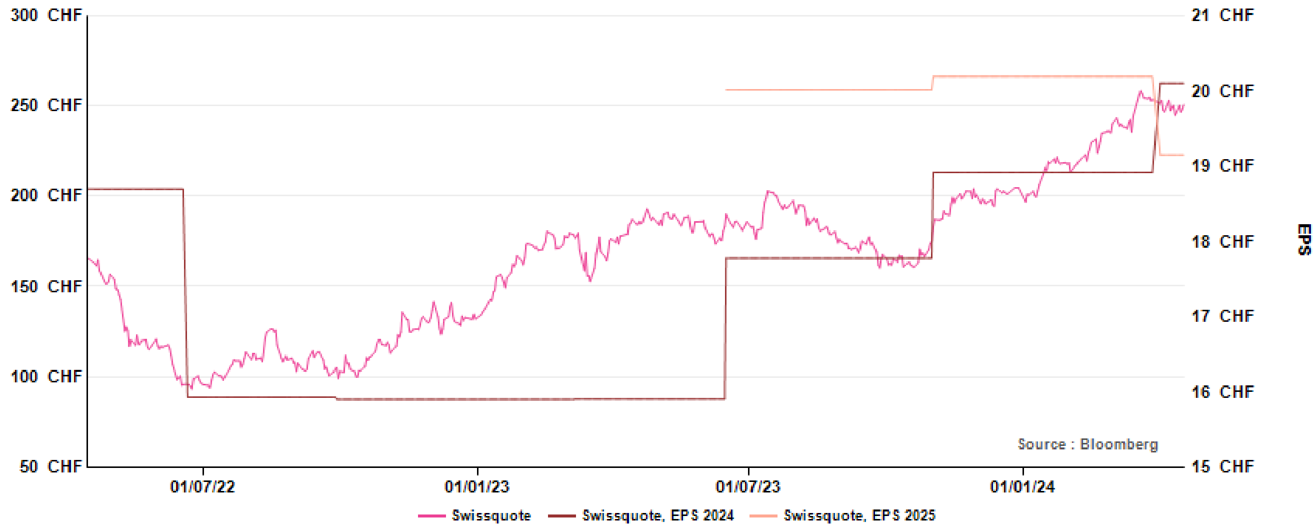
CHF 270 vs 229 +17.9%

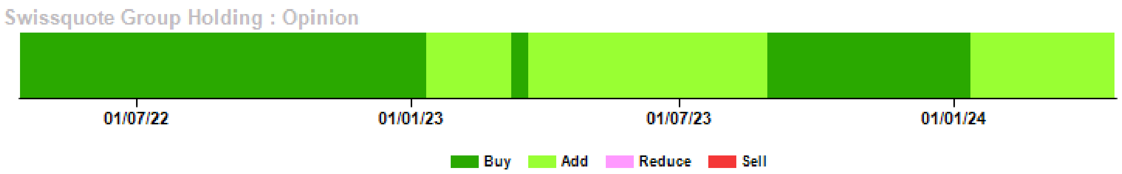
Our NAV is based on a 3-year average EV/EBITDA multiple applied to Swissquote's EBITDA estimates. With the 2024 upgrade, this leads to a rise in our 3-year average EBITDA to which we apply a conservative 10x multiple, leading to an improvement in our NAV valuation.

