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tie loses ground

DOSSIER

## 10 IPOs not to miss

2020, a comeback year for IPOs?  
Airbnb in the starting blocks  
Keys to invest

ISSN 2296-3278



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# Battle of the IPOs



By Marc Bürki,  
CEO of Swissquote

“The IPO of the century.” When those words were written, the Saudi oil giant Saudi Aramco was finalising its IPO, announced for December. If everything goes as planned, the state oil company, which produces 10% of the global oil supply, will become the biggest public company in the world with a capitalisation of over \$1,500 billion, far ahead of US groups Microsoft (\$1,000 billion), Amazon (\$900 billion) and Apple (\$1000 billion).

Nevertheless, this IPO will not be quite as spectacular as expected. At first, Saudi Aramco wanted to go public on a top exchange, such as New York, with a valuation of \$2,000 billion. The company will instead be listed in Riyadh on the Tadawul exchange, due to a (relative) lack of foreign investors. Many have kept their distance because of climate change, which makes the future of fossil fuels uncertain, but also due to the lack of transparency from Saudi Arabia.

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Besides the highly publicised Aramco case, 2019 will remain a difficult year for IPOs. With uncertainty prevailing around the world, particularly with Brexit and the trade war between China and the United States, investors have become more risk-averse. As a result, the number of IPOs fell 26% globally over the first nine months of the year.

What about in 2020? Several analysts believe IPOs will make a strong comeback. In this issue, we present some of the most anticipated IPOs, including Airbnb's. For investors, it's tempting to join the party. But be careful: as attractive as they are, IPOs are risky transactions. It's sometimes better to wait a little before purchasing shares. Facebook shares, for example, took more than a year before they started performing well. Our dossier provides all the tools you need to best choose your strategy.

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For the companies involved, an IPO is a complete overhaul, as explained by Johannes Steurer, CFO of Aluflexpack, a company that has just gone public on the Swiss exchange. And to think that almost 20 years ago in May 2000, Swissquote was in the same position...

p. 47

It was indeed an adventurous decision at the time, going public right after the burst of the internet bubble. But we've often gone against the tide. *Swissquote Magazine* is also an example of this. We're celebrating its tenth year with this 60<sup>th</sup> edition. When the magazine was first launched, the idea might well have seemed bold, especially since print newspapers were already struggling even then. A decade later, our economic magazine is one of the best-established magazines in Switzerland, with nearly 100,000 readers.

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*Chopard*

THE ARTISAN OF EMOTIONS – SINCE 1860



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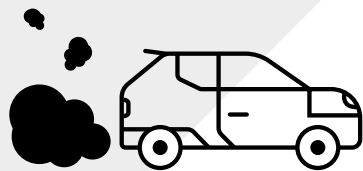
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# SCANS



**“I don’t want Total to end up like a dinosaur”**

Total CEO **Patrick Pouyanné** expressing his desire to reduce the company’s dependency on petrol, in an interview with *Journal du Dimanche*.



## 200 million

The number of SUVs currently in circulation around the world, compared to 35 million in 2010. This phenomenal growth made SUVs the second largest producer of CO<sub>2</sub> emissions in the world between 2010 and 2018, after the energy industry, according to a study from the International Energy Agency.



JOE MARINO - BILL CANTRELL / NEWSCOM

The launch of SpaceX's Falcon 9 rocket at Cape Canaveral, carrying 60 Starlink satellites (May 23, 2019)

## space SPACEX BETTING ON INTERNET FOR ALL

With its Starlink project and 12,000 satellites planned, SpaceX plans to offer fast, cheap internet to everyone in the world. Morgan Stanley recently evaluated the profits that could result from revolutionising the industry. According to the US bank, SpaceX could potentially be valued at \$120 billion, which is more than twice the current value of Tesla, and more than the value of aerospace companies such as Lockheed Martin (\$112 billion) and Northrup Grumman (\$64 billion). But the California company is competing with similar projects, such as Kuiper from Amazon and OneWeb. If Starlink fails, the value of SpaceX would not exceed \$5 billion, according to the study.

— TSLA — LMT — NDC

## RANKING

### TOP 4 MOST USED PLATFORMS FOR VIRTUAL REALITY GAMING (Based on US gamers playing VR games at least once a month)

1. CONSOLE	30%
2. MOBILE DEVICE	28%
3. PC	24%
4. ALL-IN-ONE VR HEADSET	17%

Source: Newzoo

### TOP 5 INDIAN COMPANIES AT 10-YEAR LOWS THAT ARE IDEAL FOR INVESTING

1. BHARAT HEAVY ELECTRICALS
2. GLENMARK
3. ONGC
4. NMDC
5. TATA POWER

Source: The Economic Times

### TOP 5 REGIONS WITH THE MOST MOBILE TELEPHONE USERS

1. CHINA	851 MILLION
2. ASIA-PACIFIC	472 MILLION
3. MIDDLE EAST AND AFRICA	403 MILLION
4. INDIA	346 MILLION
5. WESTERN EUROPE	313 MILLION

Source: Newzoo

## transport DARK SKIES FOR AIRLINES



Swedish climate activist, Greta Thunberg, here at the World Economic Forum (WEF) in Davos (23 January, 2019).

VALENTIN FLAURAUD / KEYSTONE

More than one year after the emergence of Swedish movement *flygskam* (flight shame) which aims to preserve the environment, the effects are starting to show. According to the Swedish Transport Agency, the number of passengers in Sweden dropped 3% over the first seven months of the year and the Bromma Stockholm airport expects to significantly reduce the number of jobs.

While these numbers affect Sweden only, analysts from UBS predict that the increase in the number of European flights will now be about 1.5% on average per year, whereas Airbus predicted a 3% increase. According to Airports Council International Europe, air traffic in Europe increased only 4.3% in the first half of the year, compared to 6.7% over the same period in 2018.

## pharma ROCHE FINISHES THE YEAR SUCCESSFULLY



ROCHE

After exceeding analysts’ expectations over the first nine months, the Basel-based company continues to triumph as the year comes to a close. It announced a successful clinical trial for its cancer drugs Tecentriq and Avastin which treat a form of cancer that primarily affects Asia, a market estimated by JPMorgan to be worth more than 2 billion Swiss francs in China alone. Furthermore, its anti-flu drug Xofluza, the successor to Tamiflu, was approved in the United States to treat patients with high-risk complications. Finally, the Federal Trade Commission recommended approval of Roche’s acquisition of gene therapy specialist Spark Therapeutics for \$4.3 billion. — ROG

**“Blockchain will significantly change the world of finance. We’re following technological trends and are building the shopping centre of the future”**

**Peter Grosskopf**, CTO of Boerse Stuttgart Digital Exchange, the new Bitcoin trading platform, in a press release from Boerse Stuttgart/ Stuttgart exchange.





# 15 million

The number of Nintendo Switch devices sold in North America, exceeding the 13.56 million Wii consoles sold.



**“We understood that children no longer wanted their toys to be bound by gender norms”**

**Kim Culmone,**

vice president of Mattel Fashion Doll Design, regarding the brand's new “Creatable World” personalisable figurines in an interview with Reuters.

## THE IPO

### VIRGIN GALACTIC TAKES OFF



Richard Branson, founder of Virgin Galactic, at the firm's IPO on the New York Stock Exchange (NYSE) on 28 October.

JOHANNES EISELE / AFP

It was a successful IPO for Virgin Galactic, the first space tourism company to go public. The share price of Richard Branson's company immediately jumped 5.3% upon opening. To reassure investors, the IPO was accomplished via a merger with venture capital fund Herdosophia, which was already public. This transaction valued the new company at \$2.3 billion at the moment the market closed, which is well above the \$1.5 billion expected. After the success of its aeroplane that

reached space in late 2018, Virgin Galactic announced the first flights transporting private passengers will begin in summer 2020. The ticket price is \$250,000. But the industry is known for not being able to keep its promises. For example, the company, founded in 2004, was hoping to have commercial flights ready for 2009. One of its competitors, Blue Origins owned by billionaire Jeff Bezos, wanted to have the first tourists in space by late 2018. — SPCE

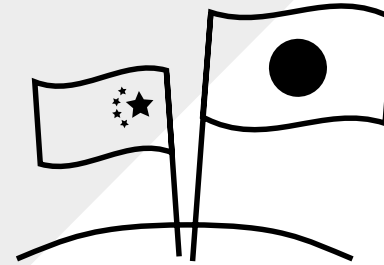
## cryptocurrencies

### BITCOIN: HONG KONG'S NEW SAFE INVESTMENT



ISTOCK

The wave of protests continues in Hong Kong. Fearing retaliation from the government, such as arbitrary freezing of assets, citizens are lining up at cash dispensers. At the same time, the volume of Bitcoin transactions in the region reached a new record high in late September. On the peer-to-peer exchange platform LocalBitcoins, nearly 12 million HKD was exchanged in the last week of September. This total even exceeds the volume of transfers made during the boom in 2017.



# \$143 billion

China's foreign direct investments in 2018, making it the second largest foreign investor in the world after Japan.



**“Disney is an amazing company... They really understand creativity”**

**Reed Hastings,**

CEO of Netflix, about the arrival of streaming services from Disney.

## e-mobility

### SCOOTER WARS IN SAN FRANCISCO



ANTHONY QUINTANO

The city of San Francisco has authorised four companies to operate 2,500 electric scooters each next year: Jump, Lime, Scoot and Spin. After being excluded from the previous authorisation, the unicorn Lime is getting its revenge; it hopes to become the Tesla of scooters with its new model Gen 3. Uber is

also benefiting, with its protégé Jump included in the final selection. Alongside Google, Uber also recently began investing in Lime. San Francisco requires all scooters to be able to be locked to dedicated racks, and will quickly provide more of them throughout the city.

— UBER — GOOGL

## KICKSTARTER



EFORGE

## EFORGE

### A 3D PRINTER FOR ELECTRONICS

Financed in less than three hours, eForge is the first 3D printer that can print electronic parts. This machine, developed by the company Electronic Alchemy, meets a real demand from both amateurs and professionals. Its development was also supported by NASA. The printer could allow astronauts in space to create electronic parts that they need without waiting for costly supply shuttles. A first prototype was delivered to NASA in June. In time, the company will also offer a library of standard pieces that can be adapted by users.

FUNDS RAISED  
€ 129,460

AVAILABLE  
NOVEMBER 2019

SCANS

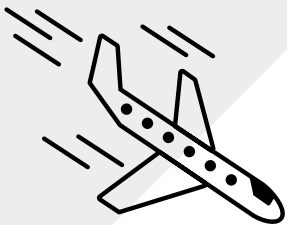
e-commerce

IMN, A EUROPEAN COMPETITOR FOR AMAZON



In October, Cdiscount, the French e-commerce platform from the Casino group, partnered with other European sites such as real.de and ePrice in Italy. This project, dubbed International Marketplace Network (IMN), aims to create a European giant that can better compete with Amazon. Market share from June 2018 to 2019 for France is indeed definitive. With nearly 700 million orders, Amazon is in first place with a 20% market share and Cdiscount takes second with an 8% market share. Sticking to its original model, the French portal brands itself as the place for the cheapest purchases, using for example an index robot (or crawler) to offer lower prices than its competitors for similar products.

CO AMZN



\$1.2 billion

The dividend paid to Boeing shareholders in Q3, as the company struggles after the B737 Max models were grounded.



“It’s a slap in the face for Lugano and Ticino (...) I will never fly with SWISS again”

The mayor of Lugano, [Marco Borradori](#), quoted by *Corriere del Ticino*, was very angry regarding SWISS’s decision to no longer fly the Lugano-Zurich route.

insurance

BALOISE BEGINS LEASING USED CARS

With an average annual growth rate of 14% expected over 2019-2023, the car leasing market is booming. But the used vehicle leasing industry is also growing significantly. Hoping to profit from this development, Baloise recently invested in gowago.ch, a Swiss platform specialising in the industry. Founded in 2017, this Zurich start-up already has over 1,000 clients and offers approximately 10,000 cars. The new partnership will lead to simplified calculations of insurance costs for the vehicle, which means that the costs can be directly included in the monthly lease price.

BALN

energy

SHARE PRICE: ALPIQ PULLS THE PLUG



Jean Alder, Chairman of the Board of Alpiq (left) and Thomas Bucher, CFO, at the group’s annual press conference on March 4.

After months of prevarication, electric group Alpiq finally announced it would request market operator SIX to take its shares off the market. With a net loss of more than 200 million Swiss francs in the first half of the year, Switzerland’s top electric company has record-

ed poor results over the past few years. Similarly, Romande Energie is also suffering, with its revenue up only 1% over the year. Net profits dropped by more than 50% due to the company’s participation in EOS Holdings, which has a 31.4% stake in Alpiq. HREN ALPH

cannabis

A BAD TRIP FOR INVESTORS

After the euphoria, the cannabis market has come back down to earth. The falling share price of Canopy Growth, the largest company in the industry in terms of market capitalization, is a prime example of this. Between September 2018 and 2019, the share price dropped by more than 50% and the company’s value went from approximately \$20 billion to \$9.5 billion. Canopy is dealing with cannabis sales in Canada that are lower than expected. And the difficulties continue for the Canadian company, which has losses estimated at \$500 million over two years (March 2019–March 2021). Investors are losing optimism and other cannabis producers are also suffering. Share prices for Aurora Cannabis and Tilray have fallen approximately 60% and 90% respectively.

WEED ACB TLRY



Marijuana production at Canopy Growth plantation in Smith Falls, Ontario (2018)

SEAN KILPATRICK / NEWSCOM

transport

CRISIS FOR THE CHINESE CAR INDUSTRY



For the 16<sup>th</sup> consecutive month, car sales continue to decline in the world’s largest car market. According to the China Association of Automobile Manufacturers, the market was down 5.2% over one year in September. The contraction of this market seems to be confirmed over the long term, due to the trade war with the United States, as well as increased taxes on small cars and more difficult purchase loan conditions. The promising electric and hybrid vehicle market is not spared. Since July, sales have been on a constant downturn, down 34.2% over one year for the month of September.

ISTOCK



“Global growth is precarious and fragile”

Former president of the International Monetary Fund (IMF) [Christine Lagarde](#), now head of the European Central Bank (ECB), during an interview on RTL in late October.

## ENVIRONMENTAL CHANGES FOR MARITIME TRANSPORT



SHUTTERSTOCK

As of 1 January 2020, sulphur emissions from ships cannot exceed 0.5%, according to a new international regulation. The previous limit was set at 3.5%. According to Maersk Line, the industry as a whole will spend

more than \$15 billion to comply with the new legislation, a cost which will have significant repercussions on freight prices. Other solutions are currently being studied: French president Emmanuel Macron proposed

reducing the speed of ships, and in order to protect the Arctic, French group CMA CGM committed to not using the future Northeast passage, which could shorten a trip by one to two weeks.



# 35,000

The number of jobs that could be lost in the US car industry due to the decline of petrol engines, according to UAW, the General Motors union.

## THE FLOP

## Ubisoft needs to be saved

With global revenue at \$120 billion, the video game industry is doing quite well. But among the plethora of games, there are quite a few major failures, and *Tom Clancy's Ghost Recon Breakpoint* from French company Ubisoft is one of them. While this shooting game in an open world is one of the franchise's flagship titles, the Brittany-based maker shamelessly borrowed the most popular elements from

other games and as a result had to deal with widespread criticism following mediocre sales. Besides the many bugs, that were mostly fixed, the paid micro-transactions that improve the game appeared far too often for most players, forcing Ubisoft to temporarily disable some of them. After *Division 2*, this is the second failure of the year for Ubisoft, which had to seriously revise its financial objectives downwards. — UBI



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the figure  
ENRIQUE LORES

## Hewlett-Packard looks to the future with an internal hire

Position  
CEO

Age  
54

Nationality  
Spanish

In November, Enrique Lores took the helm of HP Inc., as former CEO Dion Weisler stepped down for family reasons. Weisler had been head of HP Inc. since 2015, when HP split into two: HP Inc., specialising in PCs and printers, and HP Enterprise, dedicated to providing corporate services. The new CEO is a true company veteran, having worked for HP for 30 years. The Madrid

native began his career as an engineering intern before climbing the ranks and holding management positions. Previously, he was president of the Imaging, Printing and Business Solutions division. In 2018, he and his team presented a printer designed to be used in zero gravity.

Population  
777,859 (2017)

GDP per capita  
\$4,634 (2018)

Growth  
+4.6%  
(2019 estimate)

Main economic  
industries  
petrol, mining,  
agriculture,  
silviculture,  
fishing



the country  
GUYANA

## The new El Dorado for black gold

The Co-operative Republic of Guyana, formerly British Guiana, is the only country in South America that belongs to the Commonwealth. The third-smallest country on the continent, and one of the poorest, Guyana recently discovered it was home to significant oil reserves. Indeed, oil was discovered in 2015 by Texas company Exxon Mobile off the coast of the capital Georgetown. The first well drilled was named "Liza" and Exxon now has 13 similar wells. In the next five years, Exxon is partnering with New York-based Hess and

Chinese company Nexen, expecting to produce at least 750,000 barrels per day of very high-quality petroleum, which is one barrel per inhabitant, and almost as many as the 1 million barrels produced by Equinor, the largest Norwegian oil company. Other regions also seem promising, according to Canadian firm CGX. The World Bank predicts more than 30% growth for 2020.



innovation  
OUTSIGHT

## Radar, lidar and cameras: the all-in-one system for autonomous vehicles

At the major autonomous vehicle expo in Brussels, French start-up Outsight (formerly Dibotics) unveiled the first 3D semantic camera in partnership with Lasersec. According to the company, the revolutionary device can precisely

measure the distance of an object in real time over a few hundred metres and immediately determine what it is (human being, black ice, etc.). It works like a camera when it perceives colours, and like a laser when it interprets what it sees.

This new sensor could potentially replace the cameras, radar and lidar that make up most vehicle driving assistance systems, generating strong interest from the autonomous vehicle sector.

