N°6 DECEMBER 2020

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SWISSQUOTE

FINANCE AND TECHNOLOGY UNPACKED

CO_2
The dirty tricks of car manufacturers

ALIMENTATION
Frozen food makes a comeback

FITNESS
At-home exercise is booming

DOSSIER

DIVIDENDS
TIME FOR RECOVERY

The impact of the pandemic | The Swiss exception | How to outperform

ISSN 2296-3278

Un nouveau départ

Par Marc Bürki,
CEO de Swissquote

Après des mois de confinement, alors que des pans entiers de l'économie sont ébranlés, nous voyons une lueur d'espoir poindre au bout du tunnel. À l'heure d'écrire ces lignes, la pandémie semble commencer à diminuer en Europe et en particulier en Suisse. Et, pour éviter une troisième vague, plusieurs entreprises pharmaceutiques ont rapporté des résultats prometteurs quant à l'efficacité de leurs vaccins respectifs contre le coronavirus. Enfin des bonnes nouvelles !

Dans ce contexte, nous espérons tous que l'économie redémarrera avec vigueur en 2021. Et avec elle, le versement de dividendes. p. 30 En 2020, la rétribution des actionnaires a subi un violent coup d'arrêt dans le monde, avec une baisse annuelle de 15% au moins par rapport à 2019, selon les chiffres du Janus Henderson Global Dividend Index. S'il faudra au moins deux ans pour que les dividendes mondiaux retrouvent leur niveau pré-covid, ils pourraient rebondir de 12% dès 2021. Dans ce domaine, la Suisse p. 35 fait néanmoins figure d'exception mondiale, puisque le niveau des dividendes n'a quasiment pas baissé cette année dans notre pays par rapport à 2019. Une prouesse due à la solidité des firmes helvétiques.

En cette période de crise sanitaire mondiale, la thématique de ce dossier pourra heurter. Le fait que des sociétés continuent à rétribuer leurs actionnaires apparaît à certains comme une décision indécente, au moment où de nombreuses entreprises sont forcées de licencier ou ont recours au chômage partiel, voire bénéficient d'aides étatiques. Ce sentiment n'est pas totalement injustifié, et nous n'éludons pas la controverse. p. 38 Mais notre approche éditoriale nous incite à nous tourner vers l'avenir, lequel devrait s'éclaircir.

Bonne lecture, et joyeuses fêtes de fin d'année !


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Dividendes : l'heure du rebond


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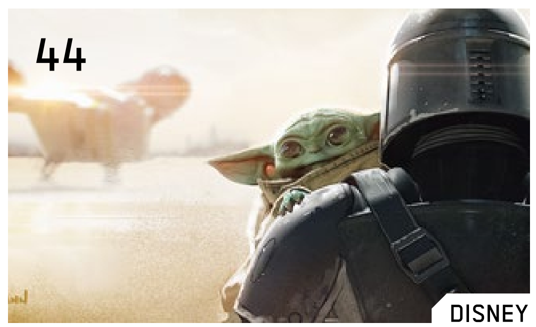
20 BELIMO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SOMMAIRE

MICROSOFT / BELIMO / DISNEY / PELOTON / AFP / TOURISME NEUCHÂTELOIS / GETTY IMAGES

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SCANS

“We cannot help every company. We must save the ones that are worth it. We need to be selective”

Fabio Regazzi, president of the Swiss Small Business Association (USAM), in the daily *Le Temps*.

$189 BN

The projection of online holiday sales in the United States, which is a 33% increase compared to 2019 according to Adobe Analytics.

Check-up time for Microsoft's data centre. This cylinder, filled with computer servers, was experimentally submerged near the Orkney Islands in northern Scotland.

MICROSOFT

cloud

MICROSOFT'S UNDERWATER DATA CENTRE IS A SUCCESS

After being underwater for two years off the coast of Scotland, Microsoft's data centre successfully came back to the surface in September. The project, dubbed “Natick”, involved placing a watertight cylinder, 12 m long and 2.5 m wide containing 864 servers and a cooling system, underwater. After testing, Microsoft researchers confirmed that the failure rate of the servers was eight times lower than that of a traditional data centre. The project was successful for two main reasons: the absence of oxygen (replaced by nitrogen) and better protection against human error (technicians in traditional data centres sometimes bump the machines). The environmental footprint was also reduced, since the submerged cylinder needed less cooling. MSFT

digital

AMAZON ONE: CONTACTLESS PAYMENT WITH THE PALM OF YOUR HAND

AMAZON

Two Amazon Go shops in Seattle are currently testing a new payment solution using biometric recognition. Since facial recognition software is banned in the United States in the wake of anti-racist protests, Amazon opted for a biometric system in which users place the palm of their hand above a device for their hand to be recognised by the system. The Seattle group already announced that it plans to offer this service to third-party clients such as other shops, stadiums and corporate offices. But the security of Amazon cloud servers was questioned, because the palm scans are being stored in the cloud: since you can never change your biometric data like you can with a username or password, a security breach would have serious consequences. This payment method will be difficult to implement in Europe where laws are much more restrictive. AMZN

smartphones

BLACKBERRY'S RENAISSANCE

BLACKBERRY

After a long descent into hell, the Canadian company is back in the spotlight. The firm has repositioned itself in connected device software, which includes software for vehicles. After the Jaguar Land Rover, BlackBerry's QNX computing system will equip models from Xpeng, the Chinese electric vehicle start-up supported by Alibaba and Xiaomi, and the main local competitor of Tesla. Moreover, Blackberry is still active in the smartphone market. A new 5G model with the brand's iconic physical keyboard is expected on the market in 2021, produced by Onwardmobility and Foxconn. BB

70 M

The number of male Chinese citizens from which Beijing took DNA samples, which is approximately 10% of China's entire male population, which would be sufficient to find and identify any male member of the same family (*New York Times*).

RANKING

TOP 5 HIGHEST FINANCED EUROPEAN INDUSTRIAL SECTORS

(from 5 to 30 October 2020, in millions of euros)

1. FINTECH — 695 M
2. HEALTHTECH — 468 M
3. AGRITECH — 319 M
4. AI — 266 M
5. EDUCATION — 234 M

Source : Tech.eu

TOP 5 START-UPS FOR WHICH INVESTORS ARE EAGER FOR AN IPO

(October 2020)

1. AIRBNB
2. SPACEX
3. ROBINHOOD
4. STRIPE
5. IMPOSSIBLE FOODS

Source : EquityBee

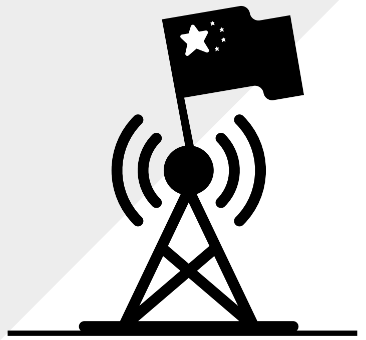
TOP 5 MOST POPULAR MESSAGING APPS

(October 2020, number of active monthly users in millions)

1. WHATSAPP — 2,000
2. FACEBOOK MESSENGER — 1,300
3. WEIXIN / WECHAT — 1,206
4. QQ — 648
5. SNAPCHAT — 433

Source : Newzoo

SCANS



110 M

The number of Chinese residents who already have a 5G subscription, making China the largest market for this technology in terms of number of users.

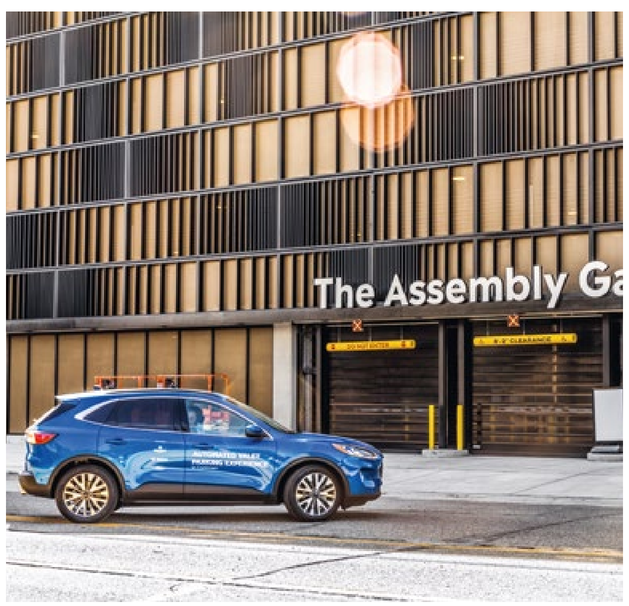
lockdown

THE PANDEMIC AND VAPING BOOST THE CANNABIS MARKET

ISTOCK

After a difficult start to the year, the cannabis market is finishing the year on a high note. The top companies (Curaleaf, Cresco Labs, Green Thumb Industries and Truelieve) saw their revenue increase by more than 80% on average during lockdown. But even though cannabis sales are increasing, it is particularly vape device purchases that are driving the industry up, as consumers are spending more and more money on high-end products. The high demand has led to stock shortages for several suppliers. The German group Storz & Bickle, which produces the famous Volcano for Canopy Growth, had to hire more than 30 employees to keep up with demand. This growth is expected to continue, as many analysts are predicting a wave of legalisation in the United States as states seek new sources of revenue to counter the effects of the pandemic.

CURA CL GTII TRUL WEED



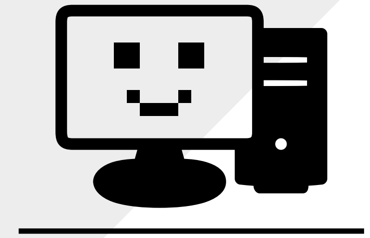
BEDROCK / BOSCH / FORD

autonomous vehicles

AUTONOMOUS PARKING COMES TO DETROIT

Ford and Bosch are launching a fully automated parking demonstration project in a Detroit parking lot. The test uses Ford vehicles operating autonomously via Bosch sensors placed in the building. These locate the vehicles to guide them throughout the parking manoeuvre. The driver is therefore happy to drop off their vehicle at the car park's entrance and collect it at the exit. This increases a car park's capacity by 20%, as vehicles are parked closer together. The project is part of a larger trend in which experiences with autonomous vehicles are increasing. Alphabet's Waymo has opened up its self-driving vehicle service to the public in the Phoenix area, and Italy's Transport Ministry has just given the green light to testing fully autonomous vehicles on public roads.

F GOOGL BOSCHLTD



+12.7%

The increase in PC sales in Q3 compared to the previous year. This is the highest growth in 10 years, according to research firm Canalys.

"The restructuring of Volkswagen has not been slowed down by corona, but accelerated"

Herbert Diess,
CEO of Volkswagen, during the group's annual shareholder meeting in September. VW is planning to invest €33 billion into electric mobility by 2024, and €14 billion in digital development and autonomous vehicles.

energy

SOLAR, MORE PROFITABLE THAN EVER

ISTOCK

According to the latest report by the International Energy Agency (IEA), solar energy has become the least expensive source of electricity of all time. Its cost price has come down to just 2 cents per kilowatt hour at its lowest, which is much cheaper than coal or gas. The numbers vary depending on location and exposure. The price in a sun-filled country like Portugal is actually below 2 cents, while in Switzerland the cost price is between 12 and 18 cents per kWh for a villa roof. With the drop in solar panel prices, many European manufacturers had to close up shop, but a few Swiss companies remain. Meyer Burger launched a new production facility in Germany, renouncing the Chinese market due to patent infringement (see our previous issue). After raising 5 million Swiss francs in July, the EPFL start-up Insolight is also doing quite well, with new solar panels that have an improved yield. MBTN

KICKSTARTER

DR

COCKTAIL CARDS

52 COCKTAIL IDEAS RIGHT AT HAND

The time is right for indoor activities, and this card game has everything you need to liven up your winter evenings at home. It is a standard 52-card deck, with the added bonus of being a very useful guide to cocktail recipes. Each card corresponds to a particular drink, detailing every ingredient, how to prepare it, and the type of glass to use. Designed by London creator Rob Hallifax, who is no stranger to Kickstarter, with the help of a childhood friend who is both a graphic designer and gin lover, the cards are elegantly designed, and even the back artwork and the box they come in are beautiful. The cards are printed in England by a specialist manufacturer.

FUNDS RAISED	AVAILABLE
$45,000	DECEMBER 2020

SCANS

food

NESTLÉ GOBBLES UP FRESHLY, THE TOP HEALTHY MEAL DELIVERY SERVICE

FRESHLY

The Vevey-based group acquired Freshly for $950 million, plus potential earn-outs of up to $550 million based on the company's future growth. The New York meal delivery company specialises in healthy food, with a weekly subscription service for meals prepared by chefs that are refrigerated and ready to be reheated at home. Freshly, which has been profitable since 2019, delivers more than one million meals per week to customers in 48 US states, and its sales forecast for 2020 is approximately $430 million. Nestlé already held a minority stake in the company since 2017, and this acquisition is part of the restructuring of its US portfolio. In this market, the Swiss company let go of low-profit business for 8 billion Swiss francs and acquired high-growth opportunities for 4 billion Swiss francs. NESN

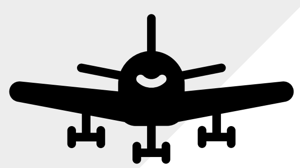
"No vaccine will be available before the end of winter of 2021. That means the third wave is set to happen... This is not over yet"

Albert Baehny, chairman of the board of directors of Lonza, in an interview with the Swiss newspaper *Le Temps* on 12 November.

THE IPO

KEEP TRUCKING

German firm Knaus Tabbert, Europe's third-largest caravan maker, decided to use the time during the pandemic to go public. Camping and leisure vehicles have been wildly popular this year, as plane travel has been restricted. Between May and July, registrations climbed more than a quarter. And 20% more Europeans spent their summer holidays camping, according to motorhome inventor Erwin Hymer. But the recreational vehicle market remains a niche segment, and Knaus Tabbert had to lower its sights for its IPO. Moreover, after being lauded by investors in September, the share fell in November on the back of Pfizer's announcement about the efficacy of its vaccine. KTA



-70%

The drop in global tourism between January and August.

SCANS

“Amazon cannot be the big winner of this crisis to the detriment of local businesses or even large retailers”

Bruno Le Maire,
French Minister of the Economy and Finance,
on BFM TV.

e-commerce

RICHEMONT INVESTS HEAVILY IN E-COMMERCE IN CHINA

José Neves, founder and CEO of the online retail platform Farfetch, courted by Richemont.

DR

Two years after buying the online platform Yoox Net-a-Porter for €2.8 billion, Richemont is once again reaching into its wallet to boost its position in e-commerce. The Geneva-based luxury group announced in early November that it would invest $550 million in the UK’s online fashion marketplace Farfetch, alongside Alibaba – the Chinese Amazon – which is investing an equal amount. Out of the $1.1 billion pocketed by Farfetch, $500 million will go to creating the subsidiary Farfetch China, of which Alibaba and Richemont will hold 25% and retain the option of eventually acquiring up to 49%. The fact that three luxury e-commerce rivals would form such a partnership indicates how the pandemic has accelerated digitisation in the industry, with its centre of gravity shifting towards Asia.

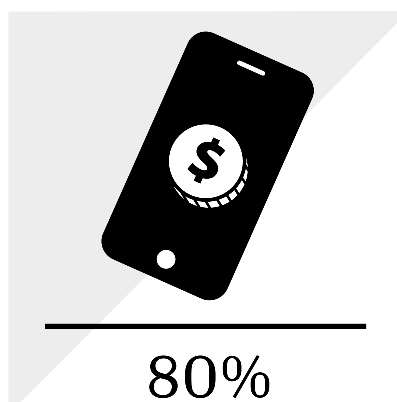
CFR FTCH 9988

BUST

Quibi: a $1.75 billion flop

Quibi wanted to become the leader in mobile video streaming, with short-format 10-minute videos designed to be watched on public transport. The Californian start-up was ambitious and had partnerships with several prestigious names such as Steven Spielberg and Jennifer Lopez, as well as programmes that paid up to $100,000 per minute, rivalling those of Netflix. But this new VOD service did not succeed. Launched in April of this year in the middle of a pandemic, it also suffered from the launches of Disney+, Apple TV+ and HBO Max. The combination of unfortunate events ended up being fatal for the company, even though it raised $1.75 billion in financing and attracted top investors such as The Walt Disney Company, Time Warner and Alibaba Group.

DIS 9988 AAPL



80%

The percentage of Americans who believe they can manage their finances without a physical bank, according to firm Plaid Consulting.