## Stock Price and Target Price

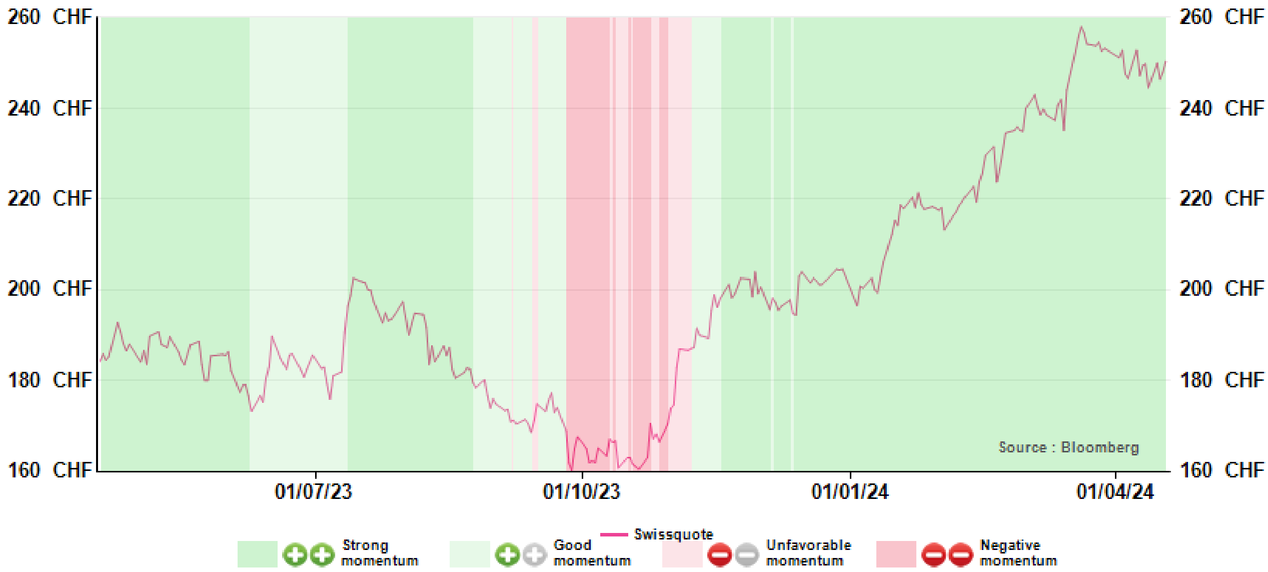



## Earnings Per Share & Opinion



## 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

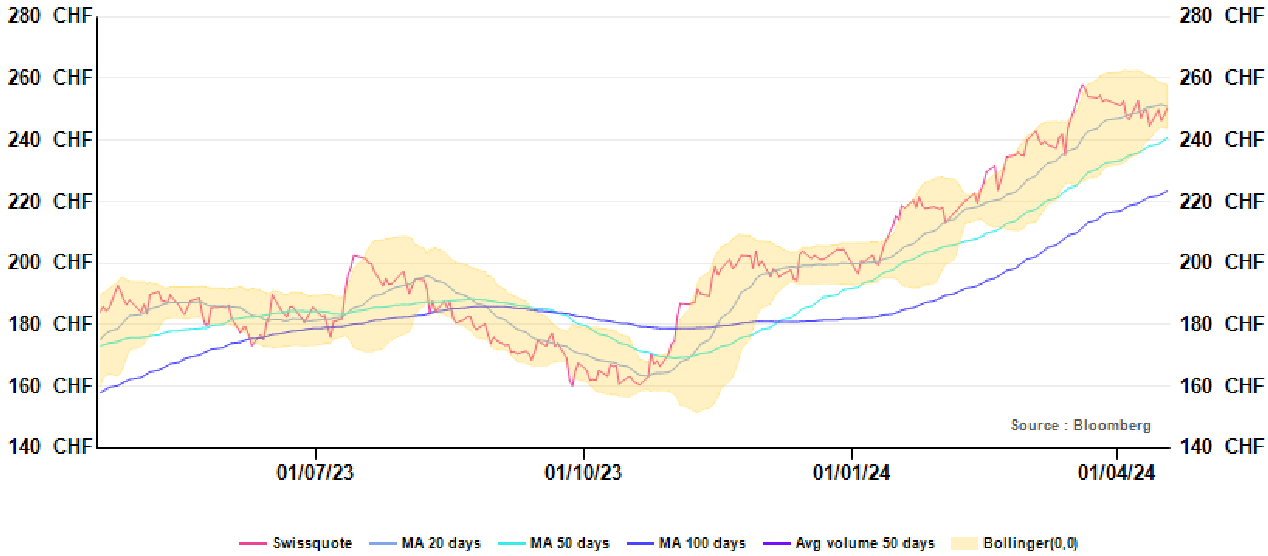
: Relatively good momentum corresponding to a positively-oriented moving average, but offset by an overbought pattern or lack of confirmation from volumes

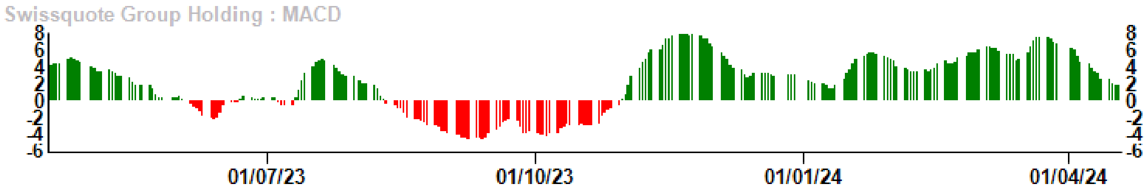
: Relatively unfavorable momentum with a neutral or negative moving average trend, but offset by an oversold pattern or lack of confirmation from volumes

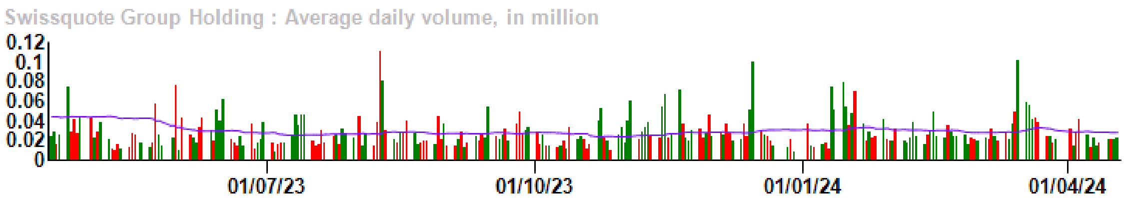
: Strongly negative momentum corresponding to a continuous and overall negative moving average trend confirmed by volumes