Company  
Outsight

Launch  
Not shared

Projected cost  
Not shared



# FERDINAND 1753 BERTHOUD



1768.  
IN THE CONQUEST OF THE OCEANS,  
EVERY MINUTE COUNTS.

Tossed about on the waves of the Atlantic Ocean a corvette sailing ship belonging to the King of France, heads for Santo Domingo. On board are two marine chronometers created by Swiss watchmaking genius, Ferdinand Berthoud. Helping to calculate longitude to the nearest half-degree, these timepieces would guarantee the success of this 12-month expedition on the high seas. The era of great scientific

exploration is born. Two and a half centuries after this feat, the timepieces of Chronométrie FERDINAND BERTHOUD live on, in a contemporary interpretation of these extraordinarily precise measuring instruments. The regulator model in carburised stainless steel (ref. FB 1R.6-1) has won the «Chronometry» Prize at the Grand Prix d'Horlogerie de Genève 2019.

PRECISION FOR EXPLORERS

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NEW YORK Cellini Jewelers · PARIS Dubail · SINGAPORE Sincere Fine Watches · TOKYO Yoshida

Carburised stainless steel regulator (ref. FB 1R.6-1)

# ANALYSIS

SPECIALISTS' VIEWPOINT

## INTERVIEW

# “Entry-level Swiss watches will continue to decline”

The Swiss watch industry is being put to the test, as competition from smart watches heats up. Still, the luxury sector is performing well.

BY MARTIN LONGET

Is a new crisis brewing in the Swiss watch industry? That's what many observers appear to be saying, noting a 13.5% drop in wrist-watch exports in September 2019 and political tensions in Hong Kong, Switzerland's largest export market. Entry-level watches in particular are feeling the full force of competition from smart watches produced by tech giants such as Apple, Samsung and Google.

But the figures published by the Federation of the Swiss Watch Industry are nowhere near as alarming. Between January and September 2019, Swiss watch exports (all markets combined) rose 2.8% on the previous year to 15.92 billion Swiss francs. Not quite as good as 2018 (up 6.3%), but not bad compared with 2017 (up 2.7%) and especially 2016, when exports fell roughly 10%.

Watch-industry specialist René Weber of Vontobel bank gives his take on the situation and shares his predictions for 2020.

### As sales volumes decline and the Hong Kong market slows, are Swiss watch exports in danger?

Broadly speaking, we don't think so. We are, however, observing certain trends that are affecting Swiss exports and that should continue to be a factor in 2020.

The political crisis in Hong Kong pulled exports down 6.2% in that region, still the largest export market for Swiss watches followed by the United States and China. But that decline was offset by strong performances in other export markets, such as Japan and South Korea, which grew 24.5% and 4.4%, respectively. The United States will likely surpass Hong Kong soon as the largest export market for Swiss watches.

The other point to remember – and this is probably much more important over the long term – is the intense competition that entry-level and mid-range watches are facing from smart watches. Entry-level watches have fallen 12% in 2019. This is especially true for brands such as Swatch and Tissot, both of which have declined this year. The fact is that it is becoming harder to justify selling classic watches in the same price range as smart watches. The technology is advancing rapidly, especially with regard to the monitoring of medical data. With Google's acquisition of Fitbit, its arrival on the market where Samsung and Apple are already well established, will intensify competition even more.

### What are Swiss brands doing to stay afloat?

Nothing really, for the time being. Swatch Group, which is the most directly affected by the

current market trends, still has no smart watch worthy of the name. They have been announcing the release of their own operating system, Swiss OS, since 2017, but that system is yet to hit the market. In fairness though, their reluctance to invest massively in a race against the world's best IT companies is understandable... It's an uphill battle against the likes of Apple, Samsung and Google, which have several years' head start.

### What are the consequences for Swiss watch exports and the sector in general?

We doubt that classic entry-level watches will be able to hold up against smart watches over the long term, and we believe they will continue to decline.

The competition is naturally hurting Swatch Group, which is why we have a “hold” recommendation on its stock, whose value has edged down slightly this year. The Richemont group has fared better, because its brand portfolio includes more higher-end names and because watchmaking now represents only 35% of its revenue, versus 36% for jewellery.

The arrival on the market of connected products, like the Apple Watch, competes with classic entry-level watches.

**“It's an uphill battle against the likes of Apple, Samsung and Google”**

Judging by the waiting lists for high-end watch products, such as Rolex and Patek, demand is strong and constantly growing. So there does not appear to be any systemic risk for the moment, and we expect the sector to grow 3% overall in 2020. ▴



**RENÉ WEBER**  
SENIOR LUXURY GOODS ANALYST  
VONTOBEL BANK

LANG XINCHEN / AFP

## FOCUS

# Passive management is a winner

While the success of ETFs hasn't waned, passively managed equity funds are now more common than actively managed funds in the United States.

BY ANGÉLIQUE MOUNIER-KUHN

American Jack Bogle, renowned founder of index management giant Vanguard who died in January 2019, would certainly have new proof of the accuracy of his vision. "Investing on the long-term market is a winning bet. If you try to fight it, you'll surely lose," the outspoken critic of active management often said. According to research company Morningstar, in mid-summer 2019, the total amount of assets under passive management in the United States (index funds and ETFs) reached \$4,271 billion, exceeding for the very first time the amount of actively managed equity funds (\$4,246 billion).

"End of an era," headlined Bloomberg, emphasising: "Stock picking isn't dead (ed. note: choosing stocks based on fundamental research). But this development marks the official end of money managers' position as the guiding force on the American stock market – and the seemingly inexorable rise of low-cost index-driven investing."

Since the launch of the first indexed investment fund by Jack Bogle in 1975, investment professionals have continued to battle between active management and passive management. But the debate likely hasn't been this lively since ETFs, which

began in the mid-1990s, generated such popularity a dozen years ago. The craze hasn't slowed since. Proponents of active management claim that with adequate knowledge, a fund manager must be able to regularly outperform benchmark indices. Advocates of passively managed funds highlight the transparency of these vehicles, as well as their cash flow and low management fees. In terms of performance, thanks to the bullish market over the past 11 years, passive funds are able to compete equally with active funds. According to calculations from SPIVA, an emanation of the S&P Dow Jones Indices, more than three-quarters of the actively managed Large Cap Growth funds are underperforming compared to the S&P 500 over five years.

Given such an argument, it's not surprising that the rise of ETFs seems even more irresistible. In a study published in June 2019, the European System of Financial Supervision (ESFS) determined that ETFs made up 30% of total daily volumes exchanged on US stock markets. One of the singularities of the industry is its concentration: the five largest ETF issuers in the US – iShares by Blackrock, SPDR, Charles Schwab, First Trust and the

leading company Vanguard – hold 87% of all ETFs. The largest U.S. equity ETF, the SPDR S&P 500 ETF, alone is worth nearly \$280 billion, according to the ETFdb.com database.

**The largest U.S. equity ETF is worth nearly \$280 billion**

While the development of ETFs did disrupt the asset world at first, they have also been successful because they expanded to several underlying assets in recent years: bonds, currencies, raw materials, etc. There is essentially no longer an asset class, or even a market indicator, such as the VIX (volatility of the US market) that isn't replicated by an ETF. Besides, the big names in stock picking haven't given up the fight. Recent regulatory changes in the United States are expected to favour a still-confidential category of ETFs: "active" ETFs in which a manager intervenes to optimise the allocation. Could this be a way to reconcile the two types of management? ▲

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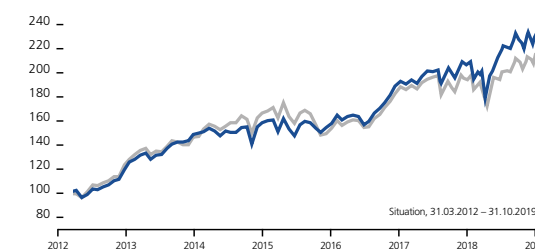
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# Palm oil: an industry worth billions

The production of palm oil, while heavily critiqued, continues to increase globally. In less than 20 years, production has increased threefold. And behind this enormous market are little-known giants.

BY BERTRAND BEAUTÉ

**T**he proliferation of products labelled “palm oil-free” in European supermarket aisles could make it seem that demand is declining. But that’s far from being the case. With more than 76 million tonnes produced this year – compared to less than 5 million in 1980 – palm oil is by far the most consumed vegetable oil on the planet. And that’s not going to change any time soon. According to estimates, global demand is expected to reach anywhere from 264 to 447 million tonnes in 2050, an increase of between 250% and 500% compared to 2019.

“Consumption of fat increases significantly as soon as a population is no longer in a precarious state and has

a bit more comfort and food security,” says Alain Rival, regional director of the French Agricultural Research Centre for International Development (CIRAD), in Indonesia. “That’s why palm oil consumption will continue to grow. It’s inevitable. It’s driven by population growth and an increasing middle class.”

Claude Garcia, leader of the Forest Management and Development group at ETHZ, researcher at CIRAD and co-head of the Oil Palm Adaptive Landscape (OPAL) programme, agrees: “Palm oil production shows no signs of slowing down. Consumption is driven by countries of the global south, but even in Europe, the numbers aren’t decreasing.” >

Oil palm plantations covered 25 million hectares worldwide in 2017, an area 6 times the size of Switzerland.

## A SERIOUS GAME DEVELOPED BY ETHZ

Faced with growing global demand, countries that produce palm oil have expanded their plantations over the past 20 years, destroying entire swathes of tropical forests in Asia, South America and increasingly in Africa. But it remains difficult to demand that tropical countries preserve their forests.

“In many regions, palm oil is an economic miracle that has pulled millions of people out of poverty,” says Alain Rival, director of the French Agricultural Research Centre for International Development (CIRAD). “Governments must therefore balance their economic development with their climate commitments.”

To resolve this problem, ETHZ and CIRAD launched the OPAL (Oil Palm Adaptive Landscapes) project in 2015. “It’s a serious game, where each industry player is led to make decisions that will have serious and often unexpected consequences for

other people, the economy or the environment,” explains Claude Garcia of ETHZ, who is leading the project. “The game invites players to take each others’ places. Government workers, for example, play the role of a small producer to understand its problems.”

And it works: after people played the game in Cameroon, contracts between small producers and manufacturers have changed. “Before, the small plantations were responsible for transport. But due to a lack of funds, a lot of fresh fruit went bad during transport,” says Garcia. “Thanks to this game, manufacturers became aware of this problem and now they are the ones that are responsible for transport.” But there is one limit: “Decision-makers believe that it can only apply on a local level,” Garcia says. “One of the main challenges is to make them understand that it could also work on a global level.”

## INTERNATIONAL BOYCOTT

According to the 2019 Palm Oil Market Research report, the global palm oil market is expected to reach \$60.3 billion in 2025, compared to \$40.2 billion in 2018, which is a 5.2% annual increase over the period. This growth will benefit numerous producers that often shy away from the spotlight, such as the largest: Sime Darby. The Malaysian conglomerate has 600,000 hectares of plantations – an area 15% the size of Switzerland – and produces 2.48 million tonnes of palm oil per year. The group, which is listed on the Kuala Lumpur exchange, is valued at more than \$3.5 billion.

**“Palm oil has a lot going for it,” says Rival. “It is abundant and cheap, can be stored for a long time, and can withstand heat”**

Alain Rival, director of the French Agricultural Research Centre for International Development (CIRAD) in Indonesia.

And Sime Darby, which supplies palm oil to Ferrero, isn’t the only giant that flies under the radar of western investors. Other little-known giants include Singaporean companies Golden Agri and Wilmar, Indonesia’s Indofood, as well as Malaysian group Kuala Lumpur Kepong. In total, the SPOTT (Sustainable Policy Transparency Toolkit) platform, which ranks producers based on their environmental impact, identifies approximately 100 palm oil producers, about 40 of which are publicly listed (read company profiles on p. 27).

It is clear that the growth outlooks for the palm oil market are attractive to analysts. For example, most recommend purchasing shares in Sime Darby. But the industry could suffer due to the environmental harm it ▶

Palm oil can be found in many products used in everyday life: cosmetics, toothpaste, shower gel, shampoo, deodorant, detergent and certain medicines, not to mention agrofuels (see inset on p. 26). The list is long. But it’s in food products that palm oil is used most frequently – 80% of palm oil production is consumed as cooking oil or in processed foods.

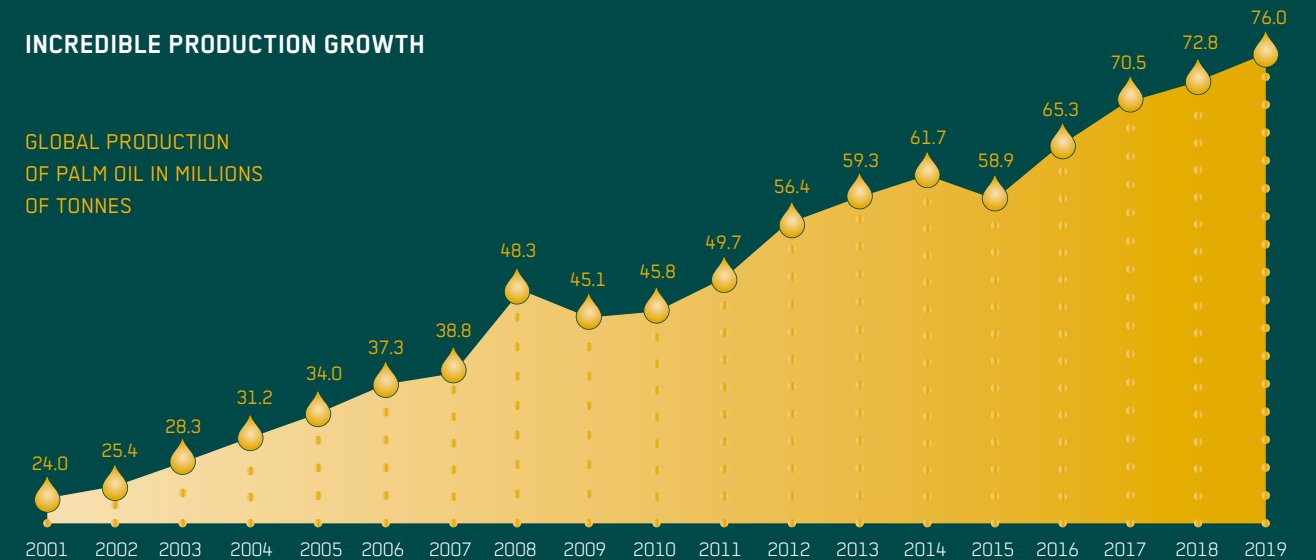
Why do we find it on our plates so often? Palm oil is significantly cheaper than its other oil competitors – soy, sunflower, rapeseed, olive and others – and it has physico-chemical properties that give it the consistency of a “vegetable butter”. “Palm oil has a lot going for it,” says

Rival. “It is abundant and cheap, can be stored for a long time, can withstand heat and remains solid at room temperature in warm climates. For the agrifood industry, palm oil is the ideal product to make products that melt in your mouth.” Nutella, for example, owes its legendary rich texture to the palm oil used in the recipe.

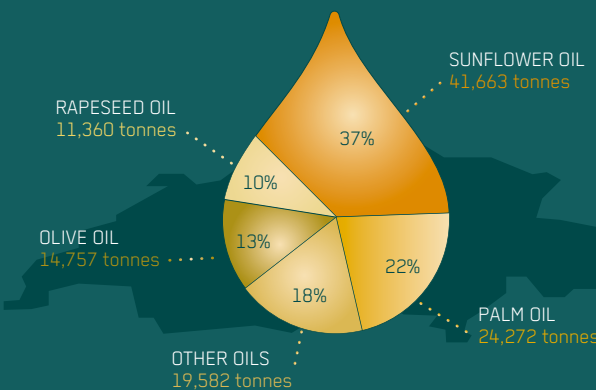
It’s almost easy to forget that consuming palm oil in excess is bad for your health – it’s extremely rich in saturated fats, which lead to bad cholesterol. It’s a danger that is particularly real in “rich” countries, where palm oil is mainly found in processed foods.

## INCREDIBLE PRODUCTION GROWTH

GLOBAL PRODUCTION OF PALM OIL IN MILLIONS OF TONNES

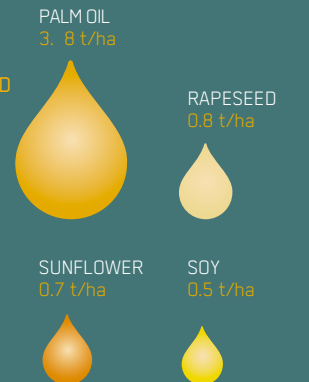


## THE MOST IMPORTED OILS IN SWITZERLAND IN 2018



## INCOMPARABLE YIELD

TONNES OF OIL PRODUCED PER HECTARE CULTIVATED



## THE TOP 10 BIGGEST PRODUCERS IN 2019

Indonesia and Malaysia account for 85% of global production.



Sources: Index Mundi, United States Department of Agriculture (USDA), Swiss Federal Office for Agriculture (FOAG), International Union for Conservation of Nature (IUCN)

In Indonesia, a villager passes a burning field in 2005. Land clearing by burning causes problems as far as neighbouring Malaysia due to harmful fumes.



TATAN SYUFLANA / KEYSTONE

causes – plantations are responsible for many problems. In particular, they result in intense deforestation and

a loss of biodiversity. According to the International Union for Conservation of Nature (IUCN), the survival

of 193 species, including the iconic orang-utan, is directly threatened by the expansion of palm plantations. According to a 2018 study published in *Current Biology*, 100,000 orang-utans vanished in Borneo between 1999 and 2015.

Moreover, palm oil production leads to serious social issues. There have been many human rights violations documented on plantations, not to mention the fact that numerous local communities have been driven off their land. Given this sobering context, several NGOs in the west are calling for a total boycott of palm oil, and an increasing number of consumers no longer purchase products that contain it. In June 2015, for example, France's famous Minister of Ecology, Ségolène Royal, urged citizens to “stop eating Nutella”.

## SOUNDING ALARM BELLS ON AGROFUELS

More than half of the seven tonnes of palm oil imported each year by the European Union ends up in car fuel tanks. NGOs do not like this at all, as they – correctly – believe that these agrofuels are not biofuels. Faced with public outcry and after months of prevarication, Brussels finally decided in February 2019 to categorise palm oil-based fuels as “not sustainable”. As a result, consumption of these

fuels can no longer increase and must in fact decrease from 2023 to reach zero in 2030. This is a disappointment for some, particularly Total, which opened a refinery – one of the largest in Europe specialising in palm oil fuel – in La Mède, France, in July. Globally, the fuel industry is responsible for 5% of palm oil production; 15% of demand comes from industry (cosmetics, detergent, etc.) and 80% is used in food.