TRENDS

the figure
SEAN DOYLE

A controversial leader in charge of British Airways

Position
CEO

Age
49

Nationality
Irish

With the airline industry in crisis, British Airways, owned by International Airlines Group (IAG), decided to profoundly restructure its management team. The biggest change was the departure of its CEO Alex Cruz, who was deadlocked in conflicts with unions and employees after the termination of 13,000 employees. Some were rehired for lesser roles. Sean Doyle took Cruz's place in October, leaving his role as CEO of Aer Lingus (also an IAG subsidiary). After attending university in Cork, the Irishman began working at Aer Lingus at the age of 27 in various roles before joining the management team in 2016. In September, he was the subject of controversy when an Irish MP criticised him in an open letter for his "open contempt" towards Aer Lingus employees. Furthermore, in June, watchdogs leaked an internal document on radical changes to working conditions before talks with the union were even finished.

country
ZAMBIA

A country in bankruptcy

Population
17,861,030 (2019)

GDP per capita
$1,291 (2019)

Growth in 2020
-0.8% (estimate)

Main economic sectors
agriculture (corn, cotton, soy, tobacco) and farming, mining (copper and emerald), manufacturing (textiles, leather, drinks)

Many African countries are suffering from the effects of the pandemic. Among them, Zambia was the first to experience a semi-bankruptcy situation. The government asked its creditors to accept delays for the payment of $120 million in interest on bonds issued between 2014 and 2016 totalling $3 billion. Increased public health spending wasn't the only factor: as the world's second largest copper exporter, the country suffered significantly from the mineral's price drop due to decreased global demand. The national currency also saw a sharp devaluation. In November, the exchange rate was $1 to more than 20 kwacha, compared to 13 kwacha one year earlier. The foreign companies active in Zambia, including Swiss groups Glencore and Trafigura which benefit from the country's natural resources, have barely been affected.

In the early 1960s, when the first version of the legendary Porsche 911 was released, the environment was not a topic for the German automaker. Times have since changed.

DR

the innovation
E-FUEL

Porsche believes in synthetic fuel

Manufacturers
Porsche and Audi

Launch
Not shared

Price
Not disclosed

Like all the other car manufacturers, Porsche has made a decisive turn towards electric engines and this strategy was brilliantly successful with its saloon car Taycan. But Porsche is also the only manufacturer for which 70% of its vehicles sold are still in service today and their owners aren't ready to exchange them for electric models. To reduce their impact on the environment, the German brand decided to invest in research in synthetic fuel (or e-fuel). E-fuel produced from CO_2 and hydrogen has been explored for years, particularly in aeronautics, as well as Audi's e-diesel and e-gas models, but e-fuels remain very expensive. Porsche is convinced that by producing CO_2 and hydrogen via renewable energies, synthetic fuels could become a sustainable alternative to electric propulsion. This announcement also indicates that combustion engines are still in the running.

ANALYSIS

SPECIALISTS' VIEWPOINT

FOCUS

How the virus has transformed stock market indices

As share prices tumble, some listed companies no longer meet the eligibility criteria to be included in flagship indices such as the S&P 500 in the United States, the CAC40 in France or the UK's FTSE 100. A reshuffle is under way.

BY BERTRAND BEAUTÉ

It worked the second time around. After initially failing to make the cut in September 2020, Tesla will finally be included in the S&P 500. The new addition to America's leading index comprised of the 500 largest companies listed on US stock markets was announced by the S&P Dow Jones on 16 November.

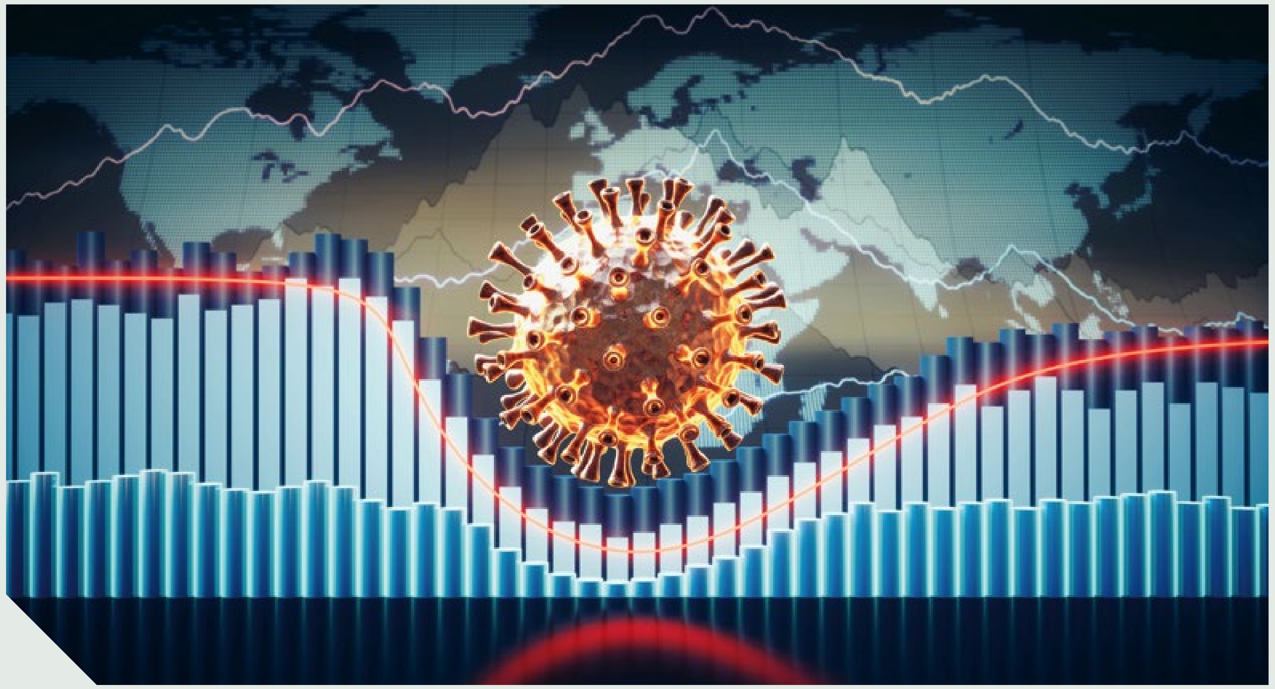
At the time of writing, we do not yet know which company will be ousted from the basket of stocks to leave room for the electric automobile manufacturer. But this coming and going reflects the reshuffle currently in progress across the world's main indices. "The pandemic has severely shaken the capitalisation of some companies," says Fabrice Rahmouni, head of Euronext Index Business. "We have seen a dramatic shift in sector allocation, especially towards tech stocks." That means that the capitalisation of companies heavily impacted by the health crisis has eroded so badly that they were relegated to a lesser status.

For example in the United Kingdom, the airline easyJet, the cruise operator Carnival, energy supplier Centrica and aerospace equipment manufacturer Meggitt were ejected in June from the FTSE 100, the star index of the London Stock Exchange, after seeing their share prices collapse due to the pandemic. As a sign of the times, the four firms were replaced by "lockdown-compatible" stocks: computer security group Avast, online betting company GVC, home repair service provider Homeserve and home improvement group Kingfisher. Several adjustments also took place on the CAC40 in Paris. A couple of prime examples are hotel group Accor, which left its spot to rail transport equipment manufacturer Alstom, and Téléperformance, world leader in call centres, which replaced Sodexo, France's catering giant.

Less accustomed to major change, the Swiss Market Index (SMI), the Swiss Stock Exchange's top index, also made a switch in 2020. The temporary employment company Adecco, after being hit hard by the coronavirus health crisis, bid farewell to the SMI on 21 September, to be supplanted by asset manager Partners Group.

Being included in or removed from an index is no small affair for a company

Being included in or removed from an index is no small affair for a company. "The success of passive investing and ETFs, financial products that faithfully replicate an index, means that very large movements of capital take place when one company is replaced by another," Rahmouni says. "ETF issuers have to change their composition of companies in real time when one exits the replicated index and another enters.



ISTOCK

On the actual day Tesla joins the S&P 500, S&P Dow Jones estimates share trades worth over $51 billion. The figure is so large that S&P Dow Jones is consulting investors to look into the option of introducing the share in two tranches, the first on December 14 and the second on December 21. In anticipation of the event, the stock jumped 8% on November 17, the day it was announced that Elon Musk's company would be added to the S&P 500, and 13% on the following two days. The danger for passive managers is that they will be forced to buy Tesla shares on the day of inclusion, regardless of the price.

However, the California-based firm is not exactly a textbook case, as Fabrice Rahmouni from Euronext points out. "Joining an index doesn't always boost the company's value, especially because the market anticipates that." The criteria for inclusion in an index are now very specific and objective, giving investors the information they need to predict a company's eligibility. As a result, prices no longer jump the way they used to, and the market gradually adjusts to new additions. In the specific case of Tesla, the S&P Dow Jones first rejected the company in September, even though it met all the selection criteria. But that decision was reversed two months later, which surprised investors. And that explains the sudden rise in the share price.

Quarterly reviews in ranking

Although no international standard exists for index composition (each stock exchange defines its own conditions for inclusion), they have all adopted specific criteria. For example, the composition of the CAC40 is reviewed every quarter (the third Friday in March, June, September and December) by an Index Steering Committee. Its eight independent experts rank companies based on two equally weighted criteria: market capitalisation at time *T* and trade volumes over the previous 12 months. Then all the stocks up to the 35th place in the ranking are almost automatically introduced on the CAC40, while those beyond the 45th spot are excluded, if they had been part of the index. "The buffer zone between the two helps limit turnover within the index," Rahmouni says. "Not taking into account capitalisation alone also means that we can avoid excessively reshuffling the CAC40 during temporary crises, such as the current pandemic." Before the Committee meets next on 10 December, three companies will have joined the Paris index in 2020, compared to two each year between 2015 and 2019.

Being removed from a leading index is not necessarily a disaster for the company in question. "Leaving an index allows the company to be a bit less visible, with less coverage from analysts and the media," says a sector expert. "Operating far from the spotlight can give them the opportunity to bounce back, without the constant pressure."

FOCUS

Cryptocurrencies: the second wave

Riding on a new rally, digital currencies have re-enacted the same scene as in late 2017. But this time around, the story could play out differently.

BY LUDOVIC CHAPPEX

We'll take the same characters and start over. At the time of writing, bitcoin was yo-yoing again, after narrowly exceeding its all-time high (ATH) when it broke $19,800 on 30 November. For cryptocurrency fans who were around for the bull run in November–December 2017, it feels like déjà-vu.

One may recall that, at the time, the buying frenzy was followed by a severe correction and never-ending bear market. Will history repeat itself? Objective facts suggest it won't. Experts say that today's climate is very different from the market in 2017, and cryptocurrencies could continue to fly high.

In an in-depth article published on 22 November, research analyst Galen Moore from CoinDesk Research explains how institutional investors have been flocking to the market. This newfound interest is driven by the fact that exchanges and benchmark funds have grown more reliable and more professional. Overall, the sector is attracting more long-term investors, both institutional and individual. According to Coin Metrics, the number of addresses holding more than 1 bitcoin has risen from just over 500,000 to more than 800,000 in the space of three years. And that increase has been very linear, despite the high price volatility over the period.

"Never a dull moment in crypto! Institutional investor interest is skyrocketing," Ripple CEO Brad Garlinghouse tweeted on 19 November, as its in-house currency XRP began to soar.

Statistics also show fewer traders and more investors. Additionally, Coin Metrics reports that the number of bitcoin billionaires (i.e., addresses holding at least BTC 1,000) has grown over the last two years to more than 18,000 today, despite massive sales after the peak in 2017.

In fact, the current tendency towards inflationary monetary policy supports certain cryptocurrencies as a sort of digital gold, or store of value (see our previous issue, p. 18). The number of bitcoins is fixed and restricted by blockchain technology, which is what sets it apart from traditional currencies. Plus, no longer does a day go by without a change in regulations to adapt to the new crypto economy.

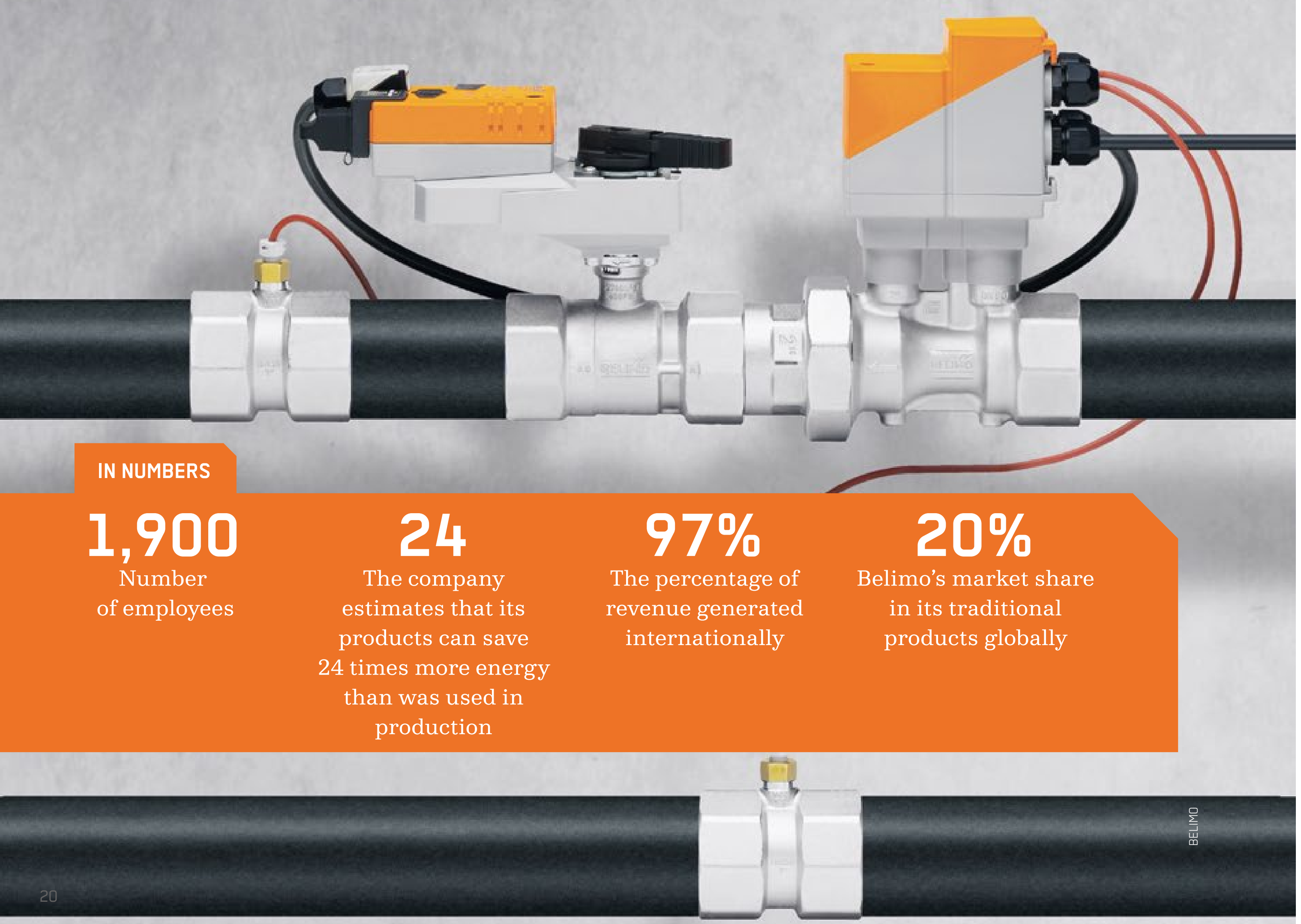
On top of that, fears of massive hacking are fading as major exchanges reinforce their security systems, especially with cold storage, and conduct regular external audits. And even if hackers managed to exploit a loophole, we have every reason to believe that industry leaders are robust enough to take the blow and compensate their customers.

There is of course no guarantee that the good times will continue, as the world of cryptocurrencies remains highly volatile and speculative... But to keep our spirits up, we should reflect on the reassuring words of the illustrious American bitcoin billionaire Cameron Winklevoss, known for his keen market sense. On 29 July, he tweeted: "The next Bitcoin bull run will be dramatically different. Today, there's exponentially more capital, human capital, infrastructure, and high-quality projects than in 2017. Not to mention the very real spectre of inflation that all fiat regimes face going forward. Buckle up!" ◢

Belimo, a gem on the Swiss exchange

This specialist in heating and air-conditioning system optimisation is benefiting from two strong trends: urbanisation and the fight against energy waste. Its share price is soaring

BY ANGÉLIQUE MOUNIER-KUHN



BELIMO

IN NUMBERS

1,900
Number of employees

24
The company estimates that its products can save 24 times more energy than was used in production

97%
The percentage of revenue generated internationally

20%
Belimo's market share in its traditional products globally

The story begins with a bottleneck. Or, more precisely, with the bottleneck-focused strategy (*Engpasskonzentrierte Strategie*, in German), a school of managerial thought in which companies that specialise have greater success than their diversified competitors, and tend to become leaders in their market. In 1975, six engineer-entrepreneurs armed with this doctrine co-founded Belimo in Gossau (Zurich), with the goal of improving the efficiency of heating, ventilation and air-conditioning systems – hence the HVAC sector.