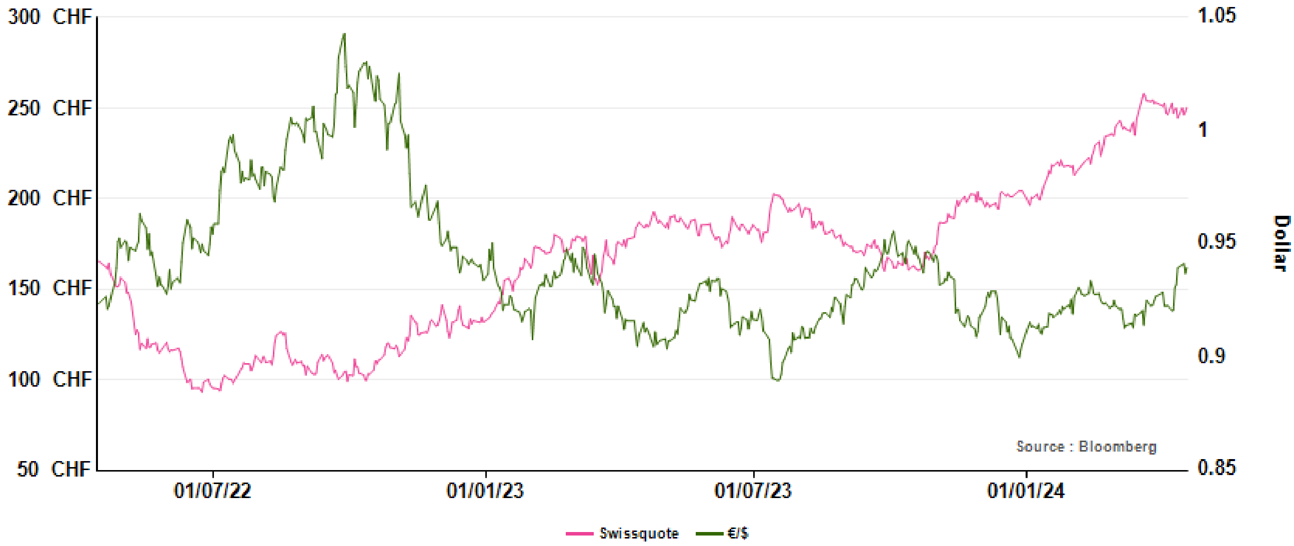
## Moving Average MACD & Volume



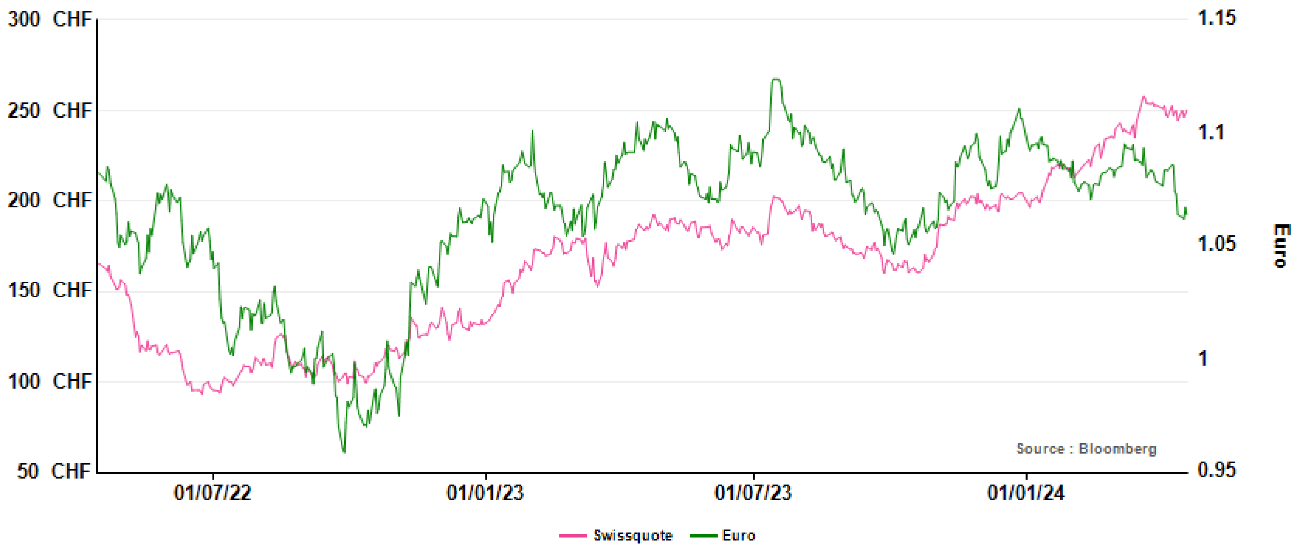



## €/$ sensitivity




## Euro sensitivity



## Sector Other Financials

# Detailed Financials

## Valuation Key Data

| | | 12/23A | 12/24E | 12/25E | 12/26E |
|---|---|---|---|---|---|
| **Adjusted P/E** | **x** | **12.3** | **12.5** | **13.1** | **12.7** |
| Reported P/E | x | 12.3 | 12.5 | 13.1 | 12.7 |
| **EV/EBITDA(R)** | **x** | **7.95** | **8.27** | **8.41** | **7.91** |
| EV/EBIT | x | 9.14 | 9.49 | 9.67 | 9.12 |
| EV/Sales | x | 4.48 | 4.94 | 4.95 | 4.56 |
| **P/Book** | **x** | **2.97** | **3.99** | **2.28** | **2.24** |
| **Dividend yield** | **%** | **2.39** | **2.33** | **2.22** | **2.29** |
| *Preferred dividend yield* | *%* | *0.00* | *0.00* | *0.00* | *0.00* |
| *Free cash flow yield* | *%* | *7.77* | *5.04* | *6.65* | *5.82* |
| Average stock price | CHF | 180 | 250 | 250 | 250 |
| Average preferred stock price | CHF | 0.00 | 0.00 | 0.00 | 0.00 |