## INVESTORS HAVE A ROLE TO PLAY

Will not eating Nutella influence the industry? Alain Rival, who has lived in Jakarta for several years, doesn't think so at all. “The European Union accounts for only 10% of global imports,” says the author of *La palme des controverses*. “In other words, if countries in the global north stopped buying palm oil, the market would continue. Most of the palm oil produced globally is for countries in the global south which will continue to consume it, as it is a blessing for their middle classes. And it will probably take a new generation of consumers for India, China or Pakistan, which account for 60% of global imports, to commit to sustainable production criteria. If countries of the global north stop consuming palm oil, plantations will just keep growing with no safeguards in place. So these countries must remain stakeholders to force the industry to become more sustainable.”

Even worse: “A boycott could have harmful consequences that are the very opposite of what protesters hope would happen,” warns Claude Garcia. If palm oil was banned, it would have to be replaced by another fat. But other oil crops, such as rapeseed, sunflower and soy, “require up to nine times as much land to produce as palm oil,” according to the IUCN. One hectare of a palm plantation produces an average of 3.8 tonnes of oil, compared to just 0.8 tonnes for rapeseed. In other words, replacing oil palms with other crops could lead to even more catastrophic deforestation, which is why major NGOs such as Greenpeace and WWF do not recommend a boycott.

“When you consider the disastrous impacts of palm oil [...] there are no simple solutions. Half of the world's population uses palm oil in food, and if we ban it or boycott it, more land-hungry oils will likely take its place,” said Inger Andersen, director of IUCN, in a report on the subject. “Palm oil is here to stay.” But so are the producers.

Given that fact, consumers and investors can indeed have an impact by choosing the most sustainable palm oils possible. Established in 2004, the RSPO (Roundtable on Sustainable Palm Oil) label – the largest in the sector – was created, aiming to

preserve resources and biodiversity. Currently, 19% of global production, about 14.65 million tonnes, is RSPO-certified. But for Greenpeace, this certification “is not sufficient”, because “it does not guarantee that deforestation is not happening”. >

## COMPANIES TO WATCH

### UNITED PLANTATIONS

#### One of Ferrero's suppliers

The Malaysian group, which is a supplier to Ferrero, is one of the most transparent in the industry, according to the SPOTT platform, which ranks producers based on their environmental impact. Approximately 70% of the 53,000 hectares owned by the company is RSPO-certified, the leading certification in the industry. United Plantations, whose share price has increased regularly since 2009, has nevertheless had an up-and-down year in 2019 on the Kuala Lumpur Stock Exchange.

**FOUNDED:** 1906  
**HEADQUARTERS:** TELUK INTAN (MY)  
**EMPLOYEES:** 6,500  
**2018 REVENUE:** \$0.32 BN  
**CAPITALISATION:** \$1.26 BN  
 — 4197.KL

### WILMAR INTERNATIONAL

#### The agri-business conglomerate

With nearly 230,000 hectares of farmland, Wilmar International is one of the largest palm oil producers in the world. In 2018, the Singaporean company, which is also active in the sugar and grains industry, generated \$44.5 billion in revenue. Most analysts recommend keeping shares.

**FOUNDED:** 1991  
**HEADQUARTERS:** SINGAPORE (SG)  
**EMPLOYEES:** 90,000  
**2018 REVENUE:** \$44.5 BN  
**CAPITALISATION:** \$19 BN  
 — F34

### SIME DARBY

#### The world's biggest producer

With 990,000 hectares of farmland, of which 600,000 are palm plantations and 15,000 are rubber plantations, Sime Darby is considered the largest producer of palm oil in the world. The Malaysian conglomerate, which supplies products to all the agri-food giants (Nestlé, Ferrero, PepsiCo...) generated more than \$8 billion in revenue in 2018. Most analysts recommend purchasing shares.

**FOUNDED:** 1910  
**HEADQUARTERS:** KUALA LUMPUR (MY)  
**EMPLOYEES:** 20,000  
**2018 REVENUE:** \$8.16 BN  
**CAPITALISATION:** \$3.79 BN  
 — 4197.KL

### GOLDEN AGRI-RESOURCES

#### The number 2 in palm oil

With revenue exceeding \$7 billion in 2018, more than 500,000 hectares of farmland and over 170,000 employees, Golden Agri-Resources is one of the world's palm oil behemoths. The Indonesian company, which generates 99% of its revenue from palm oil, is one of the suppliers to Nestlé.

**FOUNDED:** 1996  
**HEADQUARTERS:** SINGAPORE (SG)  
**EMPLOYEES:** 171,000  
**2018 REVENUE:** \$7.2 BN  
**CAPITALISATION:** \$2.3 BN  
 — ESH

“The RSPO certification is flawed, but at least it exists and has a ripple effect on the entire industry. Indonesia and Malaysia, which are two of the biggest global producers, have since developed their own labels (ISPO and MSPD), which are based on RSPO,” says Rival. “Moreover, western companies have understood that they cannot purchase palm oil from questionable companies.”

### Replacing oil palms with other crops could lead to even more catastrophic deforestation

Since 2015, 100% of palm oil used by the Nutella manufacturer is RSPO-certified. And Ferrero is going even further, setting a goal of zero deforestation. As of 2018, Coop only uses palm oil that is compliant with Bio Suisse standards. According to the company, only three producers in the world have this certification: one in Brazil, one in Colombia and one in Madagascar.

“Faced with increasing backlash, manufacturers from Switzerland and the west have become very careful in choosing their suppliers,” says Garcia. “They want to avoid bad buzz at all costs.” In 2018, for example, an investigation by Greenpeace caused a commotion when it revealed that 12 big brands, including Kit Kat biscuits (Nestlé), Colgate toothpaste (Colgate-Palmolive), Dove soaps (Unilever), Doritos chips (PepsiCo), M&Ms sweets (Mars) and Head & Shoulders shampoo (Procter & Gamble) were using shady palm oil suppliers. Following these revelations, the Swiss agrifood giant – which uses palm oil in its Kit Kat chocolate bars, but also its Maggi instant noodles and Coffee-Mate coffee creamer – suspended 10 of its palm oil suppliers.

And that was just the beginning. For the past several years, NGOs have accused Indofood Agri Resources – the Indonesian supplier for PepsiCo and Nestlé – of paying illegally low salaries, participating in deforestation and stealing land from local communities. Following a petition, the company lost its RSPO certification in February 2019, which led Nestlé and PepsiCo to end their partnership with Indofood in summer 2019.

In order to avoid similar developments, Nestlé began using Starling satellite technology in early 2019. Developed by Airbus, Starling can monitor land from space to ensure that Nestlé’s sub-contractors are not involved in deforestation. But it’s

difficult to control social conditions from such a distance. In September 2019, a study from Solidar Suisse revealed that workers, particularly children, were exploited in some Malaysian plantations from which Nestlé purchases its oil.

“This symbolic pressure from the public and from NGOs is important to ensure that western manufacturers are made aware of their responsibility,” says Garcia. “The challenge is not to stop the expansion of palm oil, but to encourage development methods that have a minimal impact on biodiversity and favour local populations. From an agronomic perspective, oil palms are a fantastic plant. I truly believe that sustainable production is possible.” ▲



Greenpeace activists blocked the Total refinery in La Mède, France, on 29 October, 2019, recalling the threats that palm oil plantations pose to biodiversity.

DAVID ROSSI / KEYSTONE

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## DOSSIER

# 2020: a comeback year for IPOs?

**Many companies postponed their initial public offerings this year because of market uncertainty – but they are ready to go public as soon as conditions are favourable again. Will 2020 be the year?**

BY BERTRAND BEAUTÉ AND LUDOVIC CHAPPEX

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- 46** After fantasies, a return to fundamentals
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- 55** Invest in IPOs with ETFs

Many believed 2019 would be a boom year for IPOs, with a record number of unicorns – start-ups valued at more than a billion dollars – such as Uber, Airbnb, Lyft, WeWork, Peloton and Postmates expected to debut on Wall Street. Not so. As the year draws to a close, 2019 will be remembered as a year of failed, postponed and cancelled IPOs.

In May, Uber had one of the worst IPO performances in recent history. After starting with a float price of \$45, the company's shares are now trading at under \$30. Uber's rival, Lyft, isn't faring much better and has lost roughly half of its share value since going public in April. "In 2019, the big IPOs in the US did not

turn out well," says Pierre Kiecolt-Wahl, partner at Bryan, Garnier & Co and head of the Equity Capital Markets division.

The world's leading ride-share platforms are not the only ones whose share prices have taken a hit. Several other US companies have seen their share prices fall drastically since going public, such as Peloton (the leader in tech-enabled stationary bikes), Slack (a messaging platform) and SmileDirectClub (a teledentistry company). Poshmark, Postmates and WeWork – three other US-based unicorns specialising in e-commerce, delivery services and coworking respectively – had planned to go public in 2019, but back-pedalled at the last minute. Those three IPOs have been postponed indefinitely. ▶

As a result, there were 26% fewer IPOs worldwide in the first nine months of 2019 compared with the same period in 2018, and the amount of money raised fell 24% to \$114.2 billion (see infographic, p. 34). Asia fared relatively well, with only 9% fewer IPOs, while the biggest drops in activity were in the US (-23%) and Europe (-40%).

“2019 was disappointing,” says Philippe Espinasse, CEO of P&C Ventures Limited and author of the book *IPO: A Global Guide*. “The main reason why there have been fewer IPOs is investor sentiment. Investors don’t like uncertainty, and 2019 was filled with uncertainty, from Brexit and the China-US trade war to social unrest in Hong Kong, Spain, Chile, Lebanon and elsewhere.”

In such situations, investors tend to avoid risk. They prefer defensive assets and safe havens over IPOs. In order to maximise their share price and chance of success, several companies have postponed their IPOs and are waiting for market conditions to improve.

**There were  
26% fewer IPOs  
worldwide in the  
first nine months  
of 2019**

In September, for instance, US-based entertainment juggernaut

Endeavor cancelled its IPO, but has not completely shut the door on Wall Street. The company, whose holdings include the MMA Ultimate Fighting Championship, released a statement saying, “Endeavor will continue to evaluate the timing for the proposed offering as market conditions develop.” In other words: Endeavor is ready for Wall Street, but has decided to wait until Wall Street is ready for Endeavor.

#### ABUNDANT PRIVATE FUNDS

If companies can afford to be patient, it’s because there is no shortage of funding available. “Companies no longer need to rush to go public, thanks to the huge availability of private funds,” says Kiecolt-Wahl. “Private funding is now in direct competition with

ISTOCK



lion in May), German neobank N26 (\$300 million in January and \$170 million in July) and French medical appointment platform Doctolib (€150 million in March) – are keeping stock exchanges waiting.

“Private funds will remain abundant for another while yet,” says Kiecolt-Wahl. Does that mean the IPO market will remain lacklustre? Not indefinitely. “IPOs offer venture-capital funds a way out,” says the analyst. “They allow funds to achieve capital gains.” In other words, as soon as conditions improve, funds will be pushing for a return to IPOs.

#### AIRBNB IN THE STARTING BLOCKS

The question is when that return will occur. In an October 2019 *Forbes* article, RiskHedge CEO Olivier Garret said that “2020 is shaping up to be the ‘Year of the IPO,’” with no fewer than 402 unicorns ready to go public. But Sandy Campart, researcher and author of the book *Et si on osait investir en Bourse?*, disagrees: “With abundant private capital and the global economy expected to slow in 2020, I don’t foresee any pick-up in operations next year.”

Many experts fall somewhere in between these two extremes. They are optimistic, but on certain conditions: “If Brexit is completed and China and the US reach a trade deal, the number of IPOs could go up in 2020,” says Philippe Espinasse. “But it will be important for the first IPOs of the year to go well.” Kiecolt-Wahl agrees: “I think we will see an increase in volume in 2020. Many companies have postponed their IPOs, but they can’t keep pushing back the deadline forever.”

Airbnb, the company that revolutionised tourist accommodation rentals, is in the starting blocks. The company announced in September that it intends to go public in 2020, but gave no further details as to exactly when. Others are sure to follow suit. ▲

public funding, that is to say stock exchanges. Companies can choose their source of funding.”

**“Private funding  
is in direct  
competition with  
stock exchanges”**

Pierre Kiecolt-Wahl, partner at Bryan, Garnier & Co and head of the Equity Capital Markets division

to the US press, the controversial company (whose clients include the CIA) is reportedly in the process of raising between \$1 billion and \$3 billion through investment funds, which would put its valuation at over \$26 billion.

Late-stage private funding of “scale-ups” – companies well beyond the start-up phase – is not exclusive to the United States, and has been holding up better than ever in Europe. During the first three quarters of 2019, more than 50 transactions of over €100 million were made in Europe – more than in 2017 and 2018 combined. Several of the companies that raised such huge amounts of private funds – such as UK food-delivery company Deliveroo (\$575 mil-

Data specialist Palantir – a unicorn whose Wall Street entrance is among the most highly anticipated – has been around for 16 years, but it’ll probably be another several years before it goes public. According

On 29 March, 2019, Lyft entered the Nasdaq. But after a promising first day (up 9%), the stock plunged. It is now trading almost 40% below its launch price.



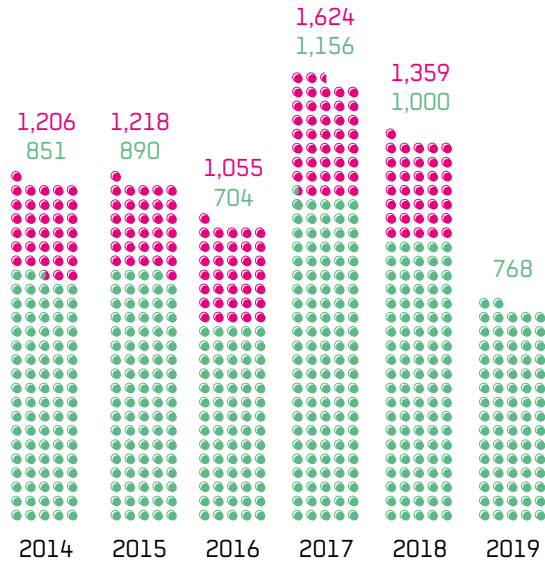
# Glory and setbacks

Whether they bring stunning success or shocking blows, IPOs are rarely boring. Here's an overview.

## A DISAPPOINTING 2019

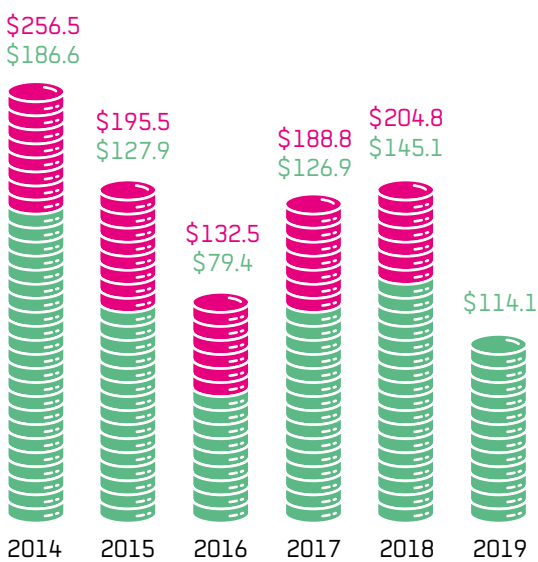
Number of IPOs in the world

- Over the year
- In the first 9 months of the year



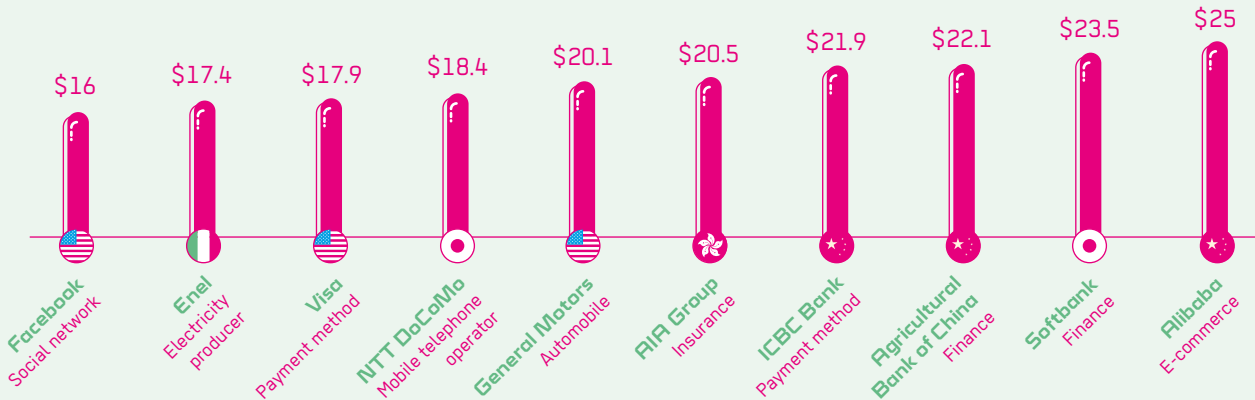
Amount raised (in billions)