Forty-five years later, their vision is a success. Around the world, corporate headquarters, hospitals, university campuses, administrative buildings and apartments are equipped with products designed and sold by Belimo: actuators (devices used to control the system), control valves and sensors. It is a market that is, in theory, closed to common mortals and yet it is full of challenges in the era of climate change and the fight against energy waste. "Belimo is part of an industry whose development is driven by several big structural trends such as urbanisation, an ageing population, automation, digitisation, stricter health standards and energy efficiency," said Marta Bruska, who monitors the company for German bank Berenberg. "With 40% of total energy consumption, buildings are the primary contributors to climate change. If they become more energy efficient, it could potentially reduce CO_2 emissions significantly. Energy efficiency is exactly what Belimo products do," said the analyst.

The company continually receives excellence awards for the quality of its products, services and management

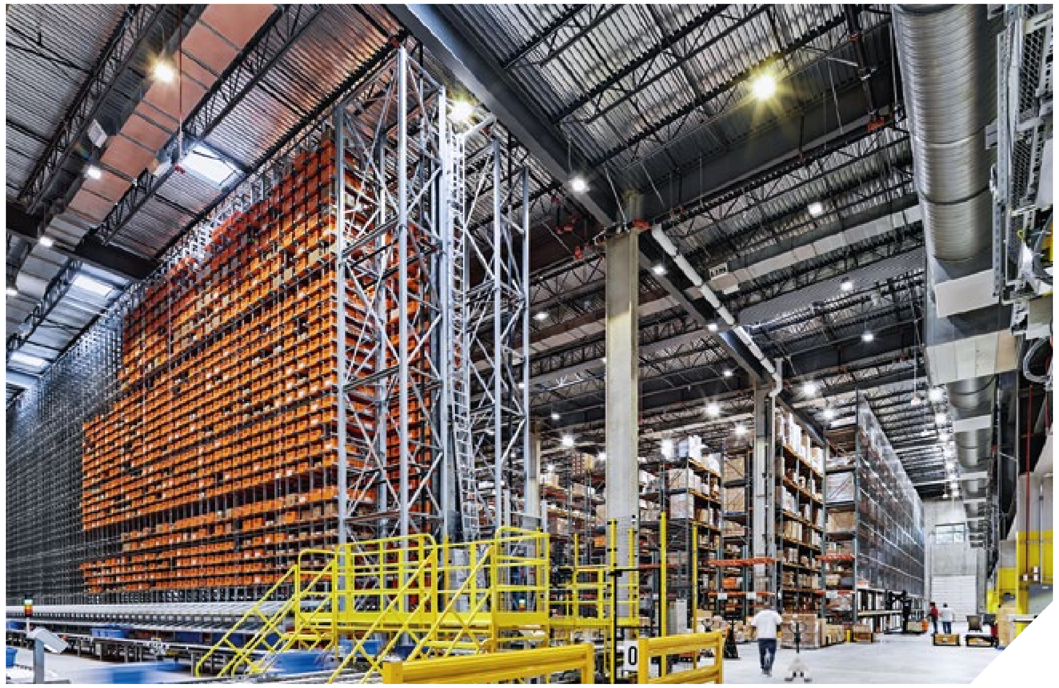
THE INNOVATION CHAMPION

With locations in more than 80 countries, Belimo moved its headquarters to Hinwil (Zurich) in 2002 and now has more than 1,900 employees. Its overall market share exceeds 20% in its traditional product lines. The company, which this year produced its 100 millionth actuator, continually receives excellence awards for the quality of its products, services and management. One of its most recent accolades was given to Lars van der Haegen, who has led the company since 2015 and was named CEO of 2020 for Belimo's operational and financial performance by research firm Obermatt (mid-caps category). In 2017, the company was named the fourth-best mid-size employer in Switzerland, according to an annual ranking by *Bilanz* magazine. "Belimo has a strong company culture, with a spirit that is very practical yet focused on innovation. It's also a very client-oriented company," said Bruska.

In terms of profits, the company's vibrancy could be considered cheeky if it wasn't for its serious image. Last year, Belimo's profits were up 17.5%, to 121 million Swiss francs, generating 692.7 million Swiss francs in revenue. These numbers astound analysts, with a dividend that increased from 100 to 150 Swiss francs, while the consensus was at most 112 francs. This performance also helped fan the flames of the relationship between the company and its shareholders since it went public in 1995. Since its IPO on the Zurich exchange, the share price has gone from 221 to nearly 7,000 Swiss francs. ▷

Two Belimo employees install a control valve.

BELIMO



BELIMO

Belimo's super-size warehouse at its US headquarters in Danbury, Connecticut.

For a long time, Belimo belonged to a very exclusive group of hidden gems on the Swiss exchange. All the conditions were right for it to fly under analysts' radar: a discreet image, activity that was little-known to the general public, revenue generated almost entirely internationally and a small capitalisation. But even the best kept secrets come out eventually and the most promising companies always gain exposure at some point.

In a way, this is what worries Urs Emminger of Research Partners in Zurich, and led him to change his recommendation from hold to sell in August. He is almost apologetic about it. "Belimo is one of the best companies I've seen in my entire career. It is well-managed, its products are excellent. Each year, taking into account fluctuating exchange rates, it grows 5% to 10%. Given the products it has in its pipeline, there are clear indications that this trend will continue over the long term. Frankly, this company has it all," said the analyst.

During the market crisis this spring, however, its share price dropped nearly 35% in just a few weeks. Is the magic over for Belimo? Actually no, according to investors who consider it a windfall: in a survey conducted by Geneva-based consulting firm WS Partners, Belimo emerged as one of the only two Swiss companies out of about a hundred international stocks that were purchased by fund managers during the crash. And since then, the share price has improved so much that it is far ahead of the competition: over one year, it has risen 21% to nearly 7,900 Swiss francs, whereas the SPI, Switzerland's overall stock market index, is still under 5%. "Even if the company traded at a premium because it is a leader in expanding markets and because its finances are very good, no argument justifies the share price reaching such heights. Unless my valuation model is to blame," concluded Emminger, perplexed. It's almost as if, in the end, the gem of the Swiss exchange still has some mysteries yet to reveal.

ANALYST'S VIEW

A VERY CURRENT STOCK

While Belimo's solid performance is universally recognised, the valuation level reflected by its share price has received mixed opinions from analysts, a majority of whom now recommend reducing positions or selling shares. But according to Marta Bruska, an analyst at Berenberg, even though the company's sales were moderately affected by the economic downturn in some of its markets in H1 (-1.4% at constant exchange rates), it is expected to benefit from stricter health measures that will likely result in building owners and public authorities purchasing more products due to the pandemic. "Scientific studies tend to demonstrate that temperature and humidity control, as well as fresh air intake, can significantly reduce virus transmission in indoor spaces (...). Belimo's products do all of those things," she said. Bruska recommends purchasing shares, with a price target of 8,000 Swiss francs. BEAN

ENVIRONMENT SWISSQUOTE DECEMBER 2020

Wheeling and dealing among car manufacturers

By playing with loopholes in the regulations, most car manufacturers are expected to meet their CO_2 emissions objectives and avoid billions in fines. We take a closer look.

BY BERTRAND BEAUTÉ

It was just over a year ago. Consulting firm Jato Dynamics, which specialises in the car industry, reported that manufacturers would not be able to meet their environmental objectives and therefore have to pay a €34-billion fine unless changes were made. The European Union passed a law stating that CO_2 emissions from new cars sold in Europe in 2020 may not exceed an average of 95 g/km. Anything higher than 95 g would trigger a fine: €95 per each additional gramme, multiplied by the total number of cars sold by that company! According to calculations from Jato, Fiat-Chrysler was expected to be on the hook for €3.24 billion in fines, Renault would hit €3.6 billion, and Volkswagen would be responsible for €9 billion.

Now, a year later, the numbers are in. It's time to do the maths. Will car manufacturers actually pay the colossal fines that the prophets of doom predicted they would? The short answer is no. According to a study published in October by the NGO Transport & Environment (T&E) – the most exhaustive report to date, since it covers 98% of cars sold in the EU as of mid-2020 – most manufacturers are now either in line with EU standards or actively working towards them.

Four companies have already met their CO_2 targets (PSA, Volvo, Fiat-Chrysler Tesla, and BMW) and three are close (Renault-Nissan, Toyota-Mazda, and Ford). Only Kia, Volkswagen, Hyundai, Daimler, and Jaguar Land Rover (JLR) must hang their heads in defeat, for not meeting the EU standards (see infographic on p. 27). But in total, companies will only pay a few hundred million euros in fines, which is quite a bit less than the €34 billion predicted by Jato.

So, what happened? Did myriads of consulting firms – as Jato was not alone in its prediction – make a mistake? This question makes Bernard Jullien, an economist who specialises in the automotive market, smile: "The figures published a year ago were not made up. They were a real threat in the industry in terms of meeting the European regulations. But there was also some lobbying and manipulation. Consulting firms, which are paid by car manufacturers, pressured governments to obtain a more flexible application of the regulation, as well as assistance in increasing electric vehicle sales."

For Louis-Antoine Calvy, a consultant specialising in mobility at Bartle, consulting firms did not make a mistake: "There's no way they could have predicted that 2020 would be such a unique year." In a European car market that is down 28.8% overall in the first nine months of the year, sales of electric vehicles (100% electric and rechargeable hybrid) have gone up. As a result, ▷

the market share of electric vehicles could reach 10% of total new vehicle sales in Europe by the end of the year, compared to 3.6% in 2019. This increase automatically lowers global CO_2 emissions. "Most experts did not predict such fast growth," said Jullien. "They underestimated how quickly households would switch to electric vehicles."

That said, manufacturers received quite a bit of help from national governments. "Due to the pandemic, European countries established recovery plans for the automotive sector," said Jullien. "But they could only support the industry if it was environmentally responsible. So the entirety of government assistance went towards electric models." Established just after the first wave, these recovery measures had an immediate impact on sales. Between July and September 2020, sales of battery-powered electric vehicles increased 211.6% and rechargeable hybrids increased 368.1% compared to the same period in 2019! "The current context is very favourable for electric vehicles," said Flavien Neuvy, head of L'Observatoire Cetelem for the automotive market. "The market is really starting to take off. Now the challenge for manufacturers is to turn a profit with electric vehicles, because thus far the margins have been low, and even sometimes non-existent."

MANY EXCEPTIONS TO THE RULE

However, despite the boom in electric vehicle sales, traditional manufacturers still have quite a bit of work to do to meet the new environmental standards. According to the Transport & Environment study, as of mid-2020, new vehicles sold this year emitted an average of 111 grammes of CO_2 per kilometre. While that is a 9% decrease compared to 2019, it is still a far cry from the 95-gramme objective as stated in the regulations.

One of the devastating conclusions of the T&E report regarding manufacturers is that in order to reach the 2020 targets, for many, the gap will be closed through regulatory flexibilities. In other words, all the big names will use a series of strategic legal arrangements to sneak under the threshold this year. "Manufacturers benefit from exemptions that allow them to seem greener than they really are," said Neuvy.

First, upon request from Germany, the target amount of emissions was adapted to each manufacturer based on the average mass of the vehicles it sells: if a carmaker sells more heavy vehicles, its target CO_2 amounts are higher, so it's easier to meet the objective. Logically, the weight of new cars has been increasing in Europe, going from 1.37 tonnes in 2014 to 1.42 tonnes in 2019.

But the primary crutch for the automotive industry is the super credits system: a mechanism that doubles the statistical impact of electric vehicles (including rechargeable hybrids) compared to non-electric models. In other words, if a company sells one zero-emissions electric car and one combustion vehicle that emits 120 g/km of CO_2, the average amount of CO_2 that the EU calculates for those two vehicles would be 40 g/km, not 60 g/km. According to T&E, super credits make up two-thirds of all regulatory flexibilities. With this system in place, Renault saves 15 grammes on its emissions average with just one electric model – the Zoe – whose sales increased 50% in the first half of 2020, making it the best-selling electric vehicle in Europe.

THE RISE OF CO_2 POOLING

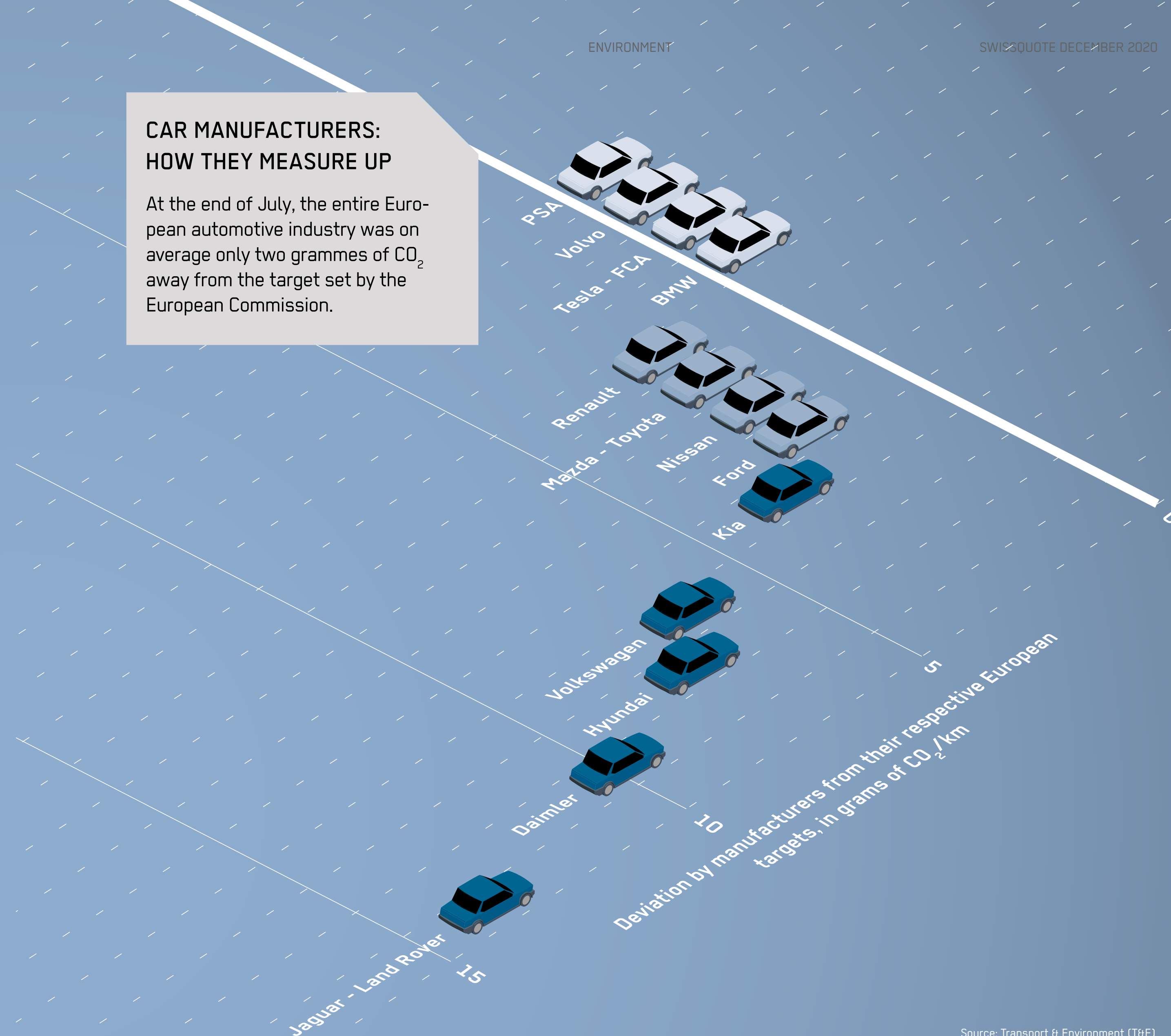
At PSA, a CO_2 steering committee was established in 2019 to calculate weekly CO_2 emissions from Peugeot, Citroën, Opel, and Vauxhall. According to our sources, that data led PSA – and other manufacturers – to begin strategic vehicle registration tactics. "When emissions numbers from sales do not meet the target, companies can register electric vehicles that are on display or owned by employees," said Neuvy. "This artificially lowers their emissions so that they do not exceed the objectives." At the end of August, the PSA Group was thus able to boast about having lowered its average emissions below its target.