## Consolidated P&L

| | | 12/23A | 12/24E | 12/25E | 12/26E |
|---|---|---|---|---|---|
| Sales | CHFM | 531 | 680 | 652 | 685 |
| *Sales growth* | *%* | *30.2* | *27.9* | *-4.08* | *5.07* |
| *Sales per employee* | *CHFth* | *485* | *588* | *547* | *561* |
| Purchases and external costs (incl. IT) | CHFM | -96.3 | -127 | -123 | -130 |
| Staff costs | CHFM | -137 | -148 | -146 | -160 |
| Operating lease payments | CHFM | -1.00 | -1.00 | -1.00 | -1.00 |
| Cost of sales/COGS (indicative) | CHFM | | | | |
| EBITDA | CHFM | 298 | 405 | 383 | 394 |
| EBITDA(R) | CHFM | 299 | 406 | 384 | 395 |
| *EBITDA(R) margin* | *%* | *56.3* | *59.7* | *58.9* | *57.7* |
| *EBITDA(R) per employee* | *CHFth* | *273* | *351* | *322* | *324* |
| Depreciation | CHFM | -38.0 | -51.0 | -48.9 | -51.4 |
| *Depreciations/Sales* | *%* | *7.15* | *7.50* | *7.50* | *7.50* |
| Amortisation | CHFM | | | | |
| Underlying operating profit | CHFM | 260 | 354 | 334 | 343 |
| *Underlying operating margin* | *%* | *49.0* | *52.0* | *51.2* | *50.1* |
| Other income/expense (cash) | CHFM | | | | |
| Earnings from joint venture(s) | CHFM | -4.98 | -2.00 | 1.00 | 3.00 |
| Impairment charges/goodwill amortisation | CHFM | | | | |
| Operating profit (EBIT) | CHFM | 255 | 352 | 335 | 346 |
| Interest expenses | CHFM | | | | |
| *of which effectively paid cash interest expenses* | *CHFM* | *0.00* | | | |
| Financial income | CHFM | | | | |
| Other financial income (expense) | CHFM | | | | |
| Net financial expenses | CHFM | 0.00 | 0.00 | 0.00 | 0.00 |
| *of which related to pensions* | *CHFM* | *0.91* | *-2.56* | *-3.57* | *-3.94* |
| Pre-tax profit before exceptional items | CHFM | 255 | 352 | 335 | 346 |
| Exceptional items and other (before taxes) | CHFM | | | | |
| Current tax | CHFM | -37.8 | -53.0 | -50.6 | -52.3 |
| Deferred tax | CHFM | | | | |
| Corporate tax | CHFM | -37.8 | -53.0 | -50.6 | -52.3 |
| *Tax rate* | *%* | *14.8* | *15.1* | *15.1* | *15.1* |
| *Net margin* | *%* | *41.0* | *43.9* | *43.6* | *42.9* |
| Equity associates | CHFM | | | | |
| *Actual dividends received from equity holdings* | *CHFM* | | | | |
| Minority interests | CHFM | | | | |
| Income from discontinued operations | CHFM | | | | |
| Attributable net profit | CHFM | 218 | 299 | 284 | 294 |
| Impairment charges/goodwill amortisation | CHFM | 0.00 | 0.00 | 0.00 | 0.00 |
| Other adjustments | CHFM | | | | |
| Adjusted attributable net profit | CHFM | 218 | 299 | 284 | 294 |
| Fully diluted adjusted attr. net profit | CHFM | 218 | 299 | 284 | 294 |
| NOPAT | CHFM | 191 | 266 | 254 | 262 |

## Cashflow Statement

| | | 12/23A | 12/24E | 12/25E | 12/26E |
|---|---|---|---|---|---|
| EBITDA | CHFM | 298 | 405 | 383 | 394 |
| Change in WCR | CHFM | 0.00 | 0.00 | 0.00 | 0.00 |
| *of which (increases)/decr. in receivables* | *CHFM* | | *0.00* | *0.00* | *0.00* |
| *of which (increases)/decr. in inventories* | *CHFM* | | *0.00* | *0.00* | *0.00* |
| *of which increases/(decr.) in payables* | *CHFM* | | *0.00* | *0.00* | *0.00* |
| *of which increases/(decr.) in other curr. liab.* | *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 | -27.0 | -53.0 | -50.6 | -52.3 |
| Exceptional items | CHFM | | | | |
| Other operating cash flows | CHFM | -10.8 | -96.1 | -19.9 | -56.8 |
| Total operating cash flows | CHFM | 261 | 255 | 312 | 285 |
| Capital expenditure | CHFM | -53.1 | -68.0 | -65.2 | -68.5 |
| *Capex as a % of depreciation & amort.* | *%* | *140* | *133* | *133* | *133* |
| Net investments in shares | CHFM | -9.50 | | | |
| Other investment flows | CHFM | | | | |
| Total investment flows | CHFM | -62.6 | -68.0 | -65.2 | -68.5 |
| Net interest expense | CHFM | 0.00 | 0.00 | 0.00 | 0.00 |
| *of which cash interest expense* | *CHFM* | | *2.56* | *3.57* | *3.94* |
| Dividends (parent company) | CHFM | -32.7 | -63.9 | -86.8 | -82.7 |
| Dividends to minorities interests | CHFM | 0.00 | 0.00 | 0.00 | 0.00 |
| New shareholders' equity | CHFM | -28.2 | -28.2 | -28.2 | -28.2 |
| *of which (acquisition) release of treasury shares* | *CHFM* | *-28.2* | *-28.2* | *-28.2* | *-28.2* |
| Change in gross debt | CHFM | | 0.00 | 0.00 | 0.00 |
| Other financial flows | CHFM | -3.39 | -3.50 | -3.60 | -3.71 |
| Total financial flows | CHFM | -64.3 | -93.0 | -115 | -111 |
| Change in cash position | CHFM | 134 | 94.4 | 132 | 106 |
| Change in net debt position | CHFM | 134 | 94.4 | 132 | 106 |
| Free cash flow (pre div.) | CHFM | 208 | 187 | 247 | 217 |
| Operating cash flow (clean) | CHFM | 261 | 255 | 312 | 285 |
| *Reinvestment rate (capex/tangible fixed assets)* | *%* | *72.0* | *87.8* | *80.2* | *80.2* |