- Over the year
- In the first 9 months of the year

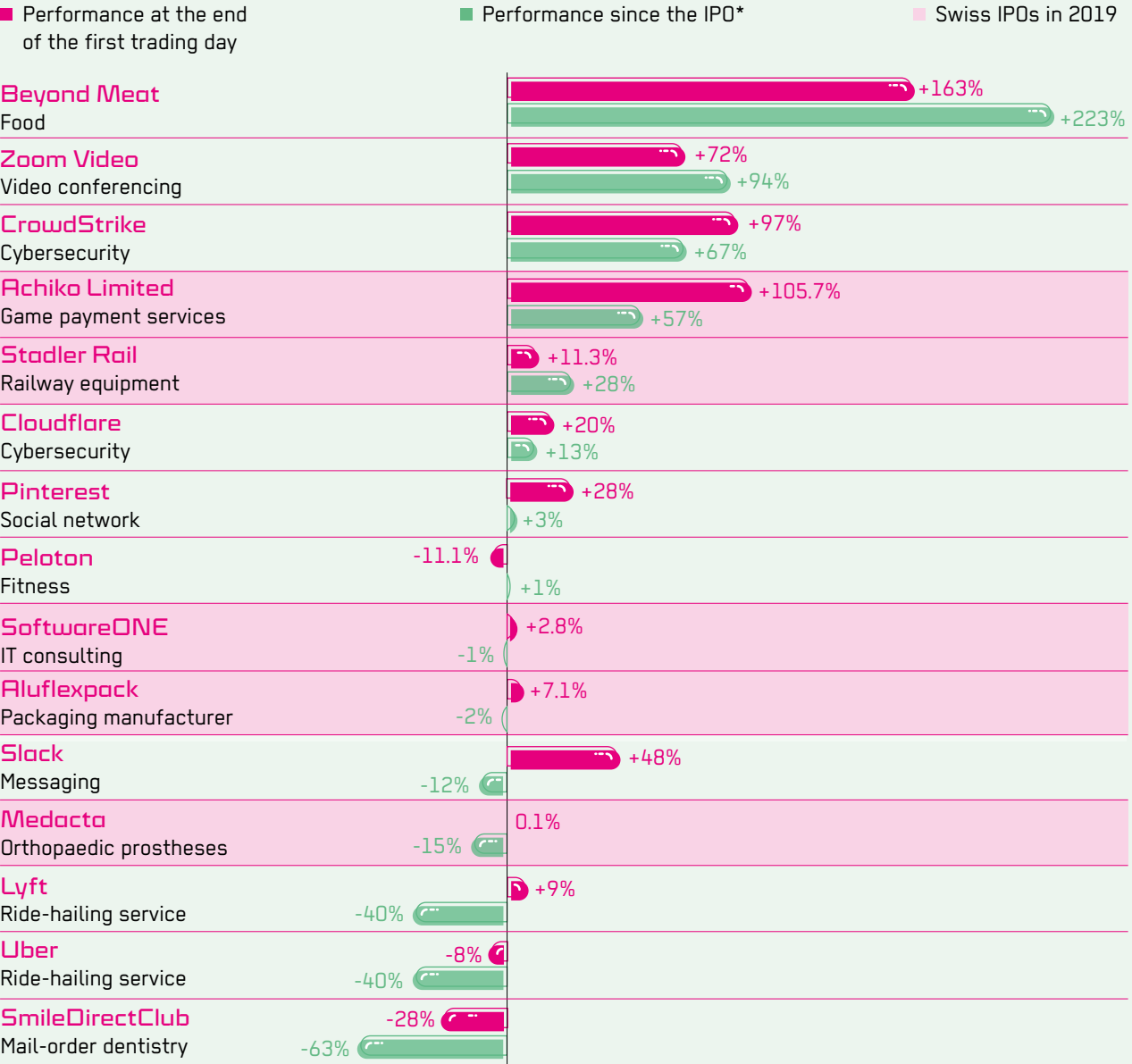


## THE TOP 10 BIGGEST IPOs EVER

(funds raised, in billions)



## THE WINNERS AND LOSERS OF 2019



\*as of 18 November 2019

## NUMBERS THAT SPEAK FOR THEMSELVES

456

The number of companies waiting for an IPO on the China exchange as of 31 September 2019.

+190%

Average performance of a stock at the end of its first trading day on US markets in 2019.

-550%

The decline in the number of IPOs in the UK over the first nine months of 2019, compared to the same period in 2018. Brexit-related uncertainty is the cause of this downturn.

100

The number of IPOs in Europe over the first nine months of 2019, down 40% over one year.

# DON'T MISS THESE 10 IPOs IN 2020

Despite macroeconomic concerns, many companies are preparing to go public. Here are *Swissquote Magazine's* picks.

BY BERTRAND BEAUTÉ

## BITMAIN THE BITCOIN MINER

Will it or won't it? According to Tencent News, the global mining leader Bitmain contacted the US Securities and Exchange Commission in early October, hoping to go public in the near future – although the SEC has yet to confirm this – with Deutsche Bank as a partner. After failing to go public on the Hong Kong exchange in March 2019, the manufacturer of Bitcoin mining machines could be ready to try its luck again.

Why the change of heart? Optimism seems to have returned to the cryptocurrency market. After stagnating at under \$4,000 until April 2019, bitcoin has increased in value once again, reaching the symbolic threshold of \$10,000 in June. In mid-November, Bitcoin fell below \$9,000, well under its record price of \$19,511, reached in December 2017. For Bitmain, whose profitability is linked to the price of cryptocurrencies, this

recovery is a windfall that provides a new opportunity for an IPO (see also the September 2018 edition of *Swissquote Magazine*). Its main competitors – Bitfury and Ebang – are also accelerating their preparations to go public. Chinese company Canaan Creative, the second-largest firm in the industry, has already gone public, joining the Nasdaq on 21 November.

**Optimism seems to have returned to the cryptocurrency market**

But Bitmain has to weather a serious governance crisis which could delay its IPO plans. In late October, the Chinese company dismissed Micree Zhan Ketuan, co-founder and co-CEO of Bitmain. Will this affect its IPO plans? We'll find out in 2020.

FOUNDED  
2013

HEADQUARTERS  
BEIJING (CN)

EMPLOYEES  
3,000

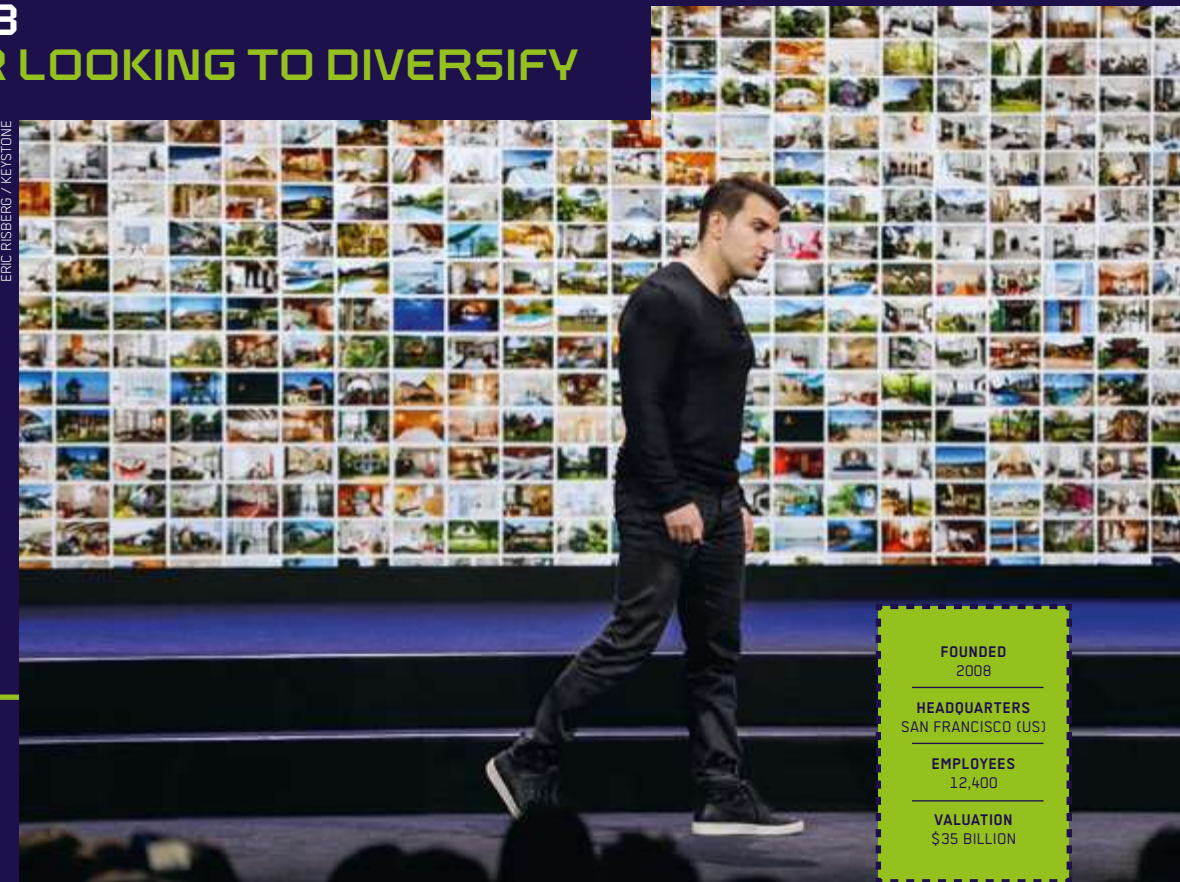
VALUATION  
UNKNOWN



ISTOCK

## AIRBNB A STAR LOOKING TO DIVERSIFY

ERIC RISBERG / KEVSTONE



Airbnb co-founder and CEO Brian Chesky has turned the tables on mass tourism.

FOUNDED  
2008

HEADQUARTERS  
SAN FRANCISCO (US)

EMPLOYEES  
12,400

VALUATION  
\$35 BILLION

The long-awaited news was finally announced on 19 September. In a short press release, the home-rental platform announced its IPO in 2020, with no further details. About time. In the 11 years since it was founded, Airbnb has become a giant, valued at more than \$35 billion, and boasts a network of seven million homes available across 100,000 cities and 191 countries. In March, the company proudly announced its 500 millionth renter.

Is this enough to attract investors? After failed IPOs from Uber and Lyft, two other tech unicorns (see also p. 46), Airbnb will go public in an uncertain climate. But unlike other tech giants, the San Francisco-based company has solid revenue. In early 2019, Airbnb, which doesn't publish any financial results, announced it was profitable

for the second year in a row. Furthermore, the *Wall Street Journal* reported that in 2018, Airbnb's revenue increased by 40%.

**In 2018, Airbnb's revenue increased by 40%**

In recent years, the company has also been trying to diversify its business, particularly through luxury rentals (via its brands Airbnb Plus and Beyond), restaurant reservations and "experiences", such as cookery classes. In April 2019, Airbnb also acquired hotel reservation network HotelTonight. With this diversification, the company hopes to be less dependent on home rentals, which are becoming increasing-

ly regulated by cities in the form of tourist taxes and shorter permitted rental periods for homeowners.

In February, for example, the city of Paris took Airbnb to court for listing 1,000 unregistered homes on the website, with a potential fine of €12.5 million. In Switzerland, the Vaud State Council also wants to further regulate rental properties. It plans to limit rental periods so that owners can only rent their homes on home-share sites for 90 days per year and are not allowed to modify their listing to get more days. According to the Valais tourism association (Tourobis), Airbnb offers nearly 50,000 homes in Switzerland. Valais is the region with the most available rentals with a total of 8,484, ahead of Zurich (5,757), Vaud (4,636), Bern (4,457) and Geneva (4,275).

## CASPER THE DREAM MERCHANT

What do actor Leonardo DiCaprio, rapper 50 Cent and basketball player Carmelo Anthony have in common? All three are investors in Casper Sleep. Founded only five years ago, this New York-based company specialises in selling mattresses online. The concept? Customers order a mattress online with a single click and it is delivered to their door much like Deliveroo: the mattress is rolled up into a box and delivered by bike. Once delivered, customers simply unroll the mattress and wait a few hours for it to return to its normal shape and size. Direct sales with no intermediary make it possible for Casper to offer lower prices than its competitors, and the company quickly became popular with

New Yorkers. Only one month after Casper was founded, sales had already reached \$1 million.

**Customers order a mattress online with a single click**

Since then, Casper has expanded to other markets (Canada, the United Kingdom, Germany, Switzerland and France) and generated \$400 million in revenue in 2018. It's a nightmare for traditional brands. In October 2018, the uncontested leading mattress company in the United States, Mattress Firm, went

bankrupt. It recovered a month later, but only after a huge sacrifice: the company was forced to close 660 of its 3,000 stores.

According to Bloomberg, Casper will now move to its next development stage. Valued at \$1.1 billion, the company is reported to be working with Morgan Stanley and Goldman Sachs in order to prepare for its IPO in 2020. The challenge for Casper is to convince investors that it will not rest on its laurels – because Casper isn't the only company of its kind on the market. Its easily replicated business model has been copied by Leesa, Purple, Tuft & Needle and Yogabed in the United States, Eve Sleep and Simba in the United Kingdom and Tediber in France.

CHRIS WALKER / NEWSCOM



After shaking up the traditional mattress market with its online-only sales, start-up Casper announced in 2018 the opening of 200 brick-and-mortar stores in the United States.

**FOUNDED**  
2014  
**HEADQUARTERS**  
NEW YORK (US)  
**EMPLOYEES**  
4,000  
**VALUATION**  
\$1.1 BILLION

Cloudminds' XR-1 robot, here at the Mobile World Congress in Barcelona, February 2019.



JAVIER LUENGO / AFP

## CLOUDMINDS THE REVOLUTIONARY ROBOT

Presented at the Mobile World Congress in Los Angeles this October, the humanoid robot XR-1, and more specifically the infrastructure that makes it work, impressed visitors. Developed by Chinese company CloudMinds, the XR-1 is one of the world's first robots to be controlled by cloud-hosted artificial intelligence. The data collected by the humanoid's sensors is immediately sent to a server via a 5G connection. This technology lightens the load for the XR-1's inbuilt processor, while also providing unprecedented computing power for a robot.

In time, the infrastructure developed by CloudMinds could simultaneously control hundreds or even thousands of machines. It's ideal to completely robotise a factory,

for example. But the company isn't stopping at just developing artificial intelligence hosted in the cloud. CloudMinds is working on the entire value chain, from software to physical robots. In April 2019, for example, the company presented smart joints designed for the XR-1.

**The XR-1 is one of the world's first robots to be controlled by cloud-hosted artificial intelligence**

To continue its development, CloudMinds filed papers with the SEC in July 2019 for an IPO on

**FOUNDED**  
2015  
**HEADQUARTERS**  
SANTA CLARA (US)  
AND BEIJING (CN)  
**EMPLOYEES**  
700  
**VALUATION**  
\$500 MILLION

the NYSE. The company hopes to raise up to \$500 million. For SoftBank, one of the main investors in CloudMinds alongside Foxconn, this IPO is extremely important. The Japanese investment firm was involved with a series of big IPOs that failed in 2019, including WeWork, Uber and Slack. And this is why CloudMinds's IPO – for which no date has been announced – won't take place until the time is right.



**FOUNDED**  
2009

**HEADQUARTERS**  
BEVERLY HILLS (US)

**EMPLOYEES**  
6,000

**VALUATION**  
\$8 BILLION

An Ultimate Fighting  
contest, a sport li-  
censed by Endeavor,  
in August 2019

DALTON HAMM / NEWS.COM

## ENDEAVOR AN AGENCY FOR THE STARS

In the entertainment industry, Endeavor is known as a small company that became a global giant in just a few years. This growth earned the Beverly Hills company – which is both a talent agency and event promoter – the reputation for having limitless ambition and being ruthless with competitors. When Endeavor cancelled its IPO on 26 September, just a few hours before the first trades on the New York Stock Exchange, the shock was brutal. In one fell swoop, the emperor of entertainment, owner of various competitions such as Miss Universe and the MMA Ultimate Fighting championship, lost its invincibility.

According to the *Wall Street Journal*, the main reason for cancelling

the IPO was the very disappointing performance of smart exercise bike Peloton's IPO a few days beforehand.

### Investors believe in Endeavor's business model

What do the two companies have in common? They're both unprofitable and investors are increasingly sceptical of companies that cannot turn a profit. In fact, Endeavor felt the momentum change. In the beginning, Wall Street expected that the company would raise \$900 million during its IPO. Then, the company revised its offering price

downwards twice: on Thursday 26 September, the day of the cancellation, Endeavor only offered a total of 15 million shares in a price bracket of \$26 to \$27, which would raise "only" \$405 million.

Nevertheless, investors continue to believe in Endeavor's business model. They chalked up the company's recent poor results to an unstable IPO market after WeWork's IPO was suspended. In other words, Endeavor didn't give up on Wall Street. It's just pushing back the date. "We're going to continue to evaluate the offer calendar based on evolving market conditions," confirmed the company in a press release. And according to the experts we consulted, a window of opportunity could open in 2020.

## POSTMATES THE OTHER MEAL-DELIVERY SERVICE

Postmates had planned to go public in October 2019, but after disappointing IPOs from Uber and Lyft, the meal-delivery company decided to put those plans on hold. Experts now say the California firm will likely go public in Q1 2020. That is, if conditions improve by then. Postmates raised \$225 million in September and has raised a total of \$906 million since its 2011 launch.

### Postmates expects to be profitable by 2021

This latest funding round brings the company's estimated valuation to \$2.4 billion. Postmates makes

five million deliveries a month – in many US cities and Mexico City – and generated \$400 million in revenue in 2018. The company is not profitable yet, but expects to be by 2021.

Those plans, however, may run into several obstacles which have cooled the markets and led the company to postpone its IPO. First, Postmates faces intense competition on the US food-delivery market, particularly from applications gravitating around the same market, such as UberEats, Grubhub and DoorDash. Second, the start-up's business model, like Uber's, is based on independent contractors – and that model is being called into question more and more these days.



Postmates is one of those mobile applications based on the collaborative economy: its delivery drivers are individuals wishing to round off their weekends. A precarious model increasingly questioned.

**FOUNDED**  
2011

**HEADQUARTERS**  
SAN FRANCISCO (US)

**EMPLOYEES**  
UNKNOWN

**VALUATION**  
\$2.4 BILLION

GAREN N.

## I-MAB PROMISING IMMUNOTHERAPY

Chinese biopharma company I-Mab Biopharma filed paperwork with the SEC in October in order to go public on the Nasdaq under the symbol IMAB. The company, which hopes to raise \$100 million during its IPO, is now waiting for the right time to go public on Wall Street. It could happen in early 2020 or at the very end of 2019.