But even with super credits, it doesn't take much for companies to fall behind. The Volkswagen group, for example, bet heavily on the launch of its compact electric ID.3 to meet its CO_2 targets. But software problems found in the vehicle postponed the launch, placing the German giant in a very precarious position. For Ford, a defect in the assembly line of the Kuga Plug-In hybrid SUV led the American manufacturer to recall thousands of vehicles and suspend deliveries.

To overcome these setbacks, both companies decided to employ another option allowed by the EU regulation: "CO_2 pooling". Rather than pay fines to Brussels, manufacturers that are at risk of not meeting their goals can purchase CO_2 credits from companies that have already met their target. This forms a pool, and the average emissions for that pool will be taken into account by the EU. Quite far behind in making its models electric, Fiat Chrysler (FCA), which just launched the electric Fiat 500 in October, was the first group to pull out its chequebook to purchase a right to pollute in 2019, forming a pool with Tesla. This cost the Italian-American manufacturer $1.8 billion over three years (see inset on p. 28). "This type of alliance costs a third to a half of what a fine would be," estimated Louis-Antoine ▷

CAR MANUFACTURERS: HOW THEY MEASURE UP

At the end of July, the entire European automotive industry was on average only two grammes of CO_2 away from the target set by the European Commission.



Source: Transport & Environment (T&E)

FALSE PROMISES FROM RECHARGEABLE HYBRIDS

While sales have skyrocketed (+145% over the first seven months of 2020), rechargeable hybrid vehicles are facing criticism. According to information provided by manufacturers, a rechargeable hybrid emits between 30 to 50 grammes of CO_2 per kilometre, i.e. three times less than an equivalent combustion vehicle. This allows manufacturers such as Volvo to avoid EU fines, and purchasing incentives are available in several countries.

The only problem: after compiling data from more than 100,000 vehicles, the Fraunhofer Institute for Systems and Innovation Research (ISI) in Karlsruhe and the International Council on Clean Transportation (ICCT) demonstrated that the real consumption of rechargeable hybrid vehicles is up to four times higher than advertised. How is that possible? "In order for these vehicles to be competitive from an emissions standpoint, they need to be used for short distances and the battery needs to be charged similar to an electric model," said Bernard Jullien, an economist specialising in the automotive industry. "But most users drive long distances and never recharge the batteries. So the rechargeable hybrid becomes a traditional combustion engine that has to carry a huge battery." Transport & Environment agrees, warning that: "Today, half of all electric vehicle sales are "fake electric" rechargeable hybrids that are rarely recharged and emit 2 to 4 times more CO_2 in real conditions than when tested in laboratories."

Calvy from the firm Bartle. As the year comes to a close and the threat of fines grows near, many manufacturers are joining together in CO_2 pools. In September, Volkswagen announced that it had formed a pool with Chinese group SAIC, which sells the MG ZS EV electric SUV in Europe. In early November, Ford began a partnership with Volvo, which leads sales of rechargeable hybrid vehicles in Europe with its XC40 and XC60 models (52,300 vehicles sold over nine months). Meanwhile, Honda has partnered with Tesla, which still had credits to sell due to higher than predicted sales in Europe. And environmentally friendly Japanese group Toyota decided to pair up with its more pollution-heavy compatriot Mazda.

Which will be next? Most analysts are expecting Daimler and Jaguar Land Rover, which are both very behind. On the other end of the spectrum, Renault, which is well-positioned thanks to high sales of the Zoe, put out a call in mid-October for companies to join the pool it was creating with Nissan and Mitsubishi. If this call is answered by Daimler or Jaguar, it would result in some nice extra funds for Renault.

And if pooling wasn't enough, there are even more exemptions that can be applied. The 95% rule, for example, does not include each manufacturer's 5% highest emitting cars, most often niche models (high-end sports cars, very large or very expensive cars, or vehicles with lots of CO_2 emissions). Daimler is the main beneficiary of this exemption. Another strategy is eco-innovation credits, which can be granted for theoretical reductions in CO_2 emissions which cannot be proven during vehicle type approval tests. "For example, WLTP tests don't include Stop & Go systems, even though they are already an old technology," said Calvy. "If a manufacturer equips its models with these innovative systems, it can deduct grammes of CO_2 from its overall emissions. Daimler, for example, decided to focus heavily on this type of technological improvement." According to T&E, technologies to modify combustion engines reduced emissions by up to 2.5 grammes for Daimler and Jaguar Land Rover.

However, despite all of these loopholes, certain manufacturers will still likely pay fines. Jaguar Land Rover, whose sales of the 100% electric Jaguar I-Pace were disappointing, has already stated that it has set aside £90 million (€100 million) to pay EU fines. "We are not happy that we will not be compliant in 2020, but a lot of that has been taken out of our hands," said Adrian Mardell on 27 October. Mardell, chief financial officer of Jaguar Land Rover, blamed the delayed deliveries of rechargeable hybrid versions of the Range Rover Evoque and Discovery Sport for non-compliance with the regulations.

Interviewed by the *Financial Times* in early November, Volkswagen CEO Herbert Diess declared that VW was now "within a gramme or so" of its EU target. "We haven't given up yet, but it will be very tight to achieve the fleet targets," said Diess. The group said that it had allocated several hundreds of millions of euros to pay European sanctions. And other brands simply abandoned the pursuit altogether. Both Infiniti, the signature high-end line from Nissan, and Chevrolet (General Motors group) decided to leave Europe in 2019 because it could not comply with the new regulation. In 2020, Japanese company Mitsubishi announced it had decided "to freeze the introduction of new models to the European market". That's because there will be fewer regulatory flexibilities in 2021: while CO_2 pools will still be permitted, the 95% rule will no longer apply and super credits, which provide an enormous advantage to electric vehicles, will be limited to a factor of 1.6 compared to 2 currently.

So, does that mean the colossal fines will just get pushed back a year? "It's difficult to predict," said Neuvy, "since electric vehicle sales will continue to increase. They could make up 15% of all new vehicle sales in 2021. The war for electric cars has begun and it will result in billions spent on research and development. For the time being, Tesla is ahead of the game as a first mover. But the big manufacturers have an advantage in that they can invest massive amounts of money."

TESLA: SUPERSELLER OF... CO_2 CREDITS

Elon Musk can thank coercive regulations on CO_2 emissions adopted in Europe and a dozen US states such as California. On both sides of the Atlantic, manufacturers can purchase "rights to pollute" from more environmentally friendly companies. As an electric pure player, Tesla has lots of credit to sell. Starting in 2012, the US group cashed in \$40.5 million thanks to CO_2 credits. The numbers haven't stopped going up since, reaching \$594 million in 2019, then \$1.18 billion in the first nine months of 2020. Compare this figure to Tesla's net profit, which was only \$450 million over the same period, and it all makes sense. In other words, without its CO_2 side business, Tesla would be in the red with a net loss of more than \$3,000 per vehicle delivered in 2020.

DOSSIER

Dividends: time for recovery

After a disappointing year, dividend pay-outs to shareholders are expected to increase in 2021. But the banking industry remains beholden to government decisions.

BY BERTRAND BEAUTÉ

CANA ATELIER GRAPHIQUE

Shareholders are on a diet. During 2020, investors received limited dividends. According to the Janus Henderson Global Dividend Index report, pay-outs from publicly listed companies fell 45% in Europe (excluding the UK) in Q2 2020 – the most important period in Europe for dividends, since most companies pay out once between April and June. The total amount paid out was $83.4 billion, compared to $150.3 billion a year earlier. Faced with the coronavirus crisis, European companies decided – sometimes under pressure from their government – to reduce the amount of dividends paid to shareholders: 54% of companies reduced or eliminated dividends paid in 2020 for the 2019 financial year.

While there was a wide range of reductions depending on the country (dividends dropped 70% in Spain, compared to only 19% in Germany), there was one outlier: Switzerland was the only country in Europe where dividends remained stable between 2019 and 2020 (see also p. 35). In the United States, where shareholder dividends are usually paid out several times throughout the year, the situation is just as dire. Between September 2019 and September 2020, dividends paid by companies on the S&P 500 decreased by $39.7 billion compared to the same period one year earlier, according to S&P Dow Jones.

In a best-case scenario overall for 2020, dividends paid around the world are expected to decrease by 17% to reach $1.180 trillion compared to $1.430 trillion in 2019, according to estimates by the Janus Henderson Global Dividend Index. "2020 will be the worst year for dividends since at least the Global Financial Crisis," wrote the authors of the report. "With the pandemic, 2020 was a truly difficult year," said Nicolas Simar, senior portfolio manager of Euro and European High Dividend strategies for the Dutch asset management company NN Investment Partners (NNIP). "Like in any recession, company profits shrunk significantly, leading to a 25% to 30% decrease in dividends across Europe."

"Many companies that were financially able to pay out dividends in 2020 chose to not pay them out of caution or necessity"

Nicolas Simar, senior portfolio manager of Euro and European High Dividend strategies for NN Investment Partners

As the second wave of the coronavirus unfurls across the world, will 2021 be even more catastrophic, given that dividends are based on a company's 2020 profits, i.e. business during the pandemic? "Dividend amounts will not plummet," predicts Jérôme Schupp, analyst at Prime Partners. "Stability is very important in this situation, because lowering dividends is perceived very negatively by shareholders. It gives the impression that the company doesn't have confidence in the future. During the 2008 crisis, for example, companies generally maintained their dividends, and some even paid out more than their annual profit." Eleanor Taylor Jolidon agrees: "Cutting dividends sends a bad message", said the UBP fund manager. "Few companies will resort to that unless they are forced to."

According to experts, dividends allocated to shareholders in 2021 are expected to increase in Europe by nearly 15% compared to 2020. "We're living through a profound crisis and it will probably be two years before dividends return to their pre-pandemic levels," said Simar. "But I do see several promising factors." Unlike the 2008-2009 crisis during which governments implemented austerity measures, this time governments implemented very coordinated recovery plans with both tax and monetary implications. These plans should enable the economy, and therefore dividends, to recover more quickly. Especially because the positive news from vaccine candidates provide a bit of hope that the health crisis will soon improve.

"Many companies that were financially able to pay out dividends in 2020 chose to not pay them out of caution or necessity," said Simar. "Dividends should be back in 2021." In France, for example, telecoms operator Orange already decided to raise its dividends to pre-pandemic levels, or 70 cents per share, for 2021. It reduced dividends by about one-third in the spring. Another example is Italian insurer Generali: on Thursday 12 November, it announced it would pay shareholders in 2021 "pending a favourable position from the regulator". It had to suspend all dividends this year, under pressure from the European Insurance and Occupational Pensions Authority, which was concerned about the impact of coronavirus on the industry. The situation was a similar for AXA. "According to the group's ▷

"Cutting dividends sends a bad message. Few companies will resort to that unless they are forced to"

Eleanor Taylor Jolidon, co-head of Swiss & Global Equity Portfolio Management at UBP

profitability, solvency and liquidity, it should have no problem paying dividends next year," declared Etienne Bouas-Laurent in early November. Bouas-Laurent is CFO of the French insurer, which halved its dividends this year.

But the industry under the most scrutiny will most certainly be banking. In March 2020, the European Central Bank (ECB), which supervises the sector, strongly recommended that financial institutions in the eurozone freeze dividend pay-outs and share buyback programmes until 1 October 2020 – which has since been pushed back to 1 January 2021. The goal is to "preserve banks' capacity to absorb losses and support the economy in this environment of exceptional uncertainty".

While it was not a formal requirement, "it was difficult, if not impossible, for big companies in the industry to contradict the regulator," said Martin Moeller, co-head of the Swiss & Global Equity Portfolio Management at Union Bancaire Privée (UBP). "In fact, the big banks that were traditionally generous with dividends, such as Deutsche Bank in Germany, had to stop paying out to shareholders." Two-thirds of European banks, including BNP Paribas, Natixis and Societe Generale, suspended their dividends in line with ECB recommendations, and withheld €27.5 billion in pay-outs for the 2019 financial year. According to the Janus Henderson Global Dividend Index, half of the dividend reductions in Europe (excluding the UK) in 2020 were the result of restrictions imposed on the banking industry.

"Dividend amounts will not plummet"

Jérôme Schupp, analyst at Prime Partners

But an increasing number of European banks, such as HSBC, Santander and BNP Paribas, want to bring back dividends in 2021. While their fate rests in the hands of the ECB, which will decide in December whether or not to continue its recommendations, Nicolas Simar believes banks will likely see a case-by-case approach: "Banks with the most solid balance sheets and significant equity will likely be able to pay out dividends starting in 2021."

The Swiss exception

Swiss companies differed from their European neighbours in 2020 with their generous dividends.

The only country in Europe where shareholder dividends remained stable from 2019 to 2020, "Switzerland was the hero of dividends in Europe," wrote the authors of the Janus Henderson Global Dividend Index. Why was Switzerland the exception? "Swiss companies are financially healthy," said Jérôme Schupp, analyst at Prime Partners. "Very few had to reduce their dividends to survive the crisis." Eleanor Taylor Jolidon agrees: "Dividend payouts are quite simply a reflection of the quality of Swiss companies," said the co-head of Swiss & Global Equity Portfolio Management at Union Bancaire Privée (UBP). Of the 20 companies on the Swiss Market Index (SMI), the benchmark index for the Swiss markets, only three – Swatch, Alcon and Richemont – decided to reduce dividend pay-outs to shareholders.

Of the 214 companies on the Swiss Performance Index (SPI), only one-tenth decided to eliminate dividends. Among them are hearing prosthetics manufacturer Sonova, media group TX Group (formerly Tamedia), luxury hotel and clinic specialist Aevis Victoria, logistics specialist Kühne+Nagel, duty-free shop group Dufry, kiosk operator Valora and outdoor advert agency APG/SGA. While that list may seem long, it's actually a lot shorter than in other European countries, where approximately one-fourth of companies listed on the Euro Stoxx index did not pay dividends for the 2019 financial year.

Credit Suisse and UBS were able to pay the entire expected dividends to shareholders

In addition to the quality of Swiss companies, there are other factors that explain Swiss resilience, such as authorities that were less coercive than those in Europe, particularly towards the banking industry. Credit Suisse and UBS were able to pay the entire expected dividends to shareholders, whereas the majority of European banks were unable to do so.

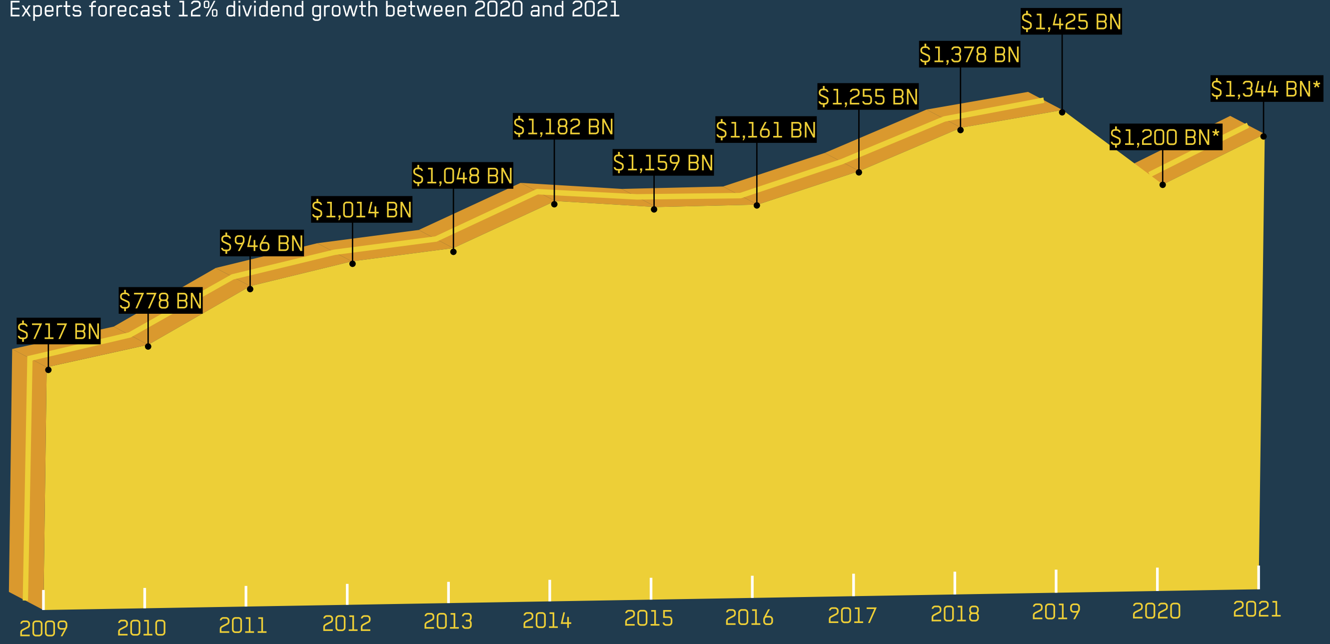
Another notable difference between Switzerland and its European neighbours: the Swiss market, particularly the SMI, does not include many companies that are active in industries that were hardest hit by the pandemic: "Giants such as the airline Lufthansa, which received millions from the German government to survive, do not legally have the right to pay dividends due to the aid received," said Schupp. "That's also the case here; companies receiving COVID loans guaranteed by the Swiss government are not authorised to pay shareholders until the loans are paid back in full. But in Switzerland, that primarily applies to private companies that aren't publicly listed, not giants like IAG (owner of British Airways) or Air France, in terms of airlines."