## Balance Sheet

| Balance Sheet | | 12/23A | 12/24E | 12/25E | 12/26E |
|---|---|---|---|---|---|
| Goodwill | CHFM | 54.7 | 54.7 | 54.7 | 54.7 |
| Other intangible assets | CHFM | 92.3 | 97.0 | 102 | 107 |
| Total intangible | CHFM | 147 | 152 | 157 | 162 |
| Tangible fixed assets | CHFM | 73.8 | 77.4 | 81.3 | 85.4 |
| Financial fixed assets (part of group strategy) | CHFM | 8.98 | 8.98 | 8.98 | 8.98 |
| Financial hedges (LT derivatives) | CHFM | 148 | 170 | 196 | 225 |
| Other financial assets (investment purpose mainly) | CHFM | 9,121 | 10,404 | 11,355 | 12,568 |
| 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 | 151 | 152 | 153 | 155 |
| *of which tax assets (+)* | *CHFM* | *1.49* | *1.59* | *1.70* | |
| Total assets (net of short term liabilities) | CHFM | 9,649 | 10,964 | 11,951 | 13,205 |
| Ordinary shareholders' equity (group share) | CHFM | 899 | 932 | 1,633 | 1,662 |
| Minority interests | CHFM | | | | |
| Provisions for pensions | CHFM | 6.89 | 27.7 | 35.0 | 37.7 |
| Other provisions for risks and liabilities | CHFM | | | | |
| Deferred tax liabilities | CHFM | 2.35 | 2.70 | 3.10 | 3.57 |
| Other liabilities | CHFM | 9,039 | 10,394 | 10,805 | 12,131 |
| Net debt / (cash) | CHFM | -297 | -392 | -524 | -630 |
| Total liabilities and shareholders' equity | CHFM | 9,649 | 10,964 | 11,951 | 13,205 |
| Gross Cash | CHFM | 297 | 392 | 524 | 630 |
| Average net debt / (cash) | CHFM | -270 | -345 | -458 | -577 |

## EV Calculations

| EV Calculations | | 12/23A | 12/24E | 12/25E | 12/26E |
|---|---|---|---|---|---|
| **EV/EBITDA(R)** | **x** | **7.95** | **8.27** | **8.41** | **7.91** |
| **EV/EBIT** | **x** | **9.14** | **9.49** | **9.67** | **9.12** |
| **EV/Sales** | **x** | **4.48** | **4.94** | **4.95** | **4.56** |
| EV/Invested capital | x | 6.18 | 8.08 | 7.18 | 6.40 |
| | | | | | |
| Market cap | CHFM | 2,672 | 3,721 | 3,721 | 3,721 |
| + Provisions (including pensions) | CHFM | 6.89 | 27.7 | 35.0 | 37.7 |
| + Unrecognised actuarial losses/(gains) | CHFM | 0.00 | 0.00 | 0.00 | 0.00 |
| + Net debt at year end (ex Right-of-use from 2019) | CHFM | -297 | -392 | -524 | -630 |
| + Right-of-use (from 2019)/Leases debt equivalent | CHFM | 7.00 | 7.00 | 7.00 | 7.00 |
| - Financial fixed assets (fair value) & Others | CHFM | 8.98 | 8.98 | 8.98 | 8.98 |
| + Minority interests (fair value) | CHFM | | | | |
| **= Enterprise Value** | **CHFM** | **2,380** | **3,355** | **3,230** | **3,126** |

## Per Share Data

| | | 12/23A | 12/24E | 12/25E | 12/26E |
|---|---|---|---|---|---|
| **Adjusted EPS (bfr gwill amort. & dil.)** | **CHF** | **14.6** | **20.1** | **19.1** | **19.8** |
| *Growth in EPS* | *%* | *38.4* | *37.3* | *-4.73* | *3.19* |
| Reported EPS | CHF | 14.6 | 20.1 | 19.1 | 19.8 |
| **Net dividend per share** | **CHF** | **4.30** | **5.84** | **5.57** | **5.75** |
| Free cash flow per share | CHF | 14.0 | 12.6 | 16.6 | 14.6 |
| Operating cash flow per share | CHF | 17.5 | 17.2 | 21.0 | 19.2 |
| Book value per share | CHF | 60.5 | 62.7 | 110 | 112 |
| | | | | | |
| **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 | 0.47 | 0.47 | 0.47 | 0.47 |
| 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 | 14.6 | 20.1 | 19.1 | 19.8 |
| EPS before goodwill amortisation (non-diluted) | CHF | 14.6 | 20.1 | 19.1 | 19.8 |
| **Payout ratio** | **%** | **29.4** | **29.1** | **29.1** | **29.1** |
| **Capital payout ratio (div +share buy back/net income)** | **%** | **42.3** | **38.5** | **39.0** | |