**Little-known in Europe, I-Mab develops innovative drugs to treat cancer**

Little-known in Europe, I-Mab develops innovative drugs to treat

cancer and auto-immune diseases. The company's portfolio of drug candidates includes about 10 molecules, including one, TJ202, which is in phase III clinical trials – the last step before going to market – in China. Designed to attack various forms of myelomas (a type of cancer), TJ202 could be available on the Chinese market by 2021 if the clinical trials go well. Over the first half of the year, I-Mab recorded a loss of \$125 million. The company, which has raised \$400 million since it was founded, hopes to profit from the gigantic healthcare market in China. According to estimates from consulting firm Frost & Sullivan, the biological medicine industry, which includes I-Mab, is expected to reach \$189.4 billion in 2030.



**FOUNDED**  
2014

**HEADQUARTERS**  
SHANGHAI (CN)

**EMPLOYEES**  
250

**VALUATION**  
\$800 MILLION

AND ALSO...

### 02, THE OPERATOR ON THE UPSWING

A part of Spanish group Telefonica, 02 is one of the largest mobile telephony operators in the United Kingdom. The IPO, which will finance the costly deployment of 5G, has been expected since 2018 but was pushed back due to Brexit-related uncertainty. If London and Brussels are able to agree on terms, 02's IPO could happen in 2020.

**FOUNDED:** 1985  
**HEADQUARTERS:** SLOUGH (UK)  
**EMPLOYEES:** 6,700  
**VALUATION:** €10 BILLION

### PALANTIR, THE VERY SECRET AGENT

The subject of many fantasies, US company Palantir is in discussions with two banks – Credit Suisse and Morgan Stanley – aiming for an IPO in 2020, according to the *Wall Street Journal*. But other sources say that this IPO, which is highly anticipated by investors, won't happen for several years. Specialising in big data analysis, Palantir was financed from the start by one of its clients – the CIA – via its In-Q-Tel fund, which is how the start-up earned its exciting reputation. But Palantir has other less controversial clients, such as Merck, Fiat Chrysler, Ferrari and Axel Springer.

**FOUNDED:** 2003  
**HEADQUARTERS:** PALO ALTO (US)  
**EMPLOYEES:** 2,500  
**VALUATION:** \$26 BILLION

### EAZE, CANNABIS DELIVERY

Rumours about a potential IPO for US start-up Eaze have been circulating since 2018. This possibility has been very attractive to investors due to the boom in recent years of the cannabis industry. Created in 2014, Eaze is a medical marijuana delivery app. The company expects to generate nearly \$1 billion in revenue in 2020.

**FOUNDED:** 2014  
**HEADQUARTERS:** SAN FRANCISCO (US)  
**EMPLOYEES:** 135  
**VALUATION:** \$500 MILLION



LAURA A. ODA / NEWS.COM

## INSTACART GROCERY DELIVERY

Launched in 2012 in San Francisco, Instacart stands out from other e-commerce platforms such as Amazon. The company has no warehouses and no stock.

**Its employees purchase items in shops chosen by the consumer before delivering them**

Its employees purchase items directly in shops chosen by the consumer before delivering them. With this model, Instacart can

drastically limit logistical problems and associated costs. Instacart, whose employees shop at 20,000 stores in the United States and Canada, is generating double-digit growth.

With this level of success, the company was well-positioned for a possible IPO in 2019. There's no news yet, but rumour has it that Instacart will go public in 2020, especially since Apoorva Mehta isn't hiding anything: "An IPO is definitely on the horizon for us," confirmed the CEO of Instacart on CNN Business.

Instacart founder and CEO Apoorva Mehta at the company's San Francisco headquarters.

## EHANG THE CHAMPION OF FLYING TAXIS

JOE KLAMAR / AFP



On 4 April, 2019, an Ehang 216 drone-taxi takes off in Vienna, Austria, for a demonstration flight. The Chinese manufacturer expects to produce 300 units of its unmanned aircraft by the end of 2020.

FOUNDED  
2014

HEADQUARTERS  
GUANGZHOU (CN)

EMPLOYEES  
300

VALUATION  
UNKNOWN

This Chinese start-up beat out all the aeronautics giants, including Boeing and Airbus. But what is it? In February 2018, Ehang was the first company in the world to fly an unmanned drone in real conditions, a precursor to future flying taxis with passengers on board.

**A video of the device, easily flying through the sky for several minutes, made big waves online**

A video of the device, easily flying through the sky for several minutes, made big waves online, especially because it was released at the same time that Vahana, the prototype from Airbus, struggled to stay in the air for more than one minute without anyone on board.

Founded in 2014, the Chinese company has completed more than 2,000 test flights around the world

to ensure that its self-flying vehicle technology is safe for passengers. It hopes to begin the first low-altitude commercial aerial transport service for people and goods in Guangzhou, China. But to continue development, the company needs cash. In the first half of 2019, Ehang recorded a net loss of \$5.5 million, a continuation of the previous year, in which the company made a loss of \$10.8 million.

To raise funds, Ehang filed the required documents with the US Securities and Exchange Commission (SEC) in October 2019 in order to go public on the Nasdaq. While the date of the IPO is unknown, the start-up, which is being supported in its IPO by Morgan Stanley and Credit Suisse, aims to raise \$100 million according to the presentation. The funds would allow Ehang to maintain its lead in a booming industry. Many start-ups are trying to break into the urban mobility market, which is coveted by ride-hailing services, the auto and aeronautics industries, and delivery companies.

## GITLAB THE DARLING OF SOURCE CODE

Many unicorns are discreet and even secretive when it comes to their possible IPOs. Most don't say if they plan to go public, and when the transaction begins, they hide the exact date until the very last minute. GitLab is doing just the opposite. The California company has already announced its intentions and is perfectly willing to say it loud and clear: its IPO will take place on 18 November 2020.

**GitLab is perfectly willing to say it loud and clear: its IPO will take place on 18 November 2020**

The company, which has developed an open-source software creation platform, has every reason to be thrilled. After Microsoft acquired its main competitor GitHub for \$7.5 billion in June 2018, many developers moved to GitLab (see also the May 2019 edition of *Swissquote Magazine*). According to figures published in the press, the number of projects hosted by the platform increased ten-fold and its revenue jumped 143% this year. GitLab has some big-name clients, including Nvidia and Goldman Sachs.

GITLAB



FOUNDED  
2011

HEADQUARTERS  
SAN FRANCISCO (US)

EMPLOYEES  
880

VALUATION  
\$2.75 BILLION

In September 2019, GitLab, the developer of an open-source software creation platform, raised \$268 million from private investors. Its nearly 1,000 employees are all in telework.

## TOWERCO, THE PYLON GIANT

UK operator Vodafone announced in July 2019 that it would create a new company to regroup its activities in the pylon and relay antenna sector. The goal was for this company to go public in order to reduce Vodafone's debt. The "TowerCo", whose definitive name is still unknown, will be operational in May 2020. It will manage 61,700 pylons, primarily in Germany, Italy, Spain and the UK, for a gross operating revenue of approximately €900 million.

FOUNDED: 2020

HEADQUARTERS: UNKNOWN

EMPLOYEES: UNKNOWN

VALUATION: € 15-20 BILLION

## ROBINHOOD, THE KIND BANDIT OF FINANCE

Robinhood, the Californian start-up where investors can buy and sell shares of companies listed in the United States via an app without broker fees, is slowly but surely headed for an IPO. In 2018, the company hired the former vice president of finance at Amazon, Jason Warnick, to help prepare for this crucial step. Rumours have been flying ever since, and experts predict an IPO as early as 2020.

FOUNDED: 2013

HEADQUARTERS: MENLO PARK (US)

EMPLOYEES: 250

VALUATION: \$7.6 BILLION

## V-ZUG: SWISS HOUSEHOLD APPLIANCES COMPANY

Zug-based industrial group Metall Zug is currently evaluating whether or not to divest of its household appliance division, which sells the V-Zug, SIBIR and Gehrig brands. The transaction could come in the form of an IPO of the subsidiary under the name V-Zug on the SIX Swiss Exchange, by Q2 2020 at the earliest. If this IPO takes place, Metall Zug would still hold a substantial stake in the future independent entity. The household appliance division of Metall Zug generated 593.5 million Swiss francs in revenue in 2018.

FOUNDED: 2020

HEADQUARTERS: ZUG (SWITZERLAND)

EMPLOYEES: 2,000

VALUATION: UNKNOWN

# After fantasies, a return to fundamentals

In the United States this year, most IPOs were from unprofitable companies. But the trend is beginning to shift.

BY BERTRAND BEAUTÉ

Uber prepared its IPO only to then make an incredible loss. Over 2018, the California company lost \$1.8 billion. And the ride-hailing group isn't alone. According to a study from Bank of America Merrill Lynch, more than 70% of IPOs in the United States over the first nine months of the year were from unprofitable companies. This percentage hasn't been so high since 2000 and the burst of the internet bubble.

Should markets be concerned? Since mid-2019, investors are becoming more discerning: "Markets are increasingly interested in profitability and sceptical of the imaginary growth perspectives companies are presenting," said Sandy Campart, co-author of the book *L'introduction en Bourse*. Uber and other unicorns fell hard, whereas other companies decided to push back their IPOs due to a lack of investors. And the fiasco of WeWork, the co-working giant that had to cancel its IPO in late September following revelations

concerning the management of its former CEO Adam Neumann, was the last straw that cooled down the markets.

**"Investors are focusing on profitable companies. Their risk aversion is increasing"**

Philippe Schindler, CEO of consulting firm Heravest

"The recent delay of IPOs could be a warning sign that investors are focusing once again on profitability, given macroeconomic concerns," said Pierre Kiecolt-Wahl, Equity Capital Market partner at Bryan, Garnier & Co. Philippe Schindler, CEO of consulting firm Heravest, agrees: "The hype for IPOs from unprofitable tech companies is over. Investors, who are expecting weak

global growth in 2020, are focusing on profitable companies. Their risk aversion is increasing."

Profitable companies whose perspectives are clearly established, such as US jeans manufacturer Levi Strauss and French lottery operator Française des Jeux (FdJ), had successful IPOs, evidence that investors are leaning towards less risky investments. Even if they don't stand to gain much...

Therein lies the paradox: making big money often means taking risks, as Pierre Kiecolt-Wahl pointed out: "Facebook didn't bring in a cent when it went public. And look at it now! For those who believed in the social network, it's become the best investment in the world. A company's short-term profitability isn't necessarily a deciding factor. Maybe Uber and some of the other unicorns that are currently unprofitable will see the same success. But one thing's for certain: there will be some losers as well." ▴

# "A good Equity story is the key to a successful IPO"

The Chief Financial Officer of Aargau-based Aluflexpack, which was recently listed on the Swiss exchange, shares his experience.

BY LUDOVIC CHAPPEX

Aluflexpack is one of the newcomers on the Swiss exchange. The Aargau-based flexible packaging specialist went public on 28 June 2019. Some of its multinational clients include Ferrero, Jacobs Douwe Egberts (JDE), Sanofi, Müller and Dr. Oetker. Johannes Steurer, an Austrian native and CFO of the company since 2012, walked us through the long journey that led to the IPO.

**Aluflexpack went public on the Swiss exchange on 28 June. What were some of the big challenges of such an operation?**

Going public is a big challenge, particularly for a SME like us, which has fewer resources than a big corporation does. The challenges aren't just limited to legal requirements like creating a detailed listing prospectus. We also had to develop and explain what we call our "equity story" so that our business model, company objectives and growth plans are very clear to investors. That is truly the key to a successful IPO. The marketing events held before the IPO are also essential and need to be

executed very carefully. In total, our preparation before the IPO lasted a year and a half.

**On a personal level, how did you handle this IPO?**

An IPO is typically something that you only experience once in your life as a CFO. So it's difficult to have lots of experience with it. However, many steps are dependent on you. During our preparations for the IPO, I benefited from the experience of our majority shareholder Montana Tech Components, which had already successfully helped Varta complete its IPO two years ago. Hence, I was able to get advice on best practices. One of the things that surprised me was that there was a lot of interest from US investors.

**How much were your partner banks, ZKB and Berenberg, involved in the process?**

A substantial part of the work was done internally, but it's very important to be supported by the right sparring partners during this process. Among others, you can discuss and refine your equity story

with your partners. The SIX team was also very effective in helping us, by setting clear guidelines and promptly responding to our questions.

**Did you learn anything about your own company during this process?**

The IPO helped make the company more transparent. We had to unveil so much information, which helped refine our strategy and our processes. Our internal organisation definitely benefited from the IPO. At the end of the process, our company had a more professional image to share with the public, our clients, our suppliers and our employees.

**Did you ever think of going public somewhere other than on the Swiss Exchange?**

No, being on the SIX Swiss Exchange was a clear choice. We have a production site at Einsiedeln (SZ), and Switzerland, along with Liechtenstein, is our third largest market. Furthermore, the country is stable and is a reassuring environment for investors around the world. ▴

# IPOs explained in 12 key questions

The IPOs of big companies such as Uber, Saudi Aramco and Airbnb are making headlines. But is it worth buying shares in these companies? When should you buy (or sell)? *Swissquote Magazine* has the answers.

BY BERTRAND BEAUTÉ AND LUDOVIC CHAPPEX

1

## Why do companies go public?

Cue the gong. More than one thousand companies around the world go public every year, including a handful on the SIX Swiss Exchange. Sometimes these are big companies, such as Thurgau-based Stadler Rail, which had its IPO in April 2019. But many start-ups also go public, like biopharma gem ObsEva, which has been on the Swiss Exchange since July 2018. While going public helps companies gain credibility, it's not their main motivation. "The main reason why private companies go public is to obtain funds to finance their development," said Pierre Kiecolt-Wahl, Equity Capital Market partner at Bryan, Garnier & Co. "That was the case,

for example, with Basel medtech Medartis, whose IPO we supported in 2018."

Nevertheless, there are other ways to raise money, especially in recent years. Financing from venture capital funds and hedge funds is becoming more common. But since these private equity firms only tend to provide funds for five to 10 years, companies usually end up having to go public. For these funds, an IPO is an escape hatch, allowing them to generate added value. The IPOs of giants such as Uber and Aston Martin, for example, occur in part because the private equity funds want to maximise their profits.

2

## Why do companies choose one stock exchange over another?

One might expect that Swiss companies are listed in Zurich, French companies in Paris and British companies in London. But that's not always the case. In 2016, for example, the Lausanne-based company AC Immune (which is developing treatment for Alzheimer's disease) chose New York, rather than Switzerland. "Companies go public where they have market share or in regions of the world where they wish to expand," said Sandy Campart, author of *Et si on sait*

*investir en Bourse*. "For a company that wants to expand to Asia, for example, going public in that region makes headlines, which increases its recognition." Other factors are also part of the equation: "We chose the Nasdaq because the number of investors, volume of transactions and quantity of available capital are much higher in the United States than in Europe," said Andrea Pfeifer, CEO of AC Immune, speaking to *Swissquote Magazine* in December 2018.



3

## When is the best time for a company to go public?



In March 2019, Levi Strauss & Co made its celebrated return to Wall Street, finishing its first day on the market with its share price up 30%. The date of the American jeans giant's IPO was no coincidence. The company had just published very good results: 2018 revenue was at \$5.6 billion, up 14% over one year. This was due to renewed consumer interest in its jeans.

For companies, there are two good moments to go public: when performance is particularly strong, like Levi Strauss, and when the market is conducive to IPOs. Of course, the best case scenario would be when

both happen at the same time. That's what Uber didn't know how to do. The ride-hailing king, which went public on Friday 10 May, emphasised in the legal documents published before its IPO that 2018 revenue grew 42%, reaching \$11.3 billion. But investors remembered the abysmal \$1.8 billion loss that happened in the same year. Uber could have anticipated the market reaction that had just punished its main competitor Lyft, which was also in the red. Noting the current stock market suspicion towards unprofitable businesses, other companies decided in 2019 to push back their IPOs. Endeavor and Postmates, for example, waited for a better moment.

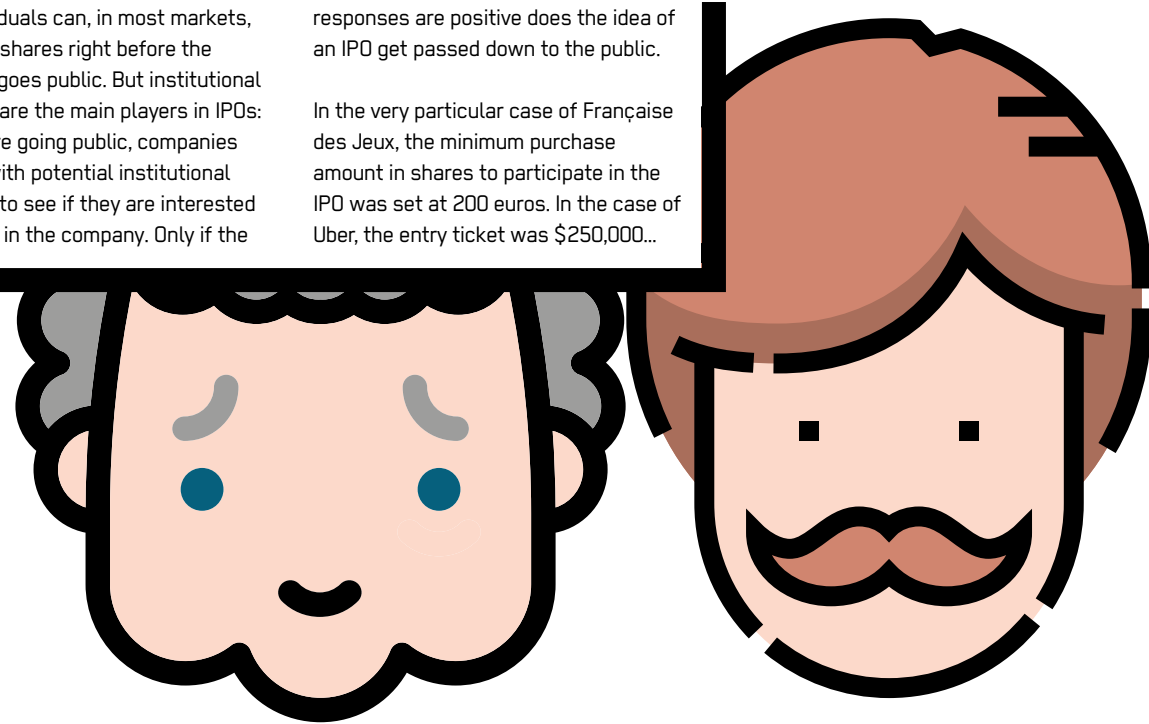
4

## Can individuals invest in an IPO by purchasing shares before a company goes public?

Yes. Individuals can, in most markets, purchase shares right before the company goes public. But institutional investors are the main players in IPOs: well before going public, companies discuss with potential institutional investors to see if they are interested in a stake in the company. Only if the

responses are positive does the idea of an IPO get passed down to the public.