THE DIVIDEND CHAMPIONS

2020 ended the uninterrupted dividend growth worldwide over the past 10 years. But through the crisis, Swiss companies have held up well.

2021: THE YEAR OF RECOVERY

Experts forecast 12% dividend growth between 2020 and 2021



* Estimated

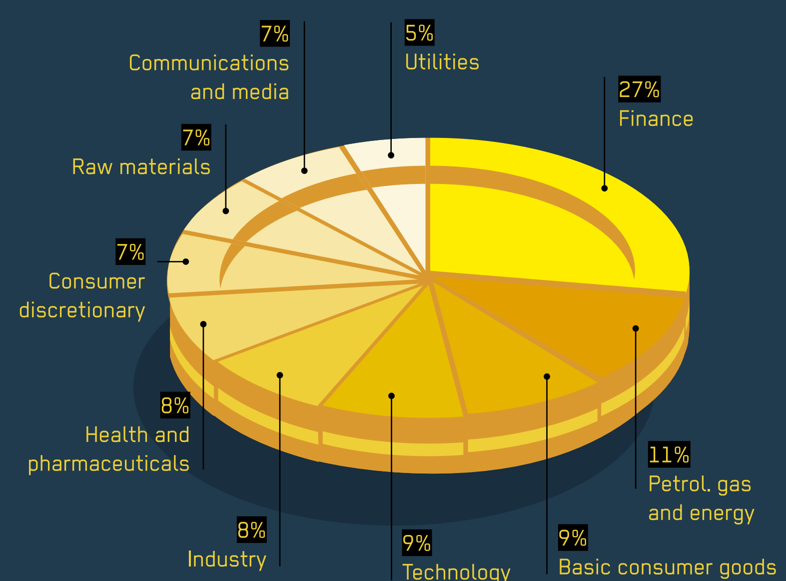
THE TOP 10 PAYERS WORLDWIDE

The 10 companies that paid the most dividends in 2019 (in absolute value)

1. Royal Dutch Shell
2. AT&T
3. Exxon Mobil
4. Microsoft
5. Apple
6. BHP
7. Rio Tinto
8. China Construction Bank Corp
9. JPMorgan Chase & Co
10. HSBC

FINANCE, THE KING OF ALL SECTORS

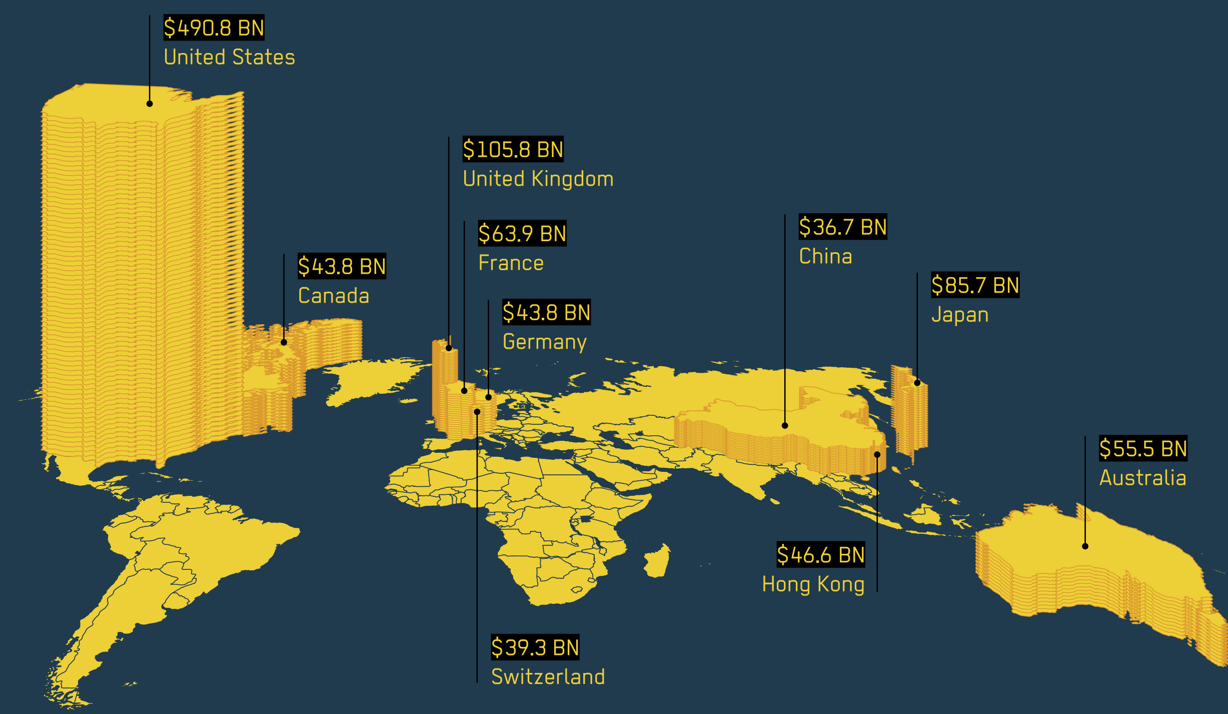
The banking and energy sectors are reputed for their generous dividends



DIVIDENDS SWISSQUOTE DECEMBER 2020

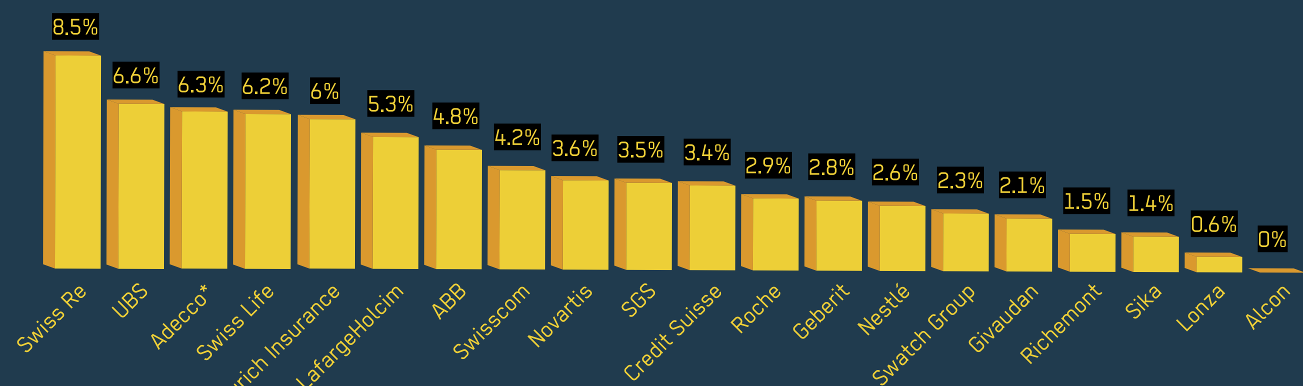
UNITED STATES ON TOP OF THE WORLD

The 10 countries where companies paid the most dividends in 2019

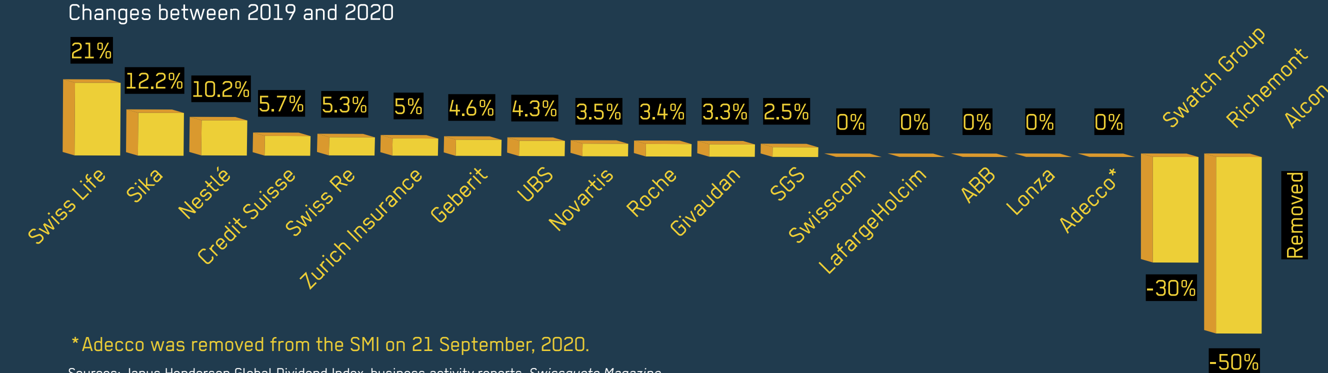


A CLOSER LOOK AT SMI COMPANIES

SMI company ranking based on yield of dividends paid in 2020 (yield calculated on the day of dividend payment)



Changes between 2019 and 2020



*Adecco was removed from the SMI on 21 September, 2020.

Sources: Janus Henderson Global Dividend Index, business activity reports, *Swissquote Magazine*

DIVIDENDS
A GESTURE GONE WRONG

BY BERTRAND BEAUTÉ

During the pandemic, the eternal debate over dividends paid by listed companies resurfaced yet again. But this time, the outcry is legitimate.

Fair warning: this is a sensitive topic. As waves of lay-offs spread across the world and the number of government recovery plans increases, the issue of dividends has become unavoidable. Can a company pay its shareholders while it receives subsidies, implements short-time working arrangements or has laid off many employees to overcome the coronavirus crisis? "All the big companies should suspend their dividends during this time of extreme stress, and this applies not just to banks," said Paul Dembinski, director of the Observatoire de la Finance, in a column for the Swiss daily *Le Temps* on 5 April. "It's a precautionary measure that strengthens the capital structure."

But that's not what happened. "In Switzerland and more broadly in Europe, companies that accepted state-backed loans or direct subsidies are not legally allowed to pay their shareholders," said Jérôme Schupp, analyst at Prime Partners. Companies such as Lufthansa, whose total assistance plan equals €9 billion, Air France (€7 billion) and Renault (€5 billion) had to suspend their dividends in 2020.

However, short-time work is not legally considered a subsidy. In other words, companies can implement short-time working arrangements and still pay dividends to their shareholders. And they do not hesitate to do so: in Germany, for example, BMW, Daimler and Volkswagen placed 200,000 employees on short-time work during the first-wave lockdown, while simultaneously paying out nearly €7.5 billion to shareholders based on 2019 profits.

"Those who rely on state aid cannot simultaneously distribute profits to shareholders"
Carsten Schneider, member of the German Bundestag

This did not go over well with German political leaders. "The short-time work allowance is state aid. Those who rely on state aid cannot simultaneously distribute profits to shareholders," insisted Carsten Schneider, leader of the Social Democratic Party (SPD) in the Bundestag (the lower chamber of the German parliament), in an article in the *Financial Times*. "It's the ugly face of capitalism. I am in favour of a moratorium on dividend payments when that is the case."

This issue has rocked Swiss politics as well. In April 2020, the Swiss National Council submitted a motion to make dividend pay-outs illegal for a company with short-time work arrangements. The companies targeted include (but are not limited to): ABB, Adecco, Implenia, Swatch, LafargeHolcim and Sunrise, which paid out dividends this year based on 2019 while using short-time work allowances. "The goal of short-time work is to save jobs during the crisis. It is not logical for it to be misappropriated in order to pay dividends," argued Marina Carobbio, Swiss Councillor of States (PS/TI). It's quite difficult to justify to taxpayers, who finance unemployment benefits, that their taxes can be used to pay shareholders.

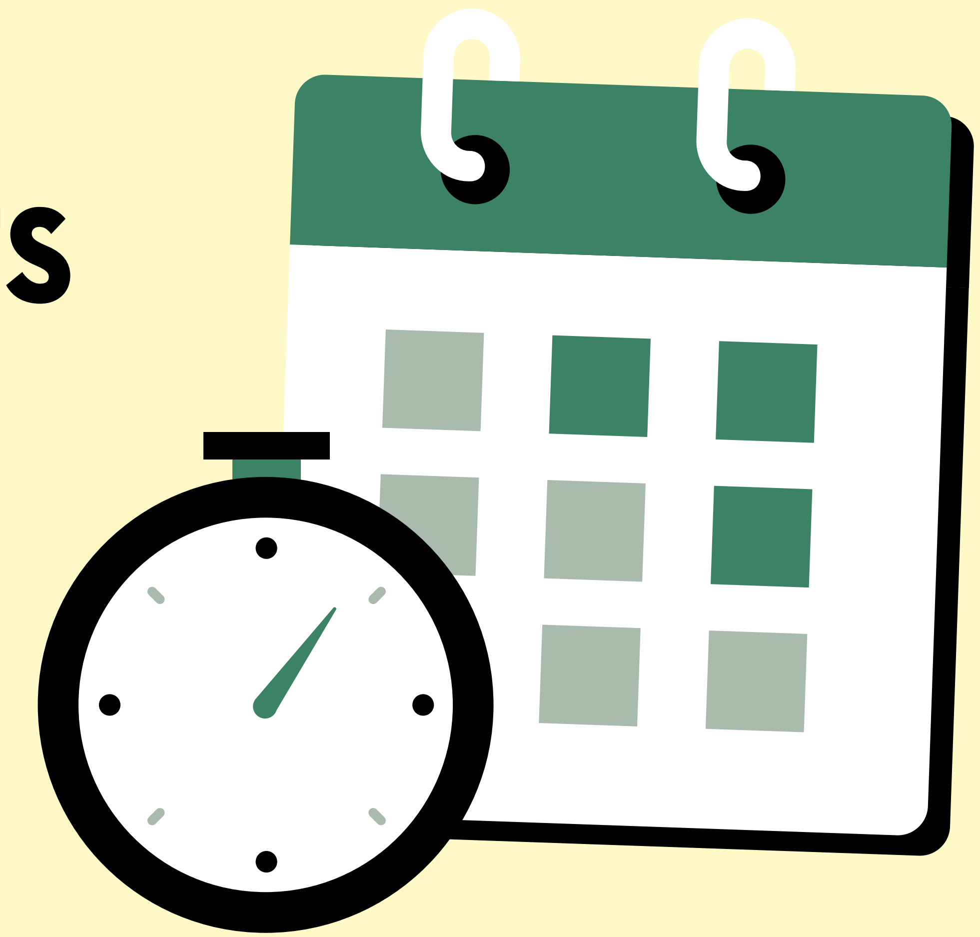
And yet, contrary to the Swiss National Council, which narrowly approved the motion with 93 voting for and 88 against, the Council of States denied the motion, 31 to 10, with their main argument being: "It would be counter-productive to force companies to choose between short-time work and paying dividends," said Federal Councillor Guy Parmelin. "It would create more uncertainty during this time of crisis." In other words, the primary risk of banning dividend pay-outs is that companies would choose to lay off employees rather than not pay dividends.

On that front, nothing has changed. Companies have always had the right to reduce their workforce while continuing to pay their shareholders. But the numbers are particularly shocking in this crisis. Exxon Mobil, for example, will lay off 14,000 employees – about 15% of its workforce – in order to maintain its dividend of approximately $15 billion.

THE FIVE COMMANDMENTS OF A GOOD DIVIDEND STRATEGY

Over the last 10 years or so, the shares of companies offering high dividend yields have underperformed the market. But by building a selective value portfolio, investors can still come out ahead. We take a closer look.

BY BERTRAND BEAUTÉ



These days, savings accounts bear next to no interest, and traditional bonds offer uninspiring yields. So investing in high dividend stocks, boasting returns as high as 10%, has understandable appeal. But those shiny returns could be an illusion. "An investment strategy should never focus solely on dividends," says Martin Moeller, co-head of Swiss & Global Equity Portfolio Management at Union Bancaire Privée (UBP).