## Funding - Liquidity

| | | 12/23A | 12/24E | 12/25E | 12/26E |
|---|---|---|---|---|---|
| EBITDA | CHFM | 298 | 405 | 383 | 394 |
| Funds from operations (FFO) | CHFM | 261 | 258 | 316 | 289 |
| | | | | | |
| **Ordinary shareholders' equity** | **CHFM** | **899** | **932** | **1,633** | **1,662** |
| Gross debt | CHFM | 0.00 | 0.00 | 0.00 | 0.00 |
| + Gross Cash | CHFM | 297 | 392 | 524 | 630 |
| **= Net debt / (cash)** | **CHFM** | **-297** | **-392** | **-524** | **-630** |
| | | | | | |
| Other financing | CHFM | 0.00 | 0.00 | 0.00 | 0.00 |
| | | | | | |
| Gearing (at book value) | % | -30.1 | -37.0 | -28.0 | -34.7 |
| Equity/Total asset (%) | % | 9.31 | 8.50 | 13.7 | 12.6 |
| *Adj. Net debt/EBITDA(R)* | *x* | *-0.97* | *-0.95* | *-1.35* | *-1.58* |
| *Adjusted Gross Debt/EBITDA(R)* | *x* | *0.02* | *0.07* | *0.09* | *0.10* |
| *Adj. gross debt/(Adj. gross debt+Equity)* | *%* | *0.76* | *2.89* | *2.10* | *2.22* |
| *Ebit cover* | *x* | *216* | *-156* | *-102* | *-94.2* |
| *FFO/Gross Debt* | *%* | *3,784* | *931* | *902* | *768* |
| *FFO/Net debt* | *%* | *-87.6* | *-65.8* | *-60.3* | *-45.9* |
| *FCF/Adj. gross debt (%)* | *%* | *3,013* | *677* | *706* | *575* |

## ROE Analysis (Dupont's Breakdown)

| | | 12/23A | 12/24E | 12/25E | 12/26E |
|---|---|---|---|---|---|
| Tax burden (Net income/pretax pre excp income) | x | 0.85 | 0.85 | 0.85 | 0.85 |
| EBIT margin (EBIT/sales) | % | 48.1 | 51.7 | 51.4 | 50.5 |
| Assets rotation (Sales/Avg assets) | % | 5.42 | 6.59 | 5.69 | 5.45 |
| Financial leverage (Avg assets /Avg equity) | x | 12.0 | 11.3 | 8.94 | 7.64 |
| **ROE** | **%** | **26.5** | **32.6** | **22.2** | **17.8** |
| ROA | % | 116 | 153 | 141 | 140 |

## Shareholder's Equity Review (Group Share)

| | | 12/23A | 12/24E | 12/25E | 12/26E |
|---|---|---|---|---|---|
| Y-1 shareholders' equity | CHFM | 741 | 899 | 932 | 1,633 |
| + Net profit of year | CHFM | 218 | 299 | 284 | 294 |
| - Dividends (parent cy) | CHFM | -32.7 | -63.9 | -86.8 | -82.7 |
| + Additions to equity | CHFM | -28.2 | -28.2 | -28.2 | -28.2 |
| *o/w reduction (addition) to treasury shares* | *CHFM* | *-28.2* | *-28.2* | *-28.2* | *-28.2* |
| - Unrecognised actuarial gains/(losses) | CHFM | 0.00 | 0.00 | 0.00 | 0.00 |
| + Comprehensive income recognition | CHFM | 0.46 | -173 | 532 | -153 |
| **= Year end shareholders' equity** | **CHFM** | **899** | **932** | **1,633** | **1,662** |

## Staffing Analytics

| | | 12/23A | 12/24E | 12/25E | 12/26E |
|---|---|---|---|---|---|
| Sales per staff | CHFth | 485 | 588 | 547 | 561 |
| Staff costs per employee | CHFth | -125 | -128 | -123 | -131 |
| *Change in staff costs* | *%* | *32.5* | *8.49* | *-1.50* | *9.79* |
| *Change in unit cost of staff* | *%* | *21.5* | *2.70* | *-4.35* | *7.11* |
| *Staff costs/(EBITDA+Staff costs)* | *%* | *31.4* | *26.8* | *27.6* | *28.9* |
| | | | | | |
| **Average workforce** | **unit** | **1,095** | **1,157** | **1,191** | **1,221** |
| Europe | unit | 1,134 | 1,179 | 1,203 | 1,239 |
| 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** | **-137** | **-148** | **-146** | **-160** |
| Wages and salaries | CHFM | -137 | -144 | -142 | -156 |
| Pension related costs | CHFM | | -4.37 | -4.37 | -4.37 |