In the very particular case of Française des Jeux, the minimum purchase amount in shares to participate in the IPO was set at 200 euros. In the case of Uber, the entry ticket was \$250,000...

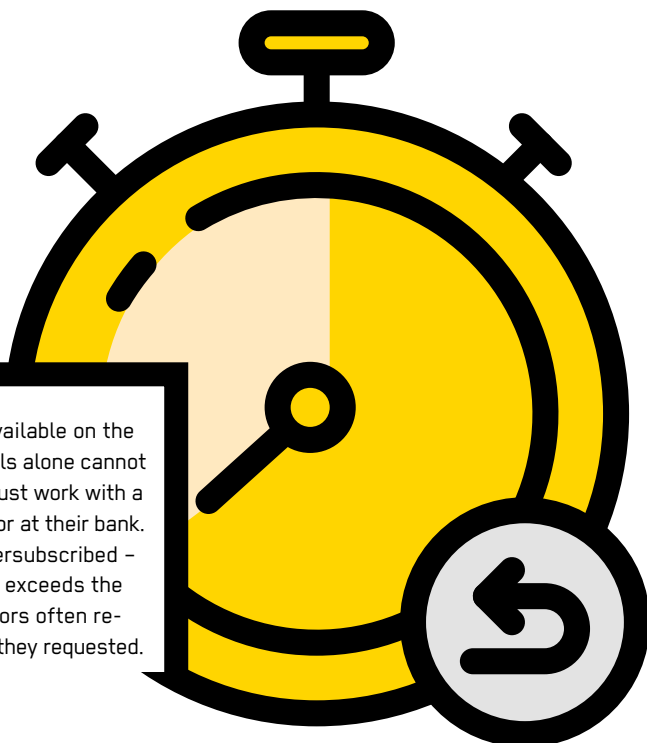


5

## How do you purchase shares before an IPO?

There's only a few weeks between the official public announcement and a company's actual IPO. The subscription period, in which investors can purchase shares before they're listed, is therefore very short. Investors who wish to purchase at this time must act quickly. Since pre-IPO shares are,

by definition, not yet available on the public market, individuals alone cannot purchase them. They must work with a customer service advisor at their bank. As IPOs are usually oversubscribed – i.e. purchasing demand exceeds the available offer – investors often receive less shares than they requested.



6

## How is an IPO price set?

"Nobody wants a stock to fall during its first day on the market," said Kiecolt-Wahl. "Setting the right price is an art form. You have to find the right price that will maximise the funds raised by the company going public, while also ensuring that the stock will grow during its first time on the public market." So how does that work exactly? Companies wishing to go public call on one or multiple partnering banks.

Analysts from these banks will first estimate the value of the company, taking into account its financial results and growth perspectives, and then set an indicative price range. Then, the banks will submit this range to potential institutional investors. If the investors are interested, they place a purchase order in an order book. Based on the demand, the price is adjusted either upwards or downwards.



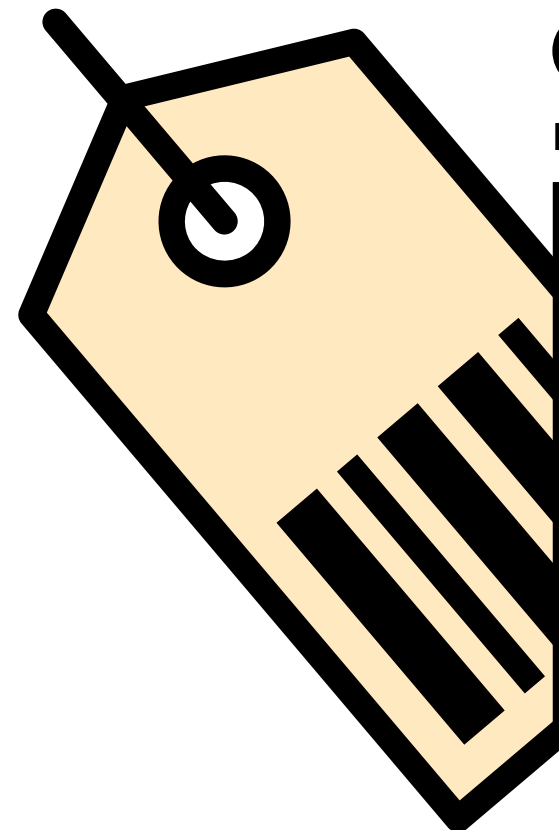
7

## Is the IPO price always high enough?

In theory, the price of new shares must always be slightly less than their true valuation level. This makes the transaction attractive to investors. However, the slump in share prices for Uber, Lyft and Peloton when they first went public shows that this strategy isn't always adhered to. "The process is not transparent. It's quite possible that the price range could increase excessively when the demand before the IPO is high, to the detriment of fundamentals," said Philippe Espinasse, CEO of P&C Ventures Limited. "That leads to an IPO price that is too high. This is particularly true for unprofitable

unicorns and companies supported by investment capital firms, which try to maximise the valuations of IPOs at all costs – without worrying about the consequences – in order to boost their profits. Aston Martin's failed IPO on the London Exchange is an example of this."

Another problem for unicorns is that their IPO price is increasingly evaluated as the sum of all the private funds it received before the IPO, to the detriment of fundamentals such as revenue, profits and growth perspectives.

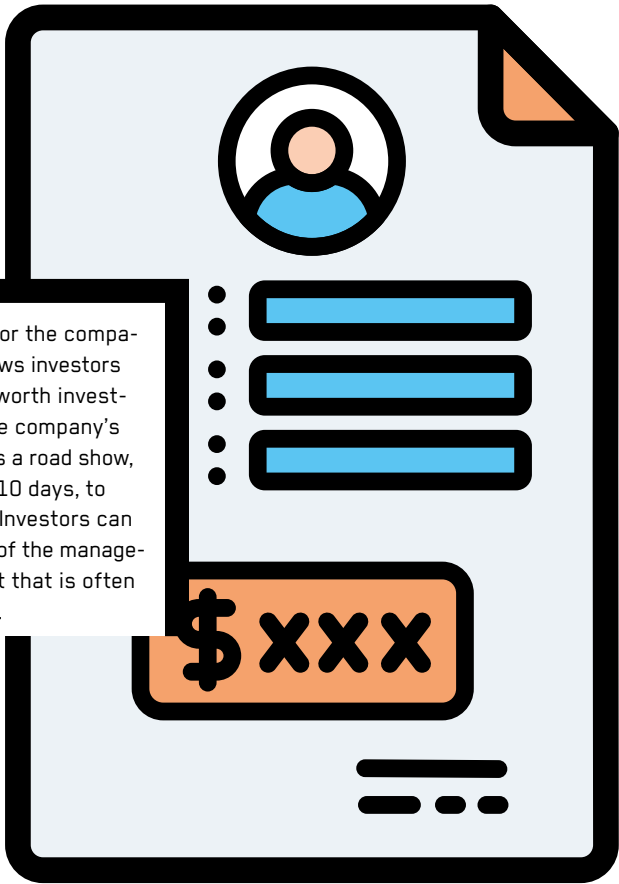


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## How can you estimate the value of a company without knowing the share price over time?

“The best company in the world purchased at too high a price will never be a good investment,” said Kiecolt-Wahl. But then how can you know if an IPO is a good deal, especially since the IPO price doesn’t guarantee future profits? A few weeks before going public, all the candidate companies are required to publish a prospectus, which contains all the

financial information for the company. This document allows investors to decide if the IPO is worth investing in. Furthermore, the company’s management organises a road show, lasting approximately 10 days, to present the company. Investors can then judge the quality of the management team – an aspect that is often forgotten by investors.



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## Are the prospectuses sent by companies before the IPO reliable?

The prospectus is subject to many legal requirements, particularly in terms of financial data. These requirements result in trustworthy information. “In most cases, the prospectus is reliable,” said Philippe Espinasse, CEO of P&C Ventures Limited. Except that in recent years, when some Chinese companies went public on the Hong Kong exchange, some promoter banks were criticised (and fined) by the authorities because they neglected to verify the prospec-

tus of companies that they supported, which led to false declarations. In some cases, the revenue or profits were over-valued. “This type of fraud is, by definition, difficult to detect,” said Espinasse. In autumn 2017, for example, the Hong Kong market authority put 15 financial institutions under investigation for providing “poor quality services” in a series of IPOs. UBS was one of the banks. The Swiss bank was fined 14 million Swiss francs.



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## Should you invest immediately after the IPO?

According to an EY study, share prices have increased by an average of 15.1% the first day they were listed on US stock exchanges and 9.6% on average in Europe in 2018. Safe to say, the general public is indeed interested. Subscribing to an IPO and then selling the shares at the end of the first day the company is public seems like a great plan at first glance. But, in fact, it is a privilege that individuals rarely have access to, since the majority of pre-IPO shares are reserved for institutional investors during the book-building phase (see points 4 and 5 on p. 50).

On the day of the IPO, the offer price is determined based on bids submitted before the markets open. Pinterest, for instance, had an offer price of 19 dollars, and then its shares opened at 23.75 dollars. In other words, by the time shares began trading on the market, the advantage reserved

for the pre-IPO buyers was already gone.

So should individual investors buy shares as soon as possible? “That’s the big myth: thinking that you should jump on a new IPO from the moment shares begin trading, in order to make a lot of money. This is the notorious FOMO (Fear Of Missing Out). It’s actually better to be patient,” said Eve Boboch, portfolio manager at Roppel Capital Management and co-author of *The Lifecycle Trade*. “The study we conducted showed that 55% of IPOs lost value within three weeks of being listed, compared to the price low on the first day – the date when individuals can actually purchase shares. If a stock is to have a sustained price advance, it usually happens after a reasonable period of several months, or even several years after the IPO. Facebook, for example, didn’t truly start performing until more than a year after its IPO.”



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## What pitfalls should be avoided?

“Be wary of companies that seem too good to be true,” said Philippe Schindler, CEO of investment company Heravest. When they begin the process leading to an IPO, companies launch a serious marketing campaign in order to convince investors. And anything goes in order to have a successful IPO. In this context, it is important not to get carried away by the buzz or an emotional response. “The prospectus

for co-working firm WeWork used the word ‘technology’ over 100 times,” said Sandy Campart, author of *Et si on osait investir en Bourse*. “The goal was to convince investors that it was a tech company. But it isn’t at all. WeWork is simply a real estate company with an innovative idea. The entire financial community got caught up in the marketing, which led to an over-valuation and eventually a failed IPO.”

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## What are the consequences of an IPO for the company going public?

Every expert who spoke with *Swissquote Magazine* agreed: an IPO completely changes a company. “CEOs of private companies, who were used to keeping their financial figures hidden, are suddenly required to prove they are transparent. They must reveal their revenue and profits, and publish very detailed accounting documents. Companies must also have an independent board of directors, which is sometimes seen as a loss of control,”

said Campart. “In some companies, this change can be difficult from a cultural perspective.” There is also a lot of pressure. “After the IPO, the share price fluctuates daily, reflecting what the market thinks of the company,” said Pierre Kiecolt-Wahl of Bryan, Garnier & Co. “It’s not easy to manage, especially when the share price drops sometimes unfairly. Some management teams lose control from this daily short-term pressure.”

# Invest in IPOs with ETFs

BY BERTRAND BEAUTÉ

**W**ant to invest in newly listed companies without having to follow the financial news? There’s a simple solution: try exchange traded funds, or ETFs. These funds are traded on stock exchanges and track the performance of a stock index. In concrete terms, an IPO ETF holds stock in several newly listed companies (generally within two years of their IPO). These instruments have a number of advantages compared with directly investing in newly listed companies. First, they are passively managed and therefore require little in the way of time and expertise. They also allow investors to diversify a portfolio efficiently by spreading risk across different assets. Lastly, ETF management fees are low, resulting in low costs. Renaissance IPO ETF, for instance, tracks the performance of several large, newly listed US companies, such as Spotify, Roku, Uber and MongoDB. At 31 October 2019, that ETF was up 28% on the previous year.

### FIVE ETFs THAT SPECIALISE IN IPOs

#### RENAISSANCE INTERNATIONAL IPO ETF

This ETF holds non-US companies that have been public for less than two years.

— IPOs

#### RENAISSANCE IPO ETF

This ETF holds US listed companies during the first two years after their IPO.

— IPO

#### FIRST TRUST INTERNATIONAL EQUITY OPPORTUNITIES ETF

This ETF holds the 50 largest companies that are domiciled outside the US, during their first 1,000 trading days.

— FPXI

#### FIRST TRUST U.S. EQUITY OPPORTUNITIES ETF

This ETF holds the 100 largest US companies during the first four years after their IPO.

— FPX

#### FIRST TRUST IPOX EUROPE EQUITY OPPORTUNITIES ETF

This ETF holds a selection of European companies during their first 1,000 trading days.

— FPXE

# Bayer seeks redemption

Drowning in criticism since it acquired Monsanto, the German pharma and agrochemical giant tries to save its image by educating the public. Its share price has recovered, but Bayer still faces an avalanche of court cases in the United States against its product Roundup.

BY ANGÉLIQUE MOUNIER-KUHN

The decor is modern and peppered with green accents, explicit allusions to plant life. Welcome to the entrance of Bayer's "Public Friendly Lab" in Lyon. This laboratory, where the German giant analyses residue from plant protection agents on food products, opened to the public in September.

"We wanted to make this a space that was conducive for dialogue, a bridge between the general public and scientists," said Philippe Méresse, head of Innovation and External Relationships at Bayer LifeHub in Lyon. In practice, this means a place where consumers

can ask researchers about the safeguards that help keep pesticides off their plates. The target audience for this transparency project is school-children, students, farmers, associations and politicians. "Explaining is the best way to demystify what we do and embodying our words is a way to show that we are proud of our teams," said Nelly Souleymane-Deglaine, head of Communications for Crop Science Projects France.

Journalists who request a visit are also welcome at the research and development centre at La Dargoire (CRLD), one of the four strategic research centres of the Crop

Science division at Bayer. The other three are located in Monheim and Frankfurt, Germany, and Sacramento in the United States. There is one rule: do not ask any questions about the acquisition of Monsanto and the current legal proceedings in the United States against one of its flagship products, the herbicide Roundup, which contains glyphosate.

However, during the presentation of what happens in the lab, taboo words do end up in the conversation. Underneath the polished explanations from employees, we found a passion for their work, as well as defensive comments accompanied

**Between June 2018 and June 2019, Bayer's capitalisation fell 46%**

by disbelief. They believe the debate about glyphosate is "irrational", they question what "people read in the papers", and wonder who is "benefiting" from misinformation.

The acquisition of the US genetically modified seed giant, a company with one of the worst brand images in the world, pushed the Leverkusen

group into an unprecedented crisis of trust. This led to condemnation from an environmentally-conscious public and anger from shareholders. In a rare event in the annals of German history, shareholders issued a stinging disavowal of Bayer's management team, rejecting its strategy during the general meeting in April. This was because of the fall of the

once-booming share price on the Frankfurt Stock Exchange; it had already been removed from the Dow Jones Sustainability Index in 2018. Between June 2018, when the transaction was finalised after approval from the European and American competition authorities, and June 2019, Bayer's capitalisation fell 46% and dropped below €50 billion. This >

is less than the \$63 billion spent to acquire Monsanto and very far from the approximately \$130 billion in capitalisation when the company was at its peak, dominating the DAX in 2015.

According to the *Wall Street Journal*, this poor performance ranks the Monsanto acquisition as one of the most catastrophic stock transactions in recent decades, even worse than the mergers of Alcatel and Lucent, or AOL and Time Warner. However, the end of the story is

still unwritten. From a strategic perspective, the merger of Werner Baumann's company and the US agrochemical giant isn't completely illogical: it will allow the German company to strengthen its position in seeds and what is known as digital (or precision) farming. At the time of the acquisition, Monsanto was the leader in these segments. In other words, by strengthening its weaknesses, Bayer hopes to jump to the top of the Crop Science market, which has an excellent outlook due to global population growth.

**ERRORS FROM TOP MANAGEMENT**  
But integrating two companies isn't always easy. "Bayer wanted to be number one so badly that it completely under-estimated and mis-managed certain risks. All of these errors could have been avoided with a bit more foresight and honesty. The top management at Bayer is entirely responsible," said Lars Schweizer, professor of strategic management at Goethe University Frankfurt.

Indeed, Bayer quickly decided to expunge the Monsanto brand, seemingly ignoring the fact that the brand's Roundup was a live grenade ready to explode. For several years, glyphosate, the main ingredient in the best-selling herbicide in the world, has been suspected of causing cancer. However, Bayer categorically denies the claim, citing conclusions from 800 independent scientific studies and the renewed

approval from US and European regulatory authorities. Except that Germany, the home of Bayer, has decided to gradually ban the use of glyphosate by 2023.

"To date, three juries have delivered a conclusion contradicting Bayer's position," said Carl Tobias, law professor at the University of Richmond. Between August 2018 and May 2019, Bayer lost the first three cases in California against Roundup, brought by individuals with non-Hodgkin's lymphoma, a variety of cancers attacking the immune system. The compensation that Bayer had to pay out to victims was reduced upon second review, from \$289 million to \$78 million, \$80 million to \$25 million, and \$2 billion to \$86.7 million, respectively, and Bayer appealed the verdicts. But complaint cases still pile up on lawyers' desks.

When its quarterly results were published on 30 October, Bayer announced it was involved in 42,700 lawsuits, compared to 13,400 in the spring. According to the company, the increase was due to an onslaught of televised advertisements encouraging Roundup users to take the issue to court. "Advertising certainly plays a role, but it's more due to the fact that more people are learning about the verdicts in California, because the US media writes articles on the subject every week. It makes sense that the number of plaintiffs continues to go up," said Tobias.