Why are investors so wary? Because the tendency over the past decade has been that companies with the most generous payouts to shareholders underperform the market. On that basis, can a dividend-driven strategy work at all? "Yes," says Nicolas Simar, senior portfolio manager of Euro and European High Dividend strategies for the Dutch asset management company NN Investment Partners (NNIP). "We can still beat the market with a 'value-oriented' portfolio, i.e. under-priced securities that offer better returns in terms of dividends." Below are a few golden rules to follow in order to do that. ◢

DIVIDENDS SWISSQUOTE DECEMBER 2020

1 Assess the dividend's long-term sustainability

To attract investors during its IPO in December 2019, Saudi Aramco pledged to pay its shareholders $75 billion per year. But since the pandemic hit and its revenue has plummeted, the oil giant lacks adequate cash to keep its promises. Now Aramco plans to scale back capital expenditure by 20% to 30% and… issue bonds to raise the funds necessary to cover the dividend payout. "It's a very bad sign if a company borrows money to pay dividends," Nicolas Simar says. "Generally speaking, investors should be careful with the sector analysis to make sure that the company's business model is viable over the long term before they invest."

Martin Moeller agrees: "The dividend's sustainability is a key factor. For example, companies such as Shell and BP pay huge dividends. But that may not be the case over the next few years, as the oil industry currently faces major challenges. And its future is uncertain."

2 Don't get caught up on yield

"Focusing excessively on yield leads to bad investment decisions. You should beware of dividends that are high only in appearance," Nicolas Simar says. "Returns of more than 6% or 7% should be viewed as a red flag, as the risk of cut-off is extremely high."

Of course, theoretically, companies that pay higher returns have a more attractive dividend policy. But if a company is struggling and its share price drops, yield automatically rises. Due to its unsustainable situation, the company will probably have to reduce its dividend in the years to come.

"Those are what we call 'value traps', i.e. companies priced below value that are believed to be good investment opportunities if we only take into consideration share price and dividend," Nicolas Simar says. "But the share is not actually under-valued and the price will continue to fall. If the dividends don't at least cover the loss in share value, you lose money."

3 Don’t overlook growth

“Companies that pay very high dividends may not have growth plans” says Eleanor Taylor Jolidon, co-head of Swiss and Global Equities at UBP. “For example, a car builder that prefers to pay cash to its shareholders rather than build factories will not grow. Personally, I always prefer growth companies, which create value and whose assets will increase in value.” Telecommunications is another industry that is saturated, with relatively low growth forecasts. Moreover, operators have to overcome a wall of investments with the deployment of 5G.

“A fundamental analysis of companies is essential to avoid dividend traps,” continues Nicolas Simar. “You have to be very selective and choose companies with healthy balance sheets, offering stable, steady growth in cash flow. This reduces the risk profile compared to traditional value strategies, which are not growth-oriented.”

DIVIDENDS: A USER GUIDE

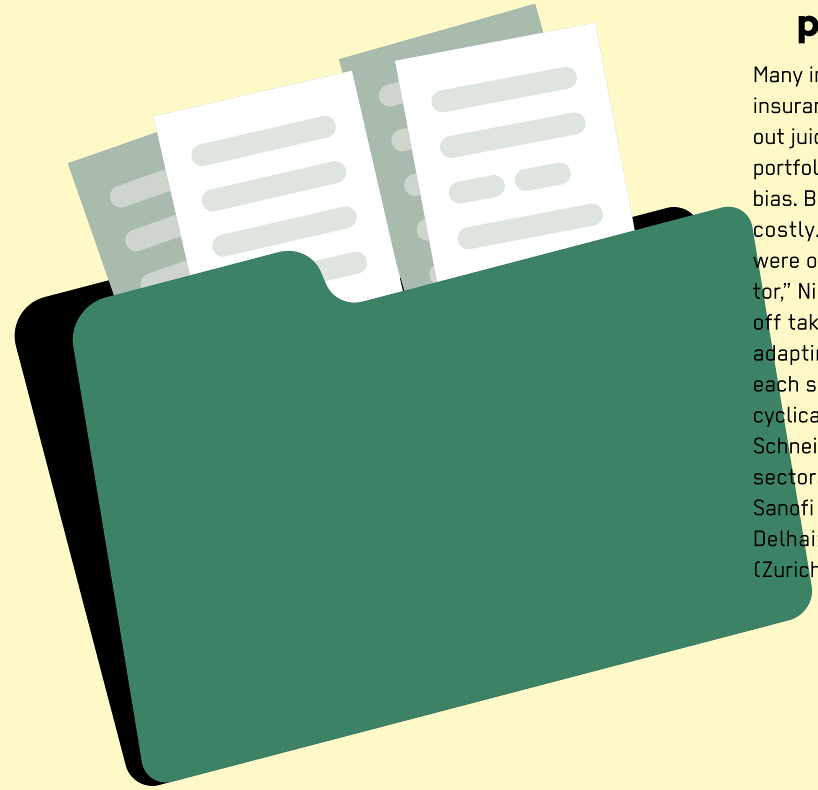
WHAT IS A DIVIDEND?
It is a share of a company’s value, which is paid out to all shareholders. When a dividend is paid (in cash or in shares), the company’s stock market value decreases accordingly.

WHAT IS YIELD?
Yield is a financial indicator used to estimate the relative importance of a dividend. It is calculated as a percentage by dividing the amount of the dividend per share by the share price.

WHO CAN BE PAID DIVIDENDS?
Any shareholder of a company will receive dividends paid by the company. Shareholders must have at least one share on the day before the dividend is paid. Payment is made a few days after the ex-dividend date.

WHEN ARE DIVIDENDS PAID?
In Europe, “dividend season” is in the second quarter, a period when most companies pay their dividends in a lump sum. However, in the United States, dividends are most often paid quarterly.

HOW ARE DIVIDENDS TAXED?
Swiss investors must declare dividends paid by companies listed on the stock exchange as income, which is added to other forms of income. Note: dividends paid by a Swiss company are subject to a 35% withholding tax, which is refunded once the dividends are duly declared. Foreign securities are exempt, as dividends are taxed in the home country. However, stark taxation differences exist. For example, dividends are taxed at 30% in the United States and 26.375% in Germany. To avoid double taxation, some of the tax withdrawn abroad can be deducted (generally 15%) from taxes filed in Switzerland.

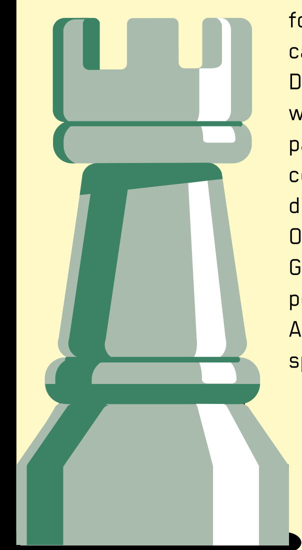


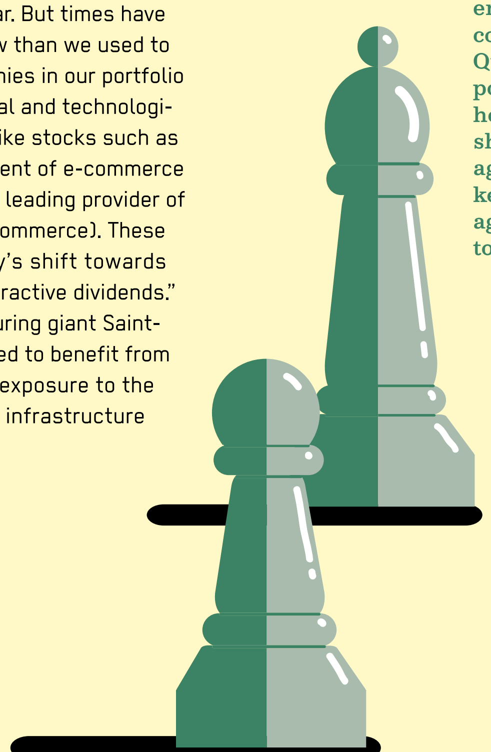
4 Diversify your portfolio

Many industries, such as banking, oil and insurance, have a reputation for paying out juicy dividends. As a result, dividend portfolios often have a significant sector bias. But lack of diversification can be costly. “In 2008, dividend strategies were overexposed to the financial sector,” Nicolas Simar says. “You’re better off taking a diversified approach and adapting your performance targets to each sector. That way you can combine cyclical stocks, such as Siemens and Schneider Electric, with more defensive sectors like healthcare (in particular Sanofi and Novartis), food retail (Ahold Delhaize and Tesco) and insurance (Zurich Insurance and Munich Re).”

5 Apply dynamic management

Dividend strategies have long been perceived as defensive, unchanging investments, i.e. grandpa-style investments that contribute a little to the nest egg every year. But times have changed. “We have to be more dynamic now than we used to be,” says Simar. “We generally keep companies in our portfolio for two to three years, to weather structural and technological changes. These days, for example, we like stocks such as Deutsche Post (big winner in the development of e-commerce with its DHL division) and Smurfit Kappa (a leading provider of paper-based packaging highly active in e-commerce). These companies will take advantage of society’s shift towards digital technology to grow, while paying attractive dividends.” Other stocks, such as materials manufacturing giant Saint-Gobain and cement producer CRH, are poised to benefit from post-COVID stimulus packages, with high exposure to the American stimulus programme, especially infrastructure spending.





BACK TO “VALUE” STOCKS?

What do Tesla, Amazon, Google and Facebook have in common? These stars of the US stock exchange may drive up quotations, but they pay no dividends to their shareholders. Instead, they pour their profits back into their development. In stock market jargon, these companies are called “growth stocks”. At the opposite end of the spectrum are “value stocks”, securities priced lower than the company’s intrinsic value which generally offer more attractive dividends. For some 10 years, investors have clearly migrated towards growth stocks, with the tech sector being the favourite, abandoning value stocks. This movement has been accentuated further with the pandemic. And dividend strategies have felt the squeeze.

But things could change over the next few months. Bank of America for one expects value stocks to recover in 2021. Nicolas Simar agrees: “The valuation difference between growth and value stocks on the market has not been this wide since the tech bubble of the late 1990s,” says the senior portfolio manager of Euro and European High Dividend strategies for NNIP. “I think the current difference is excessive and expect a correction towards value stocks. Quantitative and fiscal easing policies implemented during the health crisis could support this shift.” But experts still do not agree about the impact on markets, and many investment managers do not expect value stocks to rebound any time soon.

Based on George Lucas's *Star Wars* saga, *The Mandalorian* series is boosting Disney+ streaming service subscriptions.

DISNEY

Video streaming: a lifeline for Disney

The Californian company took quite a hit during the pandemic. But the number of subscribers to its Disney+ platform skyrocketed, thanks to a clever strategy of making original Disney content available online.

BY JULIE ZAUGG

On 30 October 2020 at exactly midnight, season 2 of *The Mandalorian* was made available on the streaming service Disney+. Just like for the release of the first season of this meticulous spin-off of the Star Wars universe, critiques of the season were soon drowned out by enthusiastic praise and fans began tweeting and sharing memes celebrating Baby Yoda, one of the series' cult characters.

It was one of the rare bright spots for Disney in a year filled with hardship. "The theme parks, which are one of the company's main sources of revenue, were decimated by the COVID-19 pandemic," said Jason Squire, a film industry expert at the University of Southern California. Parks in Paris, Shanghai, Florida and Tokyo remained closed for four months. Hong Kong was closed for seven months. And Disneyland in California is still closed.

And even when the parks reopened, often temporarily, they did not attract large crowds. A foot traffic analysis in Disney parks conducted by Deutsche Bank showed that the number of visitors was down 80% compared to 2019. ▷

On 25 September, a visitor and her daughter walk through the deserted paths of Hong Kong's Disneyland Resort, which has just reopened after months of mandatory closure due to the pandemic.

As a result, revenue from the division that includes parks and cruise ships (which are also suspended) fell 85% in Q3 that closed at the end of June, leading to a $3.5 billion deficit. Last year, this segment brought in $26.2 billion for Disney, or 38% of its revenue. In September, Disney announced it would terminate 28,000 park employment contracts, which is 13% of its total workforce.

Divisions focused on films and television channels, two other pillars of the Disney empire, also suffered under COVID-19. "In many countries, cinemas are closed, which meant all the 2020 blockbusters had to be postponed," said Squire. "And cinemas that stayed open have almost no films to show because most filming production has been paused." Disney studios had to postpone a series of films about the heroes of the Marvel universe and cancel filming on a prequel of *Rogue One*, a production from the Star Wars universe.

Television channels such as FX, ABC, ESPN and Disney Channel had similar problems. "These channels don't have any more content to air because most sporting events have been cancelled and they have very few new films and series," said Peter Newman, who is head of a joint MBA/MFA film programme at New York University (NYU).

The unprecedented COVID-19 situation caused a sharp decline in subscriptions to cable channels as well as cinema ticket sales. Overall, Disney's revenue fell 6% in its 2020 fiscal year, which closed in November, at $65.3 billion. This resulted in a loss of $2.8 billion – the first in nearly two decades – against a profit of $10.4 billion in 2019. But despite this outpouring of bad news, the Mickey Mouse house does have a new asset: the Disney+ streaming service. Launched in November 2019 in the United States, Netherlands, Australia and New Zealand, and then expanded in spring 2020 to western Europe – including Switzerland – and India, Disney+ saw its number of subscribers skyrocket since the start of the pandemic. In November, it had 73.3 million paying subscribers against 57.5 million three months earlier. Including subscribers from streaming services Hulu and ESPN+, which are also owned by the Walt Disney Company, Disney has more than 120 million subscribers on its video-on-demand platforms.

DISNEYLAND DURING COVID-19

At the entrance to Disneyland Hong Kong, an employee takes the temperature of all visitors — including the author of this article — and asks them to keep their masks on despite the stifling heat. This rule also applies to children over two years of age. In the deserted streets of Fantasyland and Tomorrowland, there's no chance of meeting Mickey Mouse. Interactions with Disney characters have been suspended for health reasons, along with the daily parade that winds through the park. In front of *It's a Small World*, an attraction with singing dolls, an employee hidden behind a mask and visor disinfects the seats and handrails of the small boats after each group finishes the ride. But there is one upside: since the number of visitors is limited to just 30% capacity, there are none of the legendary queues in sight!

The pandemic simply accelerated an evolution that began a few years ago

These numbers are thanks to high-quality original content, such as *The Mandalorian*, specifically designed for these channels. The California group also made the difficult decision to pull several film blockbusters from cinemas and instead made them available directly on Disney+. "This summer, the filmed musical comedy Hamilton was released on the streaming service," said Peter Newman of NYU. "It was a rousing success that brought in several million new subscribers."

Disney repeated this tactic in September with the live version of the animated film *Mulan*, available to Disney+ users for a one-time fee of $35. The latest Pixar production, *Soul*, will also debut on Disney+ on 25 December.

But it is certainly not the only streaming service on the market. "Currently Netflix is the uncontested global leader with approximately 190 million paid subscribers," said Newman. Other competitors include HBO Max, Peacock, Amazon Prime Video and Apple TV+. But Disney+ has a considerable advantage over its competitors: intellectual property. "Its catalogue includes all the archives of Disney, Fox and Pixar," said Peter Csathy, founder and chairman of consulting firm CREATV Media. "It also has a repertoire of original franchises, such as the Marvel universe and Star Wars."

Csathy believes that Disney+ will eventually surpass Netflix and become the most-watched streaming service in the world. Especially because its price is competitive: access to Disney+ costs $7 per month (9.90 Swiss francs in Switzerland). ▷

Comparatively, Netflix subscriptions cost between $9 and $16 per month (11.90 to 21.90 Swiss francs in Switzerland).

Essentially, the pandemic simply accelerated an evolution that began a few years ago under the direction of CEO Bob Iger, who stepped down in February. “Disney is evolving towards a streaming first model, which prioritises online release channels over cinemas and television channels,” explained Csathy. “This strategy has the advantage of ensuring a stable and recurring source of revenue from paid subscribers.”

In September, Disney announced it would terminate 28,000 park employment contracts

The live-action remake of the 1998 cartoon *Mulan* was due out in cinemas in March 2020. However, due to the pandemic, Disney decided to release it only on its streaming platform, bypassing cinemas.

DISNEY

In early October, activist investor Dan Loeb – whose investment fund Third Point more than tripled its position in Disney in Q2 2020 to reach $613 million in stock (price as of 30 June 2020) – called on Disney to permanently suspend dividend payments to its shareholders. Loeb requested that these funds, totalling approximately $3 billion per year, be allocated to producing and acquiring content for its streaming platforms, as he believes this is the most promising division in terms of growth.

A few days later, Disney announced an internal reorganisation that focuses heavily on streaming, separating the divisions in charge of production and distribution.