## Divisional Breakdown Of Revenues

| | | 12/23A | 12/24E | 12/25E | 12/26E |
|---|---|---|---|---|---|
| **Total sales** | **CHFM** | **532** | **680** | **652** | **685** |
| Net interest income | CHFM | 213 | 218 | 190 | 199 |
| Net fee and commission income | CHFM | 162 | 282 | 256 | 254 |
| Net trading income | CHFM | 157 | 179 | 205 | 231 |
| Other | CHFM | 0.49 | 0.57 | 0.66 | 0.74 |

## Divisional Breakdown Of Earnings

| | | 12/23A | 12/24E | 12/25E | 12/26E |
|---|---|---|---|---|---|
| **PRETAX RESULTS Analysis** | | | | | |
| Net fee and commission income | CHFM | | | | |
| Net trading income | CHFM | | | | |
| Net interest income | CHFM | | | | |
| Other/cancellations | CHFM | 255 | 352 | 335 | 346 |
| **Total** | **CHFM** | **255** | **352** | **335** | **346** |
| PRETAX RESULTS margin | % | 48.1 | 51.7 | 51.4 | 50.5 |

## Revenue Breakdown By Country

| | | 12/23A | 12/24E | 12/25E | 12/26E |
|---|---|---|---|---|---|
| Switzerland | % | 49.0 | 49.0 | | |
| Europe | % | 19.0 | 19.0 | | |
| EMEA | % | 18.0 | 18.0 | | |
| Other | % | 14.0 | 14.0 | | |

## ROCE

| | | 12/23A | 12/24E | 12/25E | 12/26E |
|---|---|---|---|---|---|
| *ROCE (NOPAT+lease exp.*(1-tax))/(net) cap employed adjusted* | % | *49.8* | *64.1* | *56.7* | *53.9* |
| *CFROIC* | % | *53.9* | *45.1* | *55.0* | *44.4* |
| | | | | | |
| Goodwill | CHFM | 54.7 | 54.7 | 54.7 | 54.7 |
| *Accumulated goodwill amortisation* | *CHFM* | *0.00* | *0.00* | *0.00* | *0.00* |
| All intangible assets | CHFM | 92.3 | 97.0 | 102 | 107 |
| *Accumulated intangible amortisation* | *CHFM* | *0.00* | *0.00* | *0.00* | *0.00* |
| Financial hedges (LT derivatives) | CHFM | 148 | 170 | 196 | 225 |
| 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 | 73.8 | 77.4 | 81.3 | 85.4 |
| *Accumulated depreciation* | *CHFM* | *0.00* | *0.00* | *0.00* | *0.00* |
| WCR | CHFM | 0.00 | 0.00 | 0.00 | 0.00 |
| Other assets | CHFM | 8.98 | 8.98 | 8.98 | 8.98 |
| Unrecognised actuarial losses/(gains) | CHFM | 0.00 | 0.00 | 0.00 | 0.00 |
| **Capital employed after deprec. (Invested capital)** | **CHFM** | **385** | **415** | **450** | **488** |
| Capital employed before depreciation | CHFM | 237 | 245 | 254 | 263 |

## Divisional Breakdown Of Capital Employed

| | | 12/23A | 12/24E | 12/25E | 12/26E |
|---|---|---|---|---|---|
| Net fee and commission income | CHFM | | | | |
| Net trading income | CHFM | | | | |
| Net interest income | CHFM | | | | |
| Other | CHFM | 385 | 415 | 450 | 488 |
| **Total capital employed** | **CHFM** | **385** | **415** | **450** | **488** |

## Essential Balance Sheet Data

| | | 12/23A | 12/24E | 12/25E | 12/26E |
|---|---|---|---|---|---|
| Clients assets | CHFM | 58,004 | 67,699 | 75,212 | 84,394 |
| Clients deposits | CHFM | 8,308 | 9,792 | 10,154 | 11,394 |
| Total Risk Weighted Assets | CHFM | 3,082 | 3,723 | 3,856 | 4,234 |
| Of which counterparty RWA | CHFM | 1,672 | 2,020 | 2,092 | 2,297 |
| Of which operating RWA | CHFM | 882 | 1,065 | 1,103 | 1,212 |
| Of which market related RWA | CHFM | 166 | 437 | 453 | 497 |
| Common equity tier 1 capital | CHFM | 773 | 982 | 1,181 | 1,386 |
| CET1 ratio | % | 25.1 | 26.4 | 30.6 | 32.7 |

# Pension Risks

## Summary Of Pension Risks

| | | 12/23A | 12/24E | 12/25E | 12/26E |
|---|---|---|---|---|---|
| **Pension ratio** | **%** | **1.10** | **2.89** | **2.10** | **2.22** |
| Ordinary shareholders' equity | CHFM | 899 | 932 | 1,633 | 1,662 |
| **Total benefits provisions** | **CHFM** | **9.98** | **27.7** | **35.0** | **37.7** |
| *of which funded pensions* | *CHFM* | *9.98* | *27.7* | *35.0* | *37.7* |
| *of which unfunded pensions* | *CHFM* | *0.00* | *0.00* | *0.00* | *0.00* |
| *of which benefits / health care* | *CHFM* | | *0.00* | *0.00* | *0.00* |
| Unrecognised actuarial (gains)/losses | CHFM | 0.00 | 0.00 | 0.00 | 0.00 |
| | | | | | |
| *Company discount rate* | *%* | *1.50* | *1.50* | *1.50* | *1.50* |
| Normalised recomputed discount rate | % | | 4.00 | | |
| *Company future salary increase* | *%* | *1.75* | *1.75* | *1.75* | *1.75* |
| Normalised recomputed future salary increase | % | | 4.00 | | |
| *Company expected rate of return on plan assets* | *%* | *1.50* | *1.50* | *1.50* | *1.50* |
| Normalised recomputed expd rate of return on plan assets | % | | 3.54 | | |
| **Funded : Impact of actuarial assumptions** | **CHFM** | | **15.8** | | |
| **Unfunded : Impact of actuarial assumptions** | **CHFM** | | **0.00** | | |