Paradoxically, the influx of cases could mean that the group, led by the imperturbable Werner Baumann, could see the light at the end of the tunnel, in the form of a global agreement encompassing all of the legal cases, in which Bayer doesn't have to potentially plead guilty. In May, the US justice system tasked Kenneth Feinberg with leading the mediation between Bayer and lawyers of the plaintiffs. Dubbed the "claims tsar", by *Time* magazine, Feinberg has been involved in many delicate cases: he

administered the September 11 victims compensation fund, as well as the fund for victims of the BP Deepwater Horizon explosion and drivers aggrieved by Volkswagen in the Dieselgate scandal, among others. "It's impossible to predict how long the negotiations will take. The ever-growing number of cases certainly complicates the situation," said Tobias. In his opinion, due to the sheer number of plaintiffs, if an agreement is reached, it could cost Bayer "much more" than \$10 billion, which is the commonly estimated amount for these cases.

**"Any ruling that would close the Roundup cases would end the uncertainty and drive up Bayer's stock price"**

Dennis Berzhanin, equity research analyst at Pareto Securities in Frankfurt

"Even if the dollar amount is substantial, any ruling that would close the Roundup cases would end the uncertainty and drive up Bayer's stock price, which despite everything remains a 'blue chip' stock, the most reliable value on the German exchange," said Dennis Berzhanin, equity research analyst at Pareto Securities in Frankfurt.

Moreover, the change in attitude has already begun to have an impact. A few weeks after Kenneth Feinberg became mediator, the share price ceased its staggering fall, reaching a low point of €52 in June. At the same time, Bayer finally decided to create a special committee to monitor its legal troubles, appointing lawyer John H. Beisner. The Leverkusen group now repeatedly states that it is "constructively" involved in the mediation process and is ready to

reach an agreement that is "financially reasonable". The trials that were supposed to take place this autumn have been pushed back to next year, confirming that negotiations with the mediator have been prioritised. Finally, New York-based activist fund Elliott revealed that it held a stake worth €1.1 billion in Bayer, which is a sign, lauded by investors, that the legal troubles faced by the German group can be overcome.

#### FAVoured BY ANALYSTS

Up nearly 40% from its lowest point, Bayer shares also came back into favour with analysts: according to the latest score from Vara Research, more than half of brokers following the company recommend purchasing shares and only one advises to sell shares. Dennis Berzhanin of Pareto Securities recommends purchasing shares, with a price target set at €84. According to his analysis of the various business activities, the group is doing relatively well overall. The Consumer Health division (wellbeing) seems to be recovering after a series of difficulties. The pharmaceutical division remains stable, even if the pipeline of new products raises questions in the medium- and long-term, as the patents for two of its best-selling drugs will become public domain in 2024. Investments announced in the Animal Health division, a less strategic segment for Bayer, happened sooner than expected and at an attractive price.

Of course, that leaves the Crop Science division, which garners all the attention. "Despite headwinds, Bayer remains on the right track," confirmed Berzhanin. "The glyphosate problem will be quite costly for Bayer, but acquiring Monsanto was a key step towards its objective of becoming the market leader. Now, Bayer is much better positioned than its rare competitors to do so. In time, the transaction will be worth it." Now the only question is: how long will it take? ▀

**When its quarterly results were published on 30 October, Bayer announced it was involved in 42,700 lawsuits**

Activists from environmental associations briefly occupied the headquarters of the multinational Bayer-Monsanto in Paris, on May 22, 2019, to denounce the impact of pesticides.

# “Banning vaping is very hypocritical”

The e-cigarette market is being hit hard by the public health crisis in the United States. But according to French company Kumulus Vape, growth in the industry will soon return.

BY ANGÉLIQUE MOUNIER-KUHN

**A**fter success comes the storm. E-cigarettes first appeared on the market about a decade ago as a less harmful alternative to traditional cigarettes and have enjoyed huge success since. In 2018, turnover for the sector reached \$19.3 billion, with an average annual growth of nearly 23% over the last five years. And then the situation turned sour. In summer 2019, the US authorities announced that vaping had caused several deaths due to strange lung injuries (see inset on p. 61), and the World Health Organization (WHO) deemed e-cigarettes to be “undoubtedly harmful” in a report published in July 2019.

This news sparked a wave of panic: in September, US states Michigan and New York restricted sales of electronic cigarettes, while Massachusetts banned them altogether. Restrictions are also being implemented elsewhere, causing global sales to plummet. For example, on 18 September, the Indian government announced a ban on electronic cigarettes.

The backlash is piling up, but Rémi Baert remains confident. The CEO of Kumulus Vape – a Lyon-based vape SME listed on Euronext – believes the industry will flourish once more after weathering the storm. Find out more in this interview.

Rémi Baert,  
CEO of Kumulus Vape.

**There’s a lot of bad press about e-cigarettes. Are you concerned that it could be fatal to the industry?**

It’s a tough spot to be in, but we’re not stopping now. The current criticism is very much a hodgepodge of information. In the United States, three-quarters of the sick patients said they vaped with THC cartridges bought on the black market, not products sold officially by the vaping industry. So in fact, this is drug trafficking. Our industry is a collateral victim of this crisis. Once the situation stabilises, the market will start to grow again, thanks to the millions and millions of smokers who are trying to quit.

While there are no health warnings in Europe, the entire European market is affected by what’s going on in the United States. In France, the drop in the industry’s revenue is estimated to be about 25% to 30% over one year in Q3. We are seeing the same in Switzerland. But Kumulus Vape is still doing well, because despite everything, in the current year, we’re still growing. Our target is €11 million in turnover for this year, compared to €6.5 million in 2018.

**Do consumers really know what they’re vaping?**

The composition of the consumable, the liquid, is well known. It contains propylene glycol (which allows the product to be vaporised), vegetable glycerine (which produces the oily effect), natural or food flavourings, and sometimes nicotine. Nicotine is addictive, but it’s not harmful to your health. If it was, it wouldn’t be in the patches that can be reimbursed via many countries’ health insurance systems.

Most of the consumable that we sell is made in France, and France produces by far the highest-quality consumables on the market. I’d also like to point out that our industry has never claimed that the products it sells are harmless – we talk about

risk reduction. Many studies have shown that vaping is the best current solution to quit smoking cigarettes.

**“Nicotine is addictive, but it’s not harmful to your health”**

**Are regulations in Europe stricter than in the United States?**

The European market is regulated by the Tobacco Products Directive that entered into force in 2016. In almost all member states, the maximum dosage of nicotine is limited to 20 mg/ml. In the United States, it can be up to 50 mg/ml, which leads to more dependency.

Another major difference is that e-cigarette advertising is banned in most European countries – except the United Kingdom – so it’s not as easy to attract a young target market. US companies that have been blamed for causing addiction among young people, and Juul in particular (35% of which is owned by cigarette maker Altria), have conducted enormous marketing campaigns.

**You’ve never sold Juul products, correct?**

Juul and other cigarette manufacturers did reach out to us. But we have always turned them down. We want to remain independent from the tobacco industry. What’s more, I don’t use the term e-cigarette for our products. I prefer to say “vape”. We successfully built our company in opposition to tobacco. For us, working with a player in the tobacco industry would be like making a deal with the devil.

**More and more countries are restricting vaping, or even banning it outright, like India...**

I don’t want to provoke any conspiracy theories, but our product is a threat to several industries: the tobacco industry, obviously, but also nicotine substitutes, such as chewing gum and patches. India, for example, is the world’s third-largest producer of tobacco and the government is a stakeholder in key companies in the industry. In addition to the economic factors, the health concerns are very significant as well. Tobacco is one of the world’s leading causes of death. I strongly believe that vape companies have a role to play here. So banning vaping is very hypocritical: the “precaution” argument isn’t valid if cigarettes can still be sold. ▲

## A MYSTERIOUS EPIDEMIC

What’s happening to vapers’ lungs? That’s the big question among experts and the general public, as the United States has seen a wave of lung injuries in people who use electronic cigarettes. According to the latest update from the US Centers for Disease Control and Prevention (CDC) as of 22 October, 1604 cases of vaping-related injuries were reported in the United States, resulting in 34 deaths. In 86% of cases, the patients had vaped cartridges containing THC, the psychoactive ingredient in cannabis. The rechargeable cartridges are often purchased from dealers and manufacturing isn’t regulated at all. “The black market is of great concern to us,” said Anne Schuchat of the CDC.

“We have the impression that there are a lot of bad things in e-cigarettes and vaping products.” While blame is focused on liquids from the black market and liquids containing THC, the mystery remains unsolved. “As of right now, we have not identified the cause or causes of the lung injuries,” wrote the CDC. “The only commonality among all cases is that patients report using e-cigarette or vaping products [...]. The compound or compounds causing lung injury remain unknown.” This report could hit the industry hard: shares in Philip Morris (which markets the IQOS) are at their lowest price ever and Altria, which holds a 35% stake in Juul, isn’t faring any better.

# Logitech: at the centre of the game

Now the primary source of revenue for the Swiss group, Logitech's gaming division has unprecedented growth prospects. We take a closer look.

BY LUDOVIC CHAPPEX

Seven: the number of times "gaming" appeared in the letter to shareholders that introduced Logitech's latest annual report. This foreword, signed by CEO Bracken Darrell, explains how gaming will be one of the main development drivers for the company for years to come. And the main message is clear: for Logitech, video games are the top growth driver, alongside video conferencing systems, another booming market.

the boom of the previous year was unprecedented, due to record sales of audio headsets with microphones. There was indeed a rush towards these products due to the popularity of online game *Fortnite* and its "Battle Royale" mode, which became a social phenomenon among young adolescents in only a few months. However, once consumers had all the equipment they needed, it was clear that sales would drop the following year.

For context, the gaming division of the Swiss company increased its revenue by 33% during the 2019 financial year. Its keyboards, mice, joysticks, audio headsets and other devices used for gaming generated \$648 million, or 23% of the company's total revenue, making it Logitech's most important product category. As a nod to this importance, a specific logo (a neon blue G) is used for devices in this category.

So the most recent figures, published at the end of Q2 of the 2020 financial year, seem surprising, since the gaming sector is only showing 2% growth. Suffice to say it is a blatant drop. But this snapshot is misleading:

**"Logitech hopes to become the Nike of e-sport"**

Torsten Sauter, analyst at Kepler Cheuvreux

Analyst and industry expert Torsten Sauter of Kepler Cheuvreux is not concerned with this development. He is very optimistic about the future of Logitech in general and its gaming products in particular. "The gaming division will remain the primary source of revenue for Logitech. All indicators point to its development continuing sustainably."

Indeed, there are many avenues for growth. The boom of e-sport in particular is a catalyst. The Swiss group is also sponsoring many teams and competitions in the industry. "Logitech hopes to become the Nike of e-sport," said Sauter.

This is in addition to a growing population, in which the number of gamers around the world increases every year. According to a report from the firm Razer, a direct competitor of Logitech in the gaming device market, more than 71% of millennials play video games. Analysts believe that this trend will cause sales to gradually


increase. And while the United States and Europe still make up 70% of this market, Asia offers a big opportunity for long-term growth.

And last but not least in terms of changes, the gaming environment is migrating from stationary machines (PCs and games consoles) towards cloud solutions and game streaming. In fact, Google entered the market on 19 November with Stadia, its subscription-based game streaming service, which is a major windfall for Logitech. Unlike closed environments like Sony (PlayStation), Microsoft (Xbox) and Nintendo, Google allows

players to choose their weapons (gamepad, keyboard, mouse, etc.). Furthermore, since subscribers for cloud-based services no longer have to purchase a games console, they have more financial resources freed up to buy devices instead.

Of course, Logitech isn't the only one in this attractive market. Its main competitors include US brands Razer and Corsair, which are both well-known for the quality and finish of their products and each have their own batch of fans. But the Swiss company isn't resting on its laurels. In recent months, Logitech G has

stood out from the crowd with its wireless keyboards and mice. It has also become popular on the e-sport scene. It's a big move, considering that wireless products were until now seen as incompatible with high-level competitive gaming, which requires ultra-reactive equipment.

In its letter to shareholders, Bracken Darrell doesn't hide his ambition: he wants the gaming division to generate 1 billion in revenue, which would be 50% growth. Analysts believe in him. Almost everyone recommends purchasing shares. Sauter set a price target of 47 Swiss francs.  LOGN



Logitech G is one of the official sponsors of the League of Legends European Championship. Developed by Riot Games, the League of Legends game is one of the most popular in the e-sports world. It attracts crowds like here in Colombia in 2018.

# The suit and tie is out

**The last bastion of masculine elegance on Wall Street, Goldman Sachs made its dress code more flexible this spring, following the lead of other companies. The industry's flagship brands, such as Germany's Hugo Boss, are suffering as the suit and tie are gradually decommissioned.**

BY ANGÉLIQUE MOUNIER-KUHN

**M**oss Bros defends its choice, saying it wanted to introduce “gadget marketing”. In late September, the classic UK men's suiting brand launched its new “eco suit” line – full suits for £169 made from recycled polyester, which saves the equivalent of 45 plastic bottles from going to a landfill.

It is still too early to tell if this sustainable suit will find a customer base. But the initiative is proof of the chain's quasi-desperate efforts to boost sales, as its losses have plummeted and its share price has fallen more than 80% on the London Exchange since May 2017. One hundred and sixty-eight years after its first shop opened at Covent Garden, Moss Bros is the victim of the steady decline of business wear – in other words, the classic suit and tie ensemble now ends up sitting in the wardrobe.

Marks & Spencer is also trying to halt the consequences of this phenomenon. The brand, which sells one out of every seven suits in the UK, recently announced it would reduce the amount of clothing in the “suiting” aisles by 14% to make room for more “leisure clothing”.

Predicted over and over again, the suit is now certainly relegated to an archaic status. In March 2019, the internal memo at Goldman Sachs authorising its 36,000 employees around the world to adopt a more “flexible” wardrobe in order to transform the bank into a “more casual” workplace was the final blow to masculine elegance. Not counting exceptions for the technology teams (as Silicon Valley competition requires), the most formal company on Wall Street is one of the last firms of its category to adopt hoodies, polos, chino trousers, and trainers in the workplace.

Invited by Bloomberg TV to comment on the surrender of this former white-collar stronghold, CEO of Hugo Boss Mark Langer was forced to admit that it was unlikely that companies would “go back to dress codes as strict as they were in the 1990s”. In fact, in a survey published this summer by staffing agency Randstad in the United States, 33% of employees surveyed said they would leave their job, or refuse a job offer, if they were required to follow a “conservative dress code”.

**The suit is now  
certainly relegated  
to an archaic status**

And if suits are out of style, ties are even more so. Axel Dumas, CEO of Hermès, admitted early this year that the company was facing “structural decline”, due to sluggish growth in the silk and textile division of the luxury group that is otherwise flourishing. To compensate for slow sales, Hermès intends to convert men into purchasing silk scarves, which are two to three times more costly than its famous patterned ties that once lined rue du Faubourg St-Honoré in Paris.

Companies such as Hugo Boss, listed on the Frankfurt exchange, and Milan-based Ermenegildo Zegna, which is owned by the Zegna family, have the misfortune of being the “pure players” of masculine style, unlike ultra-diverse giants such as LVMH and Kering. As a very high-end brand, Ermenegildo Zegna was just able to maintain stable sales in 2018.

But the company founded by Hugo Ferdinand Boss in 1924, which is positioned as an “affordably-priced luxury brand”, is seriously suffering from the downfall of suits.

It was also penalised this year by sluggish prêt-à-porter sales in the United States – where the German company makes 40% of its revenue – and a downturn in demand in Hong Kong due to ongoing social instability. As a result, when the German company issued a warning about its profits in early October, the share price dropped below €37, its lowest since 2010. For 2019, Hugo Boss is only expecting a total operating profit of between €330 and €340 million, compared to €347 million in 2018.

“There's nothing further to say about the company's strategy in itself. Hugo Boss was able to increase productivity in shops and repositioned itself in two distinct brands: Hugo and Boss. But it's up against unfavourable market trends that it can't do anything about,” said Cédric Rossi, luxury and consumer goods analyst at Bryan Garnier & Co. Business wear still makes up 40% (and more than 50% in the United States) of sales for Hugo Boss. “Even if the company does its best to adapt, it will take time. A company can't change its positioning overnight,” he said. In a recently launched campaign, Hugo Boss had several young athletes casually wear suits in various situations: on a surfboard, skateboard, quad bike and on a basketball court. It remains to be seen if younger generations, attracted by “lifestyle” brands such as Ralph Lauren and Tommy Hilfiger, will be convinced.

In the meantime, like 12 of the 16 responses collected by the Vara consensus, Rossi expects neutral movement for Hugo Boss shares. The analyst himself no longer wears a suit when meeting with clients. And he certainly doesn't wear a tie. ▲

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# TO READ, TO DOWNLOAD



River Grove Books,  
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## FROM TULIPS TO BITCOINS

**A HISTORY OF FORTUNES  
MADE AND LOST IN COMMODITY  
MARKETS**

By Torsten Dennin

Amid dizzying fluctuations in bitcoin and crypto markets, here's a book that will help investors take a step back and broaden their perspective. In *From Tulips to Bitcoins*, professor and asset manager Torsten Dennin examines the history of commodity markets, from the Dutch tulip bubble to the rise of bitcoin, drawing on dozens of significant examples from the past. It's a book that will help you better understand the forces behind this market and the different players involved.



Little Brown & Co.,  
2019  
CHF 30.-

## THE ECONOMISTS' HOUR

**FALSE PROPHETS, FREE MARKETS,  
AND THE FRACTURE OF SOCIETY**

By Binyamin Appelbaum

Economists appear to be inseparable from modern capitalism. We see them everywhere, and they wield enormous power. Their schools of thought and sophisticated calculations help shape executive policy, and thus affect how markets are regulated. But that was not always the case. In *The Economists' Hour*, former correspondent Binyamin Appelbaum explains how economists came to the fore in the 1960s, and the impact their growing influence has had on the global economic system (from ending military conscription in the United States to international telecommunications agreements), from the post-war period to the present day.