“Our creative teams will do what they do best – produce quality franchise content – while our new centralised distribution team will focus on monetisation of this content on our various platforms,” said Bob Chapek, the new CEO of Disney.

In the medium term, analysts still believe that the California group will remain a global conglomerate. “Parks will reopen, audiences will return to cinemas and cruise ships will sail again,” said Csathy.

To return to growth, Disney will need to fire on all cylinders at the same time. “This is the real strength of a 360-degree group like Disney,” said Newman. “It acquires a franchise like Star Wars, then uses it to create attractions in its parks, branded products, films released in cinemas and series launched on streaming platforms.”

ANALYST ADVICE

A SAFE BET

At the start of the pandemic, Disney’s share price lost 45.5% of its value, dropping from $148.2 to $85.76 between January and March. But it has since come back up, hovering around $145. Peter Csathy, head of the consulting firm CREATV Media, believes it is a good investment, particularly in the medium to long term. “The stock is still slightly undervalued and the company will find its growth avenue as it emerges from the pandemic,” he said. “Streaming revenue has just started to take off and revenue from other divisions of the group is expected to eventually reach pre-COVID levels.” Among analysts that cover the firm, a majority recommended purchasing shares. DIS

BLOOMBERG / GETTYIMAGES

Frozen food makes a comeback

As the coronavirus crisis continues, frozen products return to consumers' plates. This trend seems to be here to stay, as the quality of frozen food has improved considerably.

BY ANGÉLIQUE MOUNIER-KUHN

On the phone, Daniel Sauvaget sounds like a busy man. Europe is now experiencing the second wave of the COVID-19 epidemic and country after country is going back into lockdown. The day before my conversation with Sauvaget, on 28 October, France announced a new lockdown for at least four weeks. For the CEO of Écomiam, a frozen food chain founded in Brittany in 2009, the news means a new rush in his shops. "Sales started picking up a few days ago. During the first lockdown, in March, April and May, our revenue skyrocketed by 87%," he says. It's a welcome boost for the company, which went public on the Euronext exchange on 6 October, with a significantly over-subscribed offer that valued it at nearly €40 million.

Écomiam is not alone: the frozen food segment is one of the biggest winners in the scramble for food provisions, triggered by lockdown announcements and new consumption habits that have set in during COVID-19. According to data analytics firm Nielsen, this spring, sales increased sharply, spiking between 40% and 110% in European markets. In the United States, too, the frozen food aisles were completely emptied. According to the American Frozen Food Institute, sales jumped 94% in March before settling back down, but sales are still 18% higher than in August 2019. Simultaneously, several home appliance chains have reported that this boom has led to a shortage of freezers in the country.

> **"Frozen foods have also jumped on the healthy food bandwagon"**

Nestlé, the biggest stakeholder in the market, which owns ubiquitous brands such as Stouffer's, Hot Pockets and DiGiorno pizzas, confirmed that frozen foods were one of its sales drivers in the United States during the first nine months of the year. While the multinational group doesn't share its numbers, it says the same trend is happening in Switzerland. "We have seen increased demand for our products since the beginning of the crisis. Demand has remained high since," says Patricia Wirth, a spokesperson for Froneri, the joint venture formed in 2016 between Nestlé and UK ice cream brand R&R. Froneri sells frozen foods under the brands Findus, Mövenpick and Buitoni in Switzerland.

In an unexpected turn of events, the COVID crisis has paved the way for frozen foods. "People spent money on frozen food that they would normally spend in cafeterias or restaurants, which have seen a big drop in revenue," says Mike Watkins, head of retail commerce at Nielsen. Remote working and being forced to stay at home led to increased consumption, especially since frozen options are available for every meal and include all types of foods: proteins, carbohydrates, fruits and vegetables. ▷

COMPANIES TO WATCH

ÉCOMIAM
A small brand on the rise
Founded in 2009 in Brest, France, Écomiam has grown from nine shops to 28 today, primarily in Brittany. In early October, it went public on the Euronext in order to finance its expansion into the rest of France. It plans to open 20 shops per year and expects 40% annualised revenue growth in order to reach €110 million by 2025.

FOUNDED: 2009
HEADQUARTERS: QUIMPER (FR)
EMPLOYEES: 90
REVENUE: €14.7 MILLION
ALECO

NOMAD FOODS
Hoping to conquer the world
Led by Belgian native Stefan Descheemaeker, Nomad Foods was founded in 2015 after the acquisition of the brand Iglo and is now publicly listed in New York. Its share price has increased 4% over one year and it has a market capitalisation of $4.5 billion. Present in 13 European countries, Nomad Foods generated €2.3 billion in revenue last year. Determined to conquer markets beyond Europe, it is doggedly pursuing opportunities for strategic acquisitions.

FOUNDED: 2015
HEADQUARTERS: FELTHAM (UK)
EMPLOYEES: 4,775
REVENUE: €2.3 BILLION
NOMD

"Consumers have also got into the habit of going to the shops less frequently, but their total spending when they do go is significantly higher," adds Watkins. "People are stocking up on items they can store for a long time, and the advantage of frozen food is that it is very well suited to online ordering and home delivery."

It is a surprising change for this industry, which is based on hundred-year old technology, and which, since the late 2000s, experts had usually described as a "mature" segment – a nice way of saying that it no longer had growth potential. In 2013, the horse meat scandal, in which horse meat was labelled as beef in frozen ready meals, even suggested a sudden decline for the industry. It was the last straw for this food industry that had little innovation and a reputation among the general public for being an unhealthy option in the era of organic and home-made food in which traceability was essential.

"Frozen foods are very popular with millennials"
Jean-Philippe Bertschy, analyst at Vontobel

As a result, frozen food sales slumped and the market shape-shifted considerably as agri-food giants competed with each other over their hefty portfolios of various brands and SMEs – the ideal scenario for investment capital firms to take action in the industry.

According to experts, the rebound in the frozen food market caused by the pandemic is a long-term trend.

ISTOCK

NESTLÉ STOOD FIRM

"For a long time, the Nestlé group was pressured by investors to sell at least some of its frozen food activities in the United States. The biggest sceptics went so far as to believe that these products had no future," says Jean-Philippe Bertschy, consumer goods analyst at Vontobel. "But the company stood firm and invested heavily in innovation to reposition its offering into a higher quality niche with a host of new products."

In fact, while the coronavirus crisis seems to have accelerated the return of frozen foods to consumers' plates, the shift to adapt the frozen offering to meet new expectations from consumers and restore its appeal had already begun. "Frozen foods are very popular with millennials, for two reasons: practicality and price, since they are less expensive than takeaway food," says Bertschy. And that's not all. They also have lower levels of salt, artificial colourings and artificial preservatives. To attract new consumer segments, the frozen food aisle has also joined the healthy food movement. It's goodbye to pasta drowning in questionable sauces and rubbery, tasteless mozzarella pizza, and hello to vegetarian, low-carb, high protein and gluten-free options, such as the variety of dishes available under Nestlé's Life Cuisine brand, launched last winter in the United States.

The rebound precipitated by the COVID-19 crisis "is a long-term trend," said Stefan Descheemaeker, CEO of Nomad Foods, in a recent conference with analysts. Created out of a widespread wave of industry restructuring, Nomad Foods, based in the UK but publicly listed in New York, owns the Birds Eye, Iglo and Findus brands and is the frozen food leader in Western Europe with a 14% market share. In early November, Nomad Foods recorded a one-year 6.7% increase in revenue to reach €576 million, of which 5.4% is organic growth, despite the fact that the quarter under review saw the end of lockdown and the reopening of restaurants. This is proof, according to its CEO, that consumers who discovered frozen food during the first wave of the pandemic are now back for more.

Daniel Sauvaget, founder and CEO of Écomiam, a brand specialising in the distribution of frozen food products that went public in October this year.

DR

"Manufacturers' efforts to step up their products' quality in recent years have removed many of the barriers that prevented households from buying frozen items, and could revitalise the frozen food aisle in the long term," said the French market research firm Xerfi in a note published in September. Nomad Foods therefore has a lot of hope for its latest brand, Green Cuisine, an assortment of steaks and meatballs made from plant protein, designed specifically to cater to millennial taste buds.

Écomiam, on the other hand, is focusing on unprocessed products to support the development of its network in France: "Deep-freezing has become a cliché, but it's actually the most efficient method of food preservation. It preserves both the taste and nutritional value of the food," says Sauvaget. His company works directly with its suppliers and publishes transparent margins. It only sells vegetables, fruits and unprocessed meats exclusively from France.

Whatever their credo, frozen food manufacturers and distributors alike have got behind an approach designed to resonate with customers who are increasingly concerned about the future of the planet. Because frozen food brands don't have to deal with unsold items, unlike fresh products, and because food can be stored in our freezers for years, frozen foods are expected to be a leader in reducing food waste. According to Mike Watkins from Nielsen, "this environmental consideration, which had already started to take hold before the coronavirus, will remain important after the pandemic."

CONAGRA BRANDS

The North American giant

Based in Chicago, the hundred-year-old company finalised its acquisition of Pinnacle Foods in 2018, strengthening its position in the frozen food segment. It has a brand portfolio worth $5 billion in North America and Mexico: Birds Eye, Healthy Choice, Marie Callender's, Hungry-Man, Banquet, Alexia and Evol. The company, which is listed in New York, has a market capitalisation of almost $17 billion and its share price has increased nearly 20% over one year. Its revenue was up 16% last year, reaching $11.1 billion.

FOUNDED: 1919
HEADQUARTERS: CHICAGO (US)
EMPLOYEES: 16,500
REVENUE: $11.1 BILLION
CAG

FROSTA

A family business

Founded in 1961 by Dirk Ahlers in Bremerhaven in northern Germany, the company now has more than 1,800 employees and is led by Ahlers's son, Felix. The leader in frozen meals in its market, Frosta sells products under its own brand in several countries in Europe, including Switzerland. It also specialises in manufacturing for retailer brands and operates in the mass catering segment. In 2019, its revenue was up 2.7%, reaching €523 million. The company is worth €462 million on the Frankfurt exchange.

FOUNDED: 1961
HEADQUARTERS: BREMERHAVEN (DE)
EMPLOYEES: 1,852
REVENUE: € 523 MILLION
NLM

PORTRAIT SWISSQUOTE DECEMBER 2020

Cathie Wood: a star is born on Wall Street

The investor everyone is talking about in the United States predicted the staggering rise in Tesla's share price. The ETFs that she manages in full transparency are some of the highest performing on the market.

BY ANGÉLIQUE MOUNIER-KUHN

American finance has a new legend. Highly skilled investors – such as John Paulson, who made a name for himself during the subprime crisis, or Michael Milken, who became a star in the savings and loan crisis – divide Wall Street into two camps: either ardent fans or suspicious observers, but no one is ever indifferent. The new Oracle of Delphi has made a name for herself in 2020 as the investor who knew better than anyone how to predict and profit from the stratospheric rise in Tesla's share price. Her name: Cathie Wood. Her mantra: innovation.

According to the sixty-something Wood, who has a long career as an economist and financial analyst, most investment professionals are making mistakes and don't even realise it. In particular, she critiques passive managers who administer funds invested in US stocks that are chosen based on benchmark indices. For Wood, a benchmark is nothing more than a rear-view mirror: a reflection of the past economy. "Passive and benchmark-sensitive investing is contributing to the most massive misallocation of capital in history," she tweeted recently to her 135,000 followers.

> **"Innovation gains traction during tumultuous times"**
> **Cathie Wood,** ARK Invest's CEO

Wood is convinced that the ability of certain types of innovations to revolutionise the economy is still highly under-estimated – and with it, the growth potential of companies that are pioneering disruptive technologies. Wood, a fan of US President Donald Trump's tax policy, takes any opportunity to support her claims using her favourite stock. An analyst that follows Tesla, says Wood, should be an expert in energy storage, robotics or artificial intelligence. But most analysts following Tesla are focused on combustion engines and as a result are unaware of the current electric vehicle revolution.

After spending 12 years at AllianceBernstein as CIO of Global Thematic Strategies, the analyst – whose smiles temper her serious look – founded her own management company, ARK Invest, in 2014 in New York. Dedicated exclusively to investments in public technology companies, the firm has approximately 30 employees. There are many young analysts, chosen more for their scientific knowledge or experience in start-ups than for their time spent as financial analysts. ▷

Cathie Wood at the Sooner Than You Think Technology conference, October 2018.

GETTYIMAGES / BLOOMBERG / CONTRIBUTEUR

ARK Invest has defined five "innovation platforms" that it believes will create billions of dollars in value in the coming decade: DNA sequencing, Deep Learning, energy storage, robotics and blockchain technology. This evaluation grid has led to five ETFs, which are all actively managed by Cathie Wood. Two other index ETFs complete the family (3D printing and Israeli tech companies).

The unique stock market conditions in 2020 – with the rise of tech stocks against a global economic crisis – created a favourable context for the strategies employed by ARK Invest, which struggled to make a name for itself until then. That's no surprise for Cathie Wood: "Innovation gains traction during tumultuous times (…) because it offers solutions to the problems at hand," she said on her site. The performance of the ETF ARKK (ARK Disruptive Innovation), the firm's top fund, is widely discussed on social media, in the press and on the internet.

The ETF, which covers several of the investment themes identified by the company with a long-term outlook (five to 10 years), generated as of 30 September a performance of 83.7% since the start of the year, and an annualised return of 31% since it was created. In comparison, the S&P 500 grew by 5.57% between January and September and has risen 11.46% on average annually since 2014.

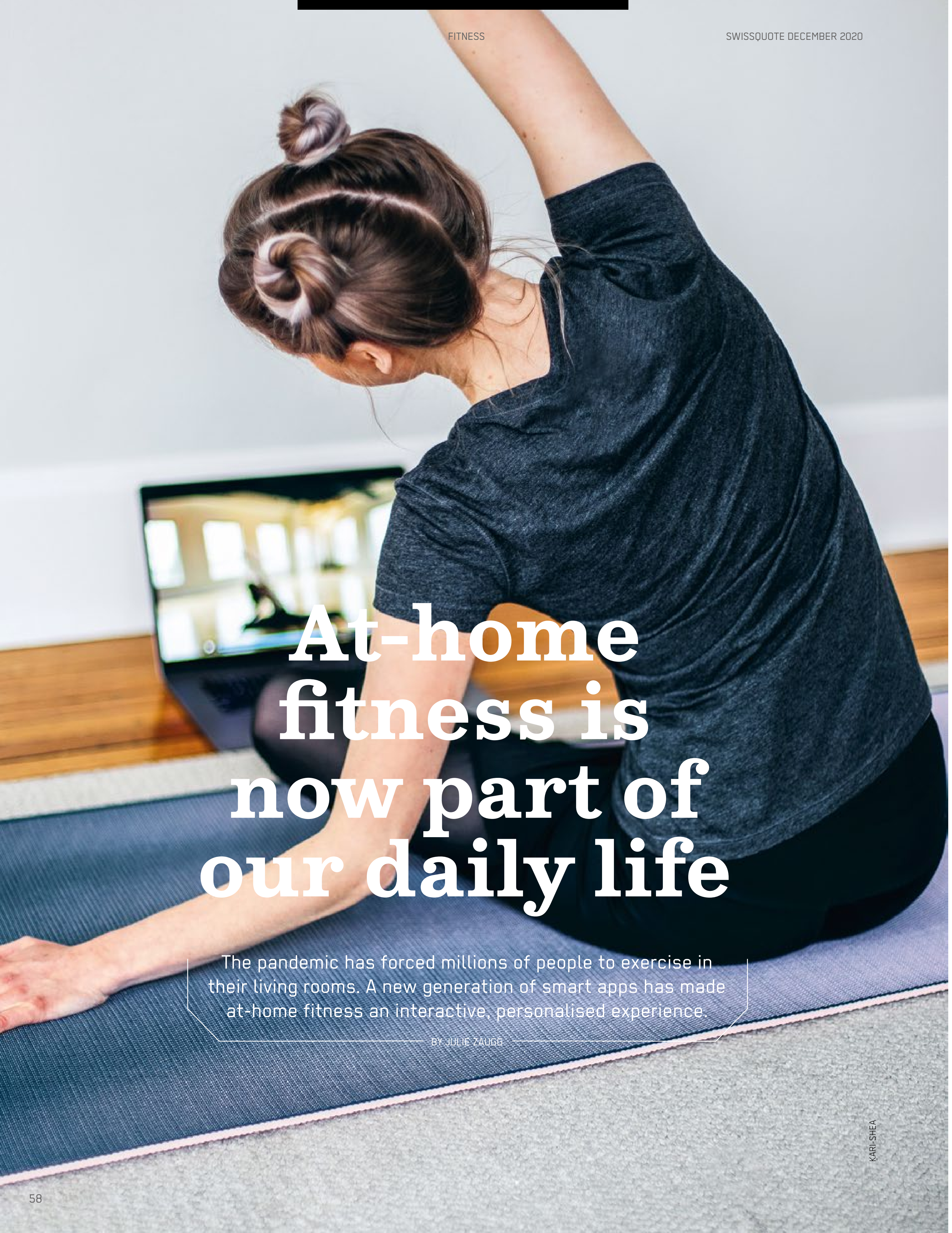
> **"If we're right, then the rewards will be pretty enormous"**
> Cathie Wood, ARK Invest's CEO

The main holding? Tesla, which makes up more than 10% of the ETF's total weight. The positioning has resulted in harsh criticism from those who believe that the company is meteorically overvalued and are predicting a sharp correction. To this criticism, the CEO responded, "If we're right, then the rewards will be pretty enormous," as quoted in a feature by *Forbes Magazine*.