## Geographic Breakdown Of Pension Liabilities

| | | 12/23A | 12/24E | 12/25E | 12/26E |
|---|---|---|---|---|---|
| US exposure | % | | | | |
| UK exposure | % | | | | |
| Euro exposure | % | | | | |
| Nordic countries | % | | | | |
| Switzerland | % | | | | |
| Other | % | 100 | 100 | 100 | 100 |
| Total | % | 100 | 100 | 100 | 100 |

## Balance Sheet Implications

| | | 12/23A | 12/24E | 12/25E | 12/26E |
|---|---|---|---|---|---|
| Funded status surplus / (deficit) | CHFM | -9.98 | -36.9 | -46.7 | -50.2 |
| Unfunded status surplus / (deficit) | CHFM | 0.00 | 0.00 | 0.00 | 0.00 |
| Total surplus / (deficit) | CHFM | -9.98 | -36.9 | -46.7 | -50.2 |
| **Total unrecognised actuarial (gains)/losses** | **CHFM** | **0.00** | **0.00** | **0.00** | **0.00** |
| | | | | | |
| Provision (B/S) on funded pension | CHFM | 9.98 | 27.7 | 35.0 | 37.7 |
| Provision (B/S) on unfunded pension | CHFM | 0.00 | 0.00 | 0.00 | 0.00 |
| Other benefits (health care) provision | CHFM | | 0.00 | 0.00 | 0.00 |
| **Total benefit provisions** | **CHFM** | **9.98** | **27.7** | **35.0** | **37.7** |

## P&L Implications

| | | 12/23A | 12/24E | 12/25E | 12/26E |
|---|---|---|---|---|---|
| Funded obligations periodic costs | CHFM | -5.29 | -6.93 | -7.94 | -8.31 |
| Unfunded obligations periodic costs | CHFM | 0.00 | 0.00 | 0.00 | 0.00 |
| **Total periodic costs** | **CHFM** | **-5.29** | **-6.93** | **-7.94** | **-8.31** |
| *of which incl. in labour costs* | *CHFM* | *-7.11* | *-4.37* | *-4.37* | *-4.37* |
| *of which incl. in interest expenses* | *CHFM* | *1.81* | *-2.56* | *-3.57* | *-3.94* |

## Funded Obligations

| | | 12/23A | 12/24E | 12/25E | 12/26E |
|---|---|---|---|---|---|
| **Balance beginning of period** | **CHFM** | **84.8** | **96.6** | **121** | **130** |
| Current service cost | CHFM | 7.11 | 4.37 | 4.37 | 4.37 |
| Interest expense | CHFM | 1.83 | 3.86 | 4.82 | 5.19 |
| Employees' contributions | CHFM | 5.13 | | | |
| Impact of change in actuarial assumptions | CHFM | 2.45 | 15.8 | 0.00 | 0.00 |
| *of which impact of change in discount rate* | *CHFM* | | *-37.2* | | |
| *of which impact of change in salary increase* | *CHFM* | | *53.0* | | |
| **Changes to scope of consolidation** | **CHFM** | | | | |
| Currency translation effects | CHFM | | | | |
| Pension payments | CHFM | -4.79 | | | |
| Other | CHFM | | | | |
| **Year end obligation** | **CHFM** | **96.6** | **121** | **130** | **139** |

## Plan Assets

| | | 12/23A | 12/24E | 12/25E | 12/26E |
|---|---|---|---|---|---|
| **Value at beginning** | **CHFM** | **76.4** | **86.6** | **83.7** | **83.1** |
| Company expected return on plan assets | CHFM | 3.64 | 1.30 | 1.25 | 1.25 |
| Actuarial gain /(loss) | CHFM | | 1.76 | 1.70 | 1.69 |
| Employer's contribution | CHFM | 6.45 | 0.00 | 2.46 | 3.11 |
| Employees' contributions | CHFM | 5.13 | 0.00 | 0.00 | 0.00 |
| Changes to scope of consolidation | CHFM | | | | |
| Currency translation effects | CHFM | | | | |
| Pension payments | CHFM | -4.79 | 0.00 | 0.00 | 0.00 |
| Other | CHFM | -0.22 | -6.00 | -6.00 | |
| **Value end of period** | **CHFM** | **86.6** | **83.7** | **83.1** | **89.1** |
| | | | | | |
| Actual and normalised future return on plan assets | CHFM | 3.64 | 3.06 | 2.96 | 2.94 |

## Unfunded Obligations

| | | 12/23A | 12/24E | 12/25E | 12/26E |
|---|---|---|---|---|---|
| **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 |
| *of which Impact of change in discount rate* | *CHFM* | | *0.00* | | |
| *of which Impact of change in salary increase* | *CHFM* | | *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' instrinsic 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% |