Google Play  
Free, purchases  
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## JOHN NESS

### SUPER NES ON ANDROID

Calling all retro-gamers! Here's an app for fans of the good old Nintendo and Super Nintendo consoles. With John NESS, you can play all the classics from those two consoles, provided you have the original games (ROM files, which you need to download on your phone first). But rumour has it they're easy to find (for free) on the internet...



App Store,  
Google Play  
Free

## TIK TOK

### VIRAL VIDEO GENERATOR

Hit sensation of the year, TikTok is the new social video sharing network that is on the rise. The concept? Make and share videos, preferably very short, humorous, and with viral potential. Of course, you can also just view the content created by other users. Addictive and very trendy, especially among youngsters.



Google Play,  
App Store  
CHF 2.-

## FRACTAL BITS

### FOUR BILLION DRUM SOUNDS

This original and creative app combines maths and music. Fractal Bits is a drum synthesiser that uses fractal algorithms to create sounds. The app can produce over four billion unique sounds through an original interface, where the sounds are represented by abstract images and can be fine-tuned using a series of controls.



Google Play,  
App Store  
CHF 8.-

## CARBO

### DIGITISE YOUR SKETCHES

Despite the ubiquity of digital technology today, some people just prefer sketching and taking notes by hand. The Carbo app was designed for them. Users can capture and edit their sketches, and then export or share them on social media.



colmar.it

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AUTO

## The race for perfection

More sophisticated than ever, the new 992-generation Porsche 911 keeps its reputation as a leading sports model while also charting a new course as a paragon of virtue for daily life. It's the perfect vehicle for almost anyone.

BY RAPHAËL LEUBA



Sitting behind the wheel of a 911 is always a unique moment. You can't help but admire the renown and performance of the model, but there's also a trace of humility. On a curved body, the distinctive architecture of a rear-overhang engine might once have been painful for casual drivers, perhaps even dizzying, due to its propensity to under- and oversteer with a noticeable lack of nuance.

The new "992" Carrera 4S maintains the reputation for being a touch wild, but is paired with the real manageability of the previous generation (991). With each new version of its star model, Porsche put in a tremendous effort to design a two-plus-two that is even more suited to daily life, especially with the Carrera 4 and 4S four-wheel-drive versions that now reach 385 and 450 hp respectively.

With a keyless entry to the left of the steering wheel, start the car and you'll find that the Carrera 4S handles spectacularly at all times, even as it reaches 306 km/h with ease. The dual-clutch gearbox with an eight-speed system, enables a defensive driving style with the "Normal" mode, ideal for highways, and the new "Wet" mode is perfect for rainy days.

**To change the setting sequentially, shift the metal paddles at the steering wheel**



**PORSCHE 911  
CARRERA 4S**

**ENGINE:**

SIX-CYLINDER BOXER, BITURBO, 2,981 CM³

**HORSEPOWER:**

450 HP AT 6,500 RPM

**0-100 KPH:**

3.6 SECONDS

**PRICE:**

STARTING AT CHF 167,100

Where the supercharged 3L six-cylinder boxer really shines, however, is in "Sport" mode, with its flexible spontaneity. It's quite different from the naturally aspirated 3.8 L engine of the 991 (phase 1). As an accompaniment to the impressive acceleration, the metallic tone characteristic of the "flat-six", not too distorted by the graft of the two turbocompressors, can be amplified at any time via an active exhaust. There's also the Sport Plus setting, which is perfect for racing.

To change the setting sequentially, shift the metal paddles at the steering wheel. Behind the wheel, two screens on either side of the analogue tachometer display revolving information, including maximum speed limits in real time (especially useful), transfer of power to the front wheels, and acceleration forces. Except for controls used to regulate temperature, most of the additional functions are accessible ▶

via a large touchscreen. This alone justifies the presence of active sway control, since the ultra-sharp steering doesn't allow you to keep your hands on the touchscreen's menus for very long. Another minor source of complaint in this detailed, luxurious universe is the A-pillar, which has continued to move downwards with newer generations and now hinders visibility to the left. That said, the 911 remains undoubtedly one of the easiest sport coupés to manoeuvre, thanks to its altogether minimal size (4.52 m), a lift on the front axle for clearing speed humps and access ramps, and reliable peripheral views provided by cameras.

The turning radius has also been reduced to a remarkable extent, a small miracle made possible by an outstanding rear directional axle, which is not included in the base price, much like the other features. As well as ensuring manoeuvrability, the four-wheel-drive makes the

vehicle both extremely agile and stable in Sport mode, so much so that the handling could be described as neutral (which would have been a challenge for a 911!). As a result, the limits of the Carrera 4S on the open road are virtually unfathomable.

**The 911 remains undoubtedly one of the easiest sport coupés to manoeuvre**

The brakes are stellar, and the engine's abundant power propels you to illegal speeds before you have time to realise. In that sense, the naturally aspirated engine, while much less vigorous in the first zone of the tachometer, was slightly more gratifying with its additional reach of 400 hp at 7,400 rpm, compared to

450 hp at 6,500 rpm for the current biturbo. During the trial, we used up between 10 and 18.5 L of petrol (index 98) over 100 km, with the average being somewhere in the middle. Far from the plant's figure of 9.0 L then, although admittedly the *Swissquote Magazine* drivers pushed the limits fairly often.

While the 911 Carrera 4S could incarnate a certain idea of automobile perfection, especially when fully loaded with options that tip the scales from the base price of 167,000 Swiss francs to a total of 203,390, it is nonetheless reasonable to dwell on its stylistic nuances. Particularly the band of rear lights, the cut of the dynamic spoiler, the vertical brake lights, and the (removable) door handles that can be grasped with the tips of your fingers. At the very least, this proves that at Porsche, improvement is not just a hollow slogan. Even among the most steadfast models. ▲



JAGUAR V8 5.0 L 550 AWD

The successor to the E-Type of the 1960s, the F-Type has a highly favourable price-feature ratio. The 550 hp 5 L V8 compressor engine is impressive in both two-wheel and four-wheel drive. Also available as a roadster. 5.0 L 550 AWD at CHF 133,000.-



MERCEDES-AMG GT

A showcase of Mercedes' sport vision, this lightweight two-seater coupé is powered by a 476 hp 4 L V8 biturbo front engine. It also boasts rear wheel drive and seven-speed transaxle dual-clutch transmission. Also available as a roadster. AMG GT starting at CHF 155,599.-

THE COMPETITION

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## TRAVEL

## Ski touring in paradise

Crans Montana offers a safe environment for ski touring within the world's biggest ski-touring park, called "Rando Parc". The park's 15 marked trails offer beginners and experts alike a chance to slip on their ski skins, head away from the downhill runs, and soak up views of the lofty 4,000-metre peaks. We tested three of the trails.

BY GENEVIÈVE RUIZ PHOTOS:  
OFFICE DU TOURSIME MONTANA / OLIVIER MAIRE



### Larches, kick turns and good food

The soft crunch of ski skins on snow and the faint chatter of alpine birds are the only sounds that meet our ears. We set off just minutes ago from Arnouvaz, which was bustling with ski schoolers and ski lifts. But here we are, in another world entirely, where silence reigns almost unchallenged.

The climb is unrelenting on Rando Parc Trail 6 ("L'Arnou d'Er") at Crans Montana. But the trail takes us through forest and glade, offering breathtaking views of alpine summits, including the Weisshorn and the Zinalrothorn. After crossing a ski run, the slope gets steeper and we find ourselves having to do a couple of kick turns. Those who are already feeling tired at this point can stop and rest at the Chetzeron hotel and restaurant, which sits atop the slope. Built in 2014, Chetzeron is a converted gondola station that combines luxury and contemporary architecture. It offers a refined menu featuring local products, as well as a selection of drinks for those who just want to take a quick breather.

After all, you won't want to cool down too much before heading back out. The next part of the trail looks out over the majestic cirque surrounding the lake above the Zeuzier dam. The trail is uneven and requires a little concentration. Before long, the buildings of Cry d'Er Club d'Altitude appear in the distance. But we still have 15 minutes to go before reaching the trail's end. Then we can give ourselves a pat on the back for having climbed 546 metres!

#### L'ARNOU D'ER

TRAIL NO. 6

+546 M

3.9 KM

## The locals' favourite trail



there's not a soul to be seen. No surprise, then, that the trail is a favourite among locals, who do the 729-metre climb for training or just for fun.

After the Marolires gondola station, La Violette becomes more difficult. The trail bends to the right and starts to climb. After crossing under the Cabane de Bois chairlift, we step into an immaculate landscape of undulating terrain dotted with a few hardy pines. If you're lucky, you might even spot a chamois here. The last leg up to the top of the Les Violettes gondola is quite a challenge for less experienced skiers. But you'll be happy to know that you can try some Valais specialties at Cabane des Violettes, a traditional chalet built atop a rocky outcrop at an altitude of 2,208 metres.

**LA VIOLETTE**  
TRAIL NO. 7  
+729 M  
4 KM

Rando Parc Trail 7 ("La Violette") starts in Barzettes, at the finishing area for a number of FIS race courses. But if you came here to get away from civilisation, you can rest

assured that the trail quickly leaves behind all other marked paths and meanders through a beautiful forest overlooking the Rhône valley. We go by a few chalets, and suddenly

## TIPS FOR GETTING STARTED

Weight is crucial when it comes to ski touring. There are ultralight versions of all equipment, from bindings and boots to backpacks and skiwear. But depending on your skill level and objectives, you'll need to compromise. Minimising weight often involves forgoing certain luxuries and sacrificing comfort – using ski brakes, for instance, prevents you from losing your skis if you fall, and wide ski tips are heavier but give you a more enjoyable ride downhill. Beginners are typically advised to rent their equipment:

cross-country skis, ski skins, boots and poles. There are several equipment-rental shops at Crans Montana. You can wear downhill skiwear if you want, but you may get too hot if you're going uphill on a sunny day (the resort faces due south). The secret is to layer: light ski underwear, fleece, then Gore-Tex outerwear. A hat and thin gloves may be worn for going uphill. A backpack is essential for storing your layers as you remove them, and for holding any gear you'll need for the way down, such as extra underwear,

a warm hat and gloves, a helmet and goggles.

Ski touring is a physically demanding sport, especially if you haven't yet mastered the technique. Beginners should therefore pick an easy, level trail, such as Rookies (a 212-metre climb), which starts at Crans, or Petit Loup (see p. 77), which starts at Aminona. Don't forget to bring enough liquids and snacks with you. Also, keep some plasters in your backpack for blisters, which are common with new boots.

## A gentle trail with stunning views



After the Aminona gondola was taken down in 2014, the surrounding mountains once again became a place of calm and tranquillity. The resort later opened "Grandeur Nature", a centre offering an array of activities for visitors looking to discover unspoilt landscapes. The scenery is spectacular from the very start: heading out from the former gondola car park, we enjoyed a stunning panorama of several "four-thousanders", including the Matterhorn. Rando Parc Trail 13 is called "Petit Loup". Less technical and less physically demanding, it's perfect for beginners. The trail starts off on a gentle slope, following a little track used to access the alpine pastures in summertime. The trail then turns and heads towards Aprili, a

lovely mountain pasture with a few scattered chalets. The view there is perhaps one of the most beautiful in the entire Haut-Plateau – and that's saying something! The trail continues through a sparse forest, and then turns right and ends in the hamlet of Colombire. This little grouping of five chalets was renovated by a local association. There's an ecomuseum that explains all about mountain life of yesteryear, and a restaurant offering a number of traditional regional dishes. There are plenty of ways to relax too, whether warming up indoors by the fireplace or lounging in a deckchair outside. ▴

**PETIT LOUP**  
TRAIL NO. 13  
+325 M  
2.9 KM

## RANDO PARC OPENING HOURS

All 15 Rando Parc trails at Crans Montana are open during the same hours as the downhill skiing areas. A one-day pass costs 5 Swiss francs.  
[crans-montana.ch/en/randoparc](http://crans-montana.ch/en/randoparc)



## WHERE TO STAY

### COLOMBIRE

The hamlet of Colombire is a small group of authentic chalets located above Aminona, at an altitude of 1,850 metres. Experience the great outdoors in traditional lodgings.  
[colombire.ch](http://colombire.ch)

### CHETZERON

This hotel and restaurant is located right on the slopes at Crans Montana, at an altitude of 2,112 metres. Its 16 eco-friendly rooms and suites offer luxury and unbeatable views.  
[chetzeron.ch](http://chetzeron.ch)



# BOUTIQUE



## A DESIGNER BIKE IN YOUR LIVING ROOM

Don't hide your exercise bike in the corner anymore. This designer bike is a perfect match for even the most stylish homes. With Fuoripista, Italian designers Davide and Gabriele Adriano designed a luxurious interpretation of an exercise bike: a bull-shaped steed crafted from crystal, wood and steel. Riders can virtually scale even the steepest mountaintops thanks to a connected tablet on the handlebars. A classy way to pedal.

[fuoripista.eu](http://fuoripista.eu)  
CHF 14,998.-



## SELF-PLAYING CHESS

A game of chess with pieces that move on their own is the fanciful idea behind Square Off. Designed by an Indian start-up, this smart chessboard allows users to play against online opponents or artificial intelligence with 20 varying levels of difficulty. Two robotic arms hidden inside the board move the pieces via a magnet.

[squareoffnow.com](http://squareoffnow.com)  
CHF 389.-



## A TASTE OF SWISS CAVIAR

Located in the Bernese Oberland, the Tropenhaus Frutigen is home to sturgeons producing a "made in Switzerland" caviar under the brand Oona. Each year, Oona designs a gift box with illustrations from an artist. Honouring Osietra Carat, the leading Swiss caviar made from Russian sturgeon, the 2019 vintage comes in a box signed by Basel musician and producer Antoine Konrad, also known as DJ Antoine.

[oona-caviar.ch](http://oona-caviar.ch)  
CHF 325.-

## TOASTY TOES

Inspired by Valenki, traditional shoes worn by nomads of the Great Steppe, these boots by Swiss brand Baabuk are made from New Zealand wool and crafted by hand from just one piece of material. With a high-quality merino wool lining and durable rubber soles, the boots keep your feet warm in up to -30 degree weather. Tried and tested in the South Pole.

[baabuk.com](http://baabuk.com)  
CHF 215.-



## THE ULTIMATE MONITOR FOR GAMERS

Any gamer would be thrilled by the technical specs of the latest toy from Asus, designed for PC users. The ultra-wide 35-inch curved monitor (number: ROG Swift PG35VQ) is full of sophisticated features, including a 200-Hz frequency and the latest G-Sync technology for optimal fluidity. The price stings a bit, but there's no better monitor on the market right now.

[asus.com](http://asus.com)  
From CHF 2,430.-



## FOCUS ON THE ESSENTIALS

The newest model from Blancpain, the Villeret Ultraplate is the contemporary version of a classic, one of the brand's best-sellers. The hour and minute hands crafted in the shape of cut-out sage leaves glide over the gold Roman numerals on the dial. The power reserve indicator is engraved on the back. The Villeret Ultraplate is available in red gold with an opaline dial or steel with a white dial.

[blancpain.com](http://blancpain.com)  
CHF 9,000.-



## A MINI GPS FOR CYCLING

Lightweight, practical and functional, the removable cycling computer from Beeline is very easy to attach to your handlebars or stem, much like you would fasten a watch. After planning their route via the companion app, riders can keep their smartphones safely tucked away in a pocket or bag. An arrow clearly indicates which direction to turn and the distance to the next intersection. Stylish and clever.

[beeline.co](http://beeline.co)  
From CHF 129.-



## TRIED AND TESTED

A WORKOUT  
AT 3 A.M.

BY BENJAMIN KELLER

24-hour fitness clubs are on the rise in Switzerland. You can now hop on the rowing machine at 3 a.m., if you want. Our reporter gave it a try.

Never did I think I'd be rowing in the middle of the night. On a fitness machine. For starters, I hadn't set foot in a gym for years. I'd much rather be running in the woods or playing squash with a friend than lifting weights or pedalling a stationary bike while watching R&B videos. Plus, 24-hour fitness centres are relatively new to Switzerland. But now, if you're up for it, you can hop on a cardio machine at 3 a.m. And since I'm adventurous, I decided to set my alarm and give it a try.

When my phone alarm sounded, snapping me out of dreamland, all I wanted was to shut my eyes again and think of some other topic for my article. It was so cold outside... I eventually managed to drag myself out of bed and wolfed down an apple before setting off to face the darkness. Luckily, the club (whose name I won't reveal, given the welcome I received when I introduced myself as a journalist) happened to be just a five-minute walk from home. The city centre was completely empty, and I felt a little uneasy. I'm not usually out in the streets at that hour – not sober, anyway.

There's no one at the reception desk at night, so to get in you need to enter a code and then place your index finger in a fingerprint reader.

**It's not so bad  
having all  
the machines  
practically to  
yourself**

Surprise: it didn't work for me, and I was locked out. I called the hotline. A very friendly (and awake) woman opened the door remotely from who knows where. There were no staff members inside: no coaches, no one. A video-surveillance system was in operation for security purposes. But I wasn't alone. Two young men had also decided to forgo sleep: one nonchalantly pumping iron, the other sweating buckets on a bike.

**"NO PAIN, NO GAIN"**

The ambiance was strange. With all the lights and psychedelic music, it felt like I was at some sort of nightclub. All that stimulation gave

me a boost, and after changing I was ready for action. I went over to the machines. All the classics were there. I started with the rowing machine, my greatest enemy way back when I used to go to the gym. After five minutes and just shy of one kilometre rowed, I already needed a break. My arms were burning, and I was having trouble keeping my back straight. Above my head was a sign with blue letters that read: "No pain, no gain". You can say that again.

I decided to do a bit of cycling and chose the bike farthest from the one already occupied by one of my two companions, who continued pedalling away like a bat out of hell. We were all carefully avoiding one another, and I realised that, being just a small group of three, we were way more self-conscious than if there had been 50 of us. That said, it's not so bad having all the machines practically to yourself – that's actually the best part of working out at night. But to be honest, working out at night is really just for insomniacs and people working the night shift who want to get some exercise before or after work. Because after one hour of working out, good luck getting back to sleep... ▴

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