As for the other ETFs managed by Wood, they were all in the green as of 30 September, with increases ranging from 54% to 90%. According to the ETF.com database, four of the ETFs are among the top 20 highest performing ETFs of the year in the United States. This kind of performance attracts attention: in 2020, ARKK alone brought in nearly $5 billion in new money growth and was worth $9 billion on 30 September. In total, the assets under management by ARK Invest – worth $300 million in 2016 – are now around $30 billion.

ARK Invest is clearly in the spotlight. But its fame is also due to the fact that the firm itself has introduced some disruption into the industry. By choosing to structure the funds as ETFs, Wood is now required to publish the transactions daily, which is a departure from the secretive nature of positioning that is traditionally cultivated by asset managers. Moreover, analyst research, market commentary, webinars on the macroeconomic environment and a library of podcasts are freely available to the public on the ARK Invest website, as well as a "Bad Ideas Report", which lists the industries to avoid at all costs. This transparency is designed as the cornerstone of "collaborative" research, open to ideas and contributions from the outside.

It remains to be seen whether this iconoclastic approach will be sustainable or if it is simply a flash in the pan. Financial history is full of ephemeral glory. After inventing junk bonds, Michael Milken went to prison for insider trading. And as for John Paulson, he's now known for his disastrous performances after the subprime mortgage crisis. ◢



At-home fitness is now part of our daily life

The pandemic has forced millions of people to exercise in their living rooms. A new generation of smart apps has made at-home fitness an interactive, personalised experience.

BY JULIE ZAUGG

KARI SHEA

FITNESS SWISSQUOTE DECEMBER 2020

Balanced precariously on the edge of the sofa, you try to do abs exercises while craning your neck to watch the instructor from your laptop that's on the floor. All of a sudden, your cat steps on the keyboard, stopping the video and your children call you for help because they can't follow their online maths class. This scenario is quite familiar to anyone trying to exercise at home during the COVID-19 pandemic.

As gyms in many countries have been closed since March, more and more people are turning to virtual exercising. "At-home workouts started becoming popular around two years ago, with the emergence of a new generation of smart fitness equipment," said David Swartz, analyst at Morningstar who follows the sport industry. "But the pandemic really caused this industry to skyrocket."

Previously, home fitness was popular primarily among women and young people. But now everyone's doing it. "People are working at home and have more free time to exercise," said the analyst. "During a public health crisis, they are also more focused on their health and well-being." It is also a way to combat boredom after months in lockdown.

To prevent this aforementioned ennui, home fitness enthusiasts have invested in cutting-edge technologies. The smart home exercise bike Peloton, which went public in 2014, was the pioneer. After the initial purchase of the bike — between $1,895 and $2,945 — riders pay $39 per month for unlimited access to livestream spin classes. The New York-based company also makes a treadmill — sold for between $2,495 and $4,295 — with a similar subscription model. Currently, Peloton equipment is available in the United States, Canada, United Kingdom and Germany.

Since the initial buzz, a series of less expensive competitors have entered the market, such as the AmazFit Home Studio treadmill, a collaboration between Chinese group Huami and US start-up Studio, NordicTrack bikes with online iFit courses, and the Echelon Smart Connect bike, which can be purchased for only $999.

"The pandemic really caused this industry to skyrocket"

David Swartz, analyst at Morningstar

Several other sports are also making home equipment, though the machines are usually only available in North America. For example, the start-up Hydrow has created an intelligent rowing machine linked to a screen so rowers can follow a live course. The resistance of the device changes to imitate real conditions of a boat in water.

California-based company Fightcamp offers boxing classes with sensor-equipped gloves that automatically calculate the intensity of the effort — and grant a score — thanks to an algorithm measuring speed, force of the hit and the degree of technical precision in each hit.

There are also a growing number of apps offering livestream or pre-recorded classes for a fee of between $10 and $20 per month, such as Glo, Aaptiv and Les Mills. Apple announced in September that it would launch an online fitness service called Fitness+. It equipped its Apple Watch with a sensor capable of measuring blood oxygen levels.

"These new offers are different from the traditional home exercise bike that you buy on a whim and it ends up in the garage. These apps are interactive and provide high-quality content," said Ray Algar, an expert in the fitness industry and head of UK-based consulting firm Oxygen ▷

PROFILES

PELOTON

The pioneer of smart bikes

The pandemic caused the number of Peloton smart bike users to skyrocket. In late June, the company had 1.09 million paid subscribers, an annual increase of 113%. In Q3, its revenue was up 172% to reach $607 million, becoming profitable for the first time. In October, the company announced less expensive versions of its bikes and treadmills, significantly expanding its client base. "Peloton's monthly subscription model ensures that it has a captive user base, which should increase its margins in the medium term," said Laura Martin, who covers the company at Needham.

FOUNDED: 2012

HEADQUARTERS: NEW YORK (US)

EMPLOYEES: 1.800

REVENUE: $1.8 BILLION

PTON

Boosted by the pandemic, Peloton now has more than one million subscribers worldwide.

PELOTON

Consulting. “We now have access to top-notch fitness instructors without having to leave the house.” Some Peloton spin teachers have become real stars, such as ultra-marathon runner Robin Arzon and influencer and former dancer Jess King.

The group aspect of streaming courses is also appealing. “Exercising at home used to be a solitary activity.

WHAT’S AVAILABLE IN SWITZERLAND?

While the majority of smart home fitness devices are currently only available in the United States (with the notable exception of Peloton and Echelon Smart Connect bikes), some models can be delivered to Switzerland via a delivery intermediary, which receives the shipment in the United States and then sends it to Switzerland. The Peloton app is available in all countries. NordicTrack smart bikes and treadmills can be ordered and delivered directly to Switzerland. Several apps offering livestream fitness classes are also available in Switzerland, such as Glo and Aaptiv. Apple’s new Fitness+ service, which is expected to launch at the end of this year, will initially be available in the United States, Canada, United Kingdom, Ireland and New Zealand, but is expected to expand to other countries later.

But now you can join a group, which increases motivation and more or less provides the same experience as a class in an actual gym,” said Kim Karmitz, an expert in the sport industry for New York-based consulting firm Triangle Capital. Interactions with other class attendees continue on the internet, where virtual fitness communities are created.

The growing popularity of at-home fitness has led to completely new and clever business models. Mirror, a New York start-up acquired by yoga apparel giant Lululemon for $500 million in July, has one of these models. For $1.495 and a monthly subscription of $39, you receive a smart mirror screen that you can use to take a multitude of classes (cardio, pilates, barre, boxing) streamed live from a studio in New York.

A camera on the mirror transmits your reflection to the instructors and you get feedback in real time on how to improve your posture or modify a movement to reduce the impact on an injured knee, for example.

> **“We now have access to top-notch fitness instructors without having to leave the house”**
>
> **Ray Algar,** expert in the fitness industry and head of UK-based consulting firm Oxygen Consulting

Similarly, the start-up Tonal designed a screen with two handles on either side. Use the handles to complete various strength training exercises while being guided by a coach. The software continuously changes the weight and pulling force of the handles based on performance and user goals. It also tracks progress.

GAMIFICATION

“This personalised interaction with clients, who receive feedback on their performance and custom plans based on their goals, is a significant advantage of smart fitness,” said Lauren Ryan, an expert in the fitness industry at Mintel, a London market research firm. “The experience is very close to what you would get with a personal trainer.” Mirror even goes so far as to provide its clients with sensors to record their heart rate and other physiological data.

By turning user performance into numbers, these services offer a fun way for clients to work on their physical fitness. “Several of these companies grant scores, which can be shared online or used to sign up for challenges with other users,” said Ryan. This gamification aspect increases user motivation.

The next step, which many companies are already working on, is incorporating elements of virtual reality. “You could row down a river in China, jog through the streets of Paris or exercise in a group with avatars of other users, all from your living room,” said Karmitz.

But it remains to be seen whether this trend will continue after the pandemic. “Even when gyms reopen, people aren’t going to want to spend time in crowds of other people any time soon,” predicted Karmitz. Especially if you have to wear a mask at all times and disinfect each machine once you’ve finished using it. Many fitness chains were forced to close, which results in limited in-person fitness options.

Habits that began during the pandemic could very well persist over the long term. “After spending a year exercising at home and saving time and money, people aren’t going to return to the gym,” said Laura Martin, an analyst at Needham. Especially if they spent close to $2,000 to buy a smart exercise bike.

For the industry to really take off, the price of smart fitness equipment needs to drop drastically, believes Swartz. “Otherwise, it will remain a niche market,” he said.

Competition between the various services will also be fierce. “Many of these companies will not survive in the medium term, particularly those whose subscription fees are too low or who offer lots of free content,” said Karmitz, who says that producing high-quality classes is expensive.

And while there is much progress being made in interactive experiences for home fitness services, they can never replace the human relationships forged in a gym class or the joy of breathing fresh air during a jog in the park.

LULULEMON

A smart mirror

The yoga and athleisure apparel company already saw sales increase during the pandemic, as people were working from home and no longer had to follow office dress codes. But in July, it acquired start-up Mirror for $500 million, taking a first step into the home fitness market. “Just this year, Lululemon hopes to make $150 million in revenue,” said David Swartz, who covers the company for Morningstar. In time, the group hopes to sell Mirror devices in its shops and sell apparel to Mirror users, generating growth on both fronts.

FOUNDED: 1998
HEADQUARTERS: VANCOUVER (CA)
EMPLOYEES: 19,000
REVENUE: $3,98 BILLION
LULU

NAUTILUS

The traditional exercise bike

It’s not only smart devices that benefited from the home fitness trend. Traditional fitness machine manufacturers, such as Nautilus, also saw their revenue shoot up since the start of the pandemic. In Q2 2020, Nautilus sales were up 94% to reach $114 million. Nautilus shares also increased significantly, going from approximately $1,4 in autumn 2019 to more than $22 a year later. Demand was particularly strong for the Max Trainer models, which offers personalised sessions and virtual coaching.

FOUNDED: 1986
HEADQUARTERS: PORTLAND (US)
EMPLOYEES: 434
REVENUE: $309 MILLION
NLS

Uniqlo: a Japanese brand expands its reach around the world

The Japanese brand, which decided to ignore fashion trends, is weathering COVID-19 better than its competition. It aims to be the global leader in apparel.

BY ANGÉLIQUE MOUNIER-KUHN

DR

In June 1984, the very first Uniqlo store opened in Hiroshima, Japan.

Quite a symbol. In early October, as residents of Hamburg lamented the economic downturn and the closure of several shops in the city centre due to coronavirus, including Kaufhof and Karstadt Sports, Uniqlo was opening a giant store close to city hall in the large German city. Located in a prestigious building of a former German central bank subsidiary, this new complex is 1,750 m^2 and has about 100 employees. It is the tenth Uniqlo store in Germany and the 60th in western Europe.

But it's just one more store within the grand scale of the global empire that Japanese group Fast Retailing, which owns the Uniqlo brand, has built. Thirty-five years after the very first store opened in Hiroshima, under the name Unique Clothing Warehouse – Uniqlo is the contraction – and less than 20 years after setting off to conquer an international clientele, Fast Retailing now has 2,252 Uniqlo stores in approximately 20 countries, including 813 in Japan. In terms of revenue, the group that also owns the brands Princess Tam-Tam, Theory, J Brand and Comptoir des Cotonniers is now competing with Swedish group Hennes and Mauritz (H&M) for second place behind the top global apparel brand: Spanish group Inditex, which owns Zara.

This competition appeals to the ambitions of Tadashi Yanai, the founder of Fast Retailing, who is still president of the group at 71. "My passion for business remains as strong as ever," confirmed the Japanese self-made businessman in a communication published by the company this spring. The son of a provincial tailor who became one of the richest men in Japan, Tadashi Yanai has openly aspired for the past decade to be the top global apparel brand.

> **"Uniqlo's strategy has been to ignore changing fashions and not chase trends as its competitors do"**
> Martin Roll, independent consultant

Even though this objective as Yanai had first envisioned it was not reached in 2020, the economic crisis caused by the pandemic seems to have given him wings. It is true that store closures during lockdown and consumer frugality have caused the group's growth to plummet. During the financial year that ended on 31 August, Fast Retailing saw sales drop 12.3% to 2,000 billion yen, or 17.5 billion Swiss francs (the next half results have not yet been published). But the Japanese retailer is doing better than its main competitors: it is proportionally more present in China and south-east Asia (46% of its stores are located there), where the repercussions of the pandemic were less severe than elsewhere in the world. The global leader Inditex saw its sales drop 37% in the first half of the year. H&M recorded a loss of 21%. The stock market reflects this mixed perspective: in mid-October, shares of Fast Retailing were up 12% over the year, compared to the lacklustre performance of the Nikkei 225 where the company is a heavyweight. Inditex shares fell 24% and H&M shares fell 19%.

And the news gets worse: Brooks Brothers and J Crew have filed for bankruptcy in the United States, and Gap announced it is leaving the European market. All of these downturns could mechanically prop up Fast Retailing's market share.

"The pandemic is a global crisis, but for us, it has become a turning ▷

IN FIGURES

2,009 BN
The revenue in yen of the Japanese group Fast Retailing, owner of Uniqlo. It is the equivalent of 17.6 billion Swiss francs

82%
The percentage of the group's revenue that is generated by Uniqlo

57,727
The number of employees

2,252
The number of Uniqlo stores around the world

49%
The percentage of revenue that Uniqlo generates in Japan

On 19 June, 2020, Uniqlo opened its largest store in the world in Tokyo's Ginza district.

TAKEHIKO SUZUKI / YOMIURI / THE YOMIURI SHIMBUN VIA AFP

point," said Yanai as the latest Fast Retailing results were published in mid-October. So there's no chance that Uniqlo would stop its international expansion. At a time when Inditex and H&M have announced the definitive closure of several hundred stores, the Japanese brand continues to believe in physical commerce: "E-commerce is a virtual world (…). There is nothing that tops the original," Yanai said recently. Uniqlo now has approximately 60 more retail locations than it had one year ago. The chain has started to break into the market in India, Vietnam and continues to expand in China, where it hopes to triple the number of stores (767 in late August).

But not all experts share Yanai's euphoria for brick-and-mortar retail. For Cédric Rossi of Bryan, Garnier & Co, the future is decidedly digital: "An integrated approach combining physical stores and online shopping has become vital," said the expert in luxury and consumer goods. In this domain, the Japanese brand is lagging behind its competitors. "In the 2019 financial year, Uniqlo generated 11% of its sales online, compared to 16% for H&M and 14% for Inditex. And these percentages have doubled in Q2 due to the COVID-19 crisis," said Rossi. In order to remain competitive, Fast Retailing accelerated its digital transformation by launching a new application in Japan and significantly increasing its online marketing offers. This trend is expected to continue: in time, Fast Retailing hopes to conduct 30% of its sales online.

A LIMITED NUMBER OF PIECES

In the meantime, the primary advantage that the Japanese giant has over its competitors is its positioning, which is more aligned with current events. "The business strategy that has worked for Uniqlo thus far has been to ignore changing fashions and not chase trends as its competitors do," said consultant Martin Roll in a study published last year. While Inditex is able to produce the very latest fashion trends and have them in stores in just two weeks, Uniqlo plans its production months in advance and only produces a limited number of urban collections, focusing more on fundamentals: pieces that can be worn at any age, made from quality materials and sold at a low price. "On average, Uniqlo collections have 2,000 pieces, compared to 6,300 for H&M and 17,000 for Zara," said Rossi. Uniqlo decided to liven up its collections through long-term partnerships with stylists such as Christophe Lemaire and Inès de la Fressange, or one-time collaborations such as the collections designed this year with Marimekko, Jil Sander and JW Anderson. "These special collections can pique the interest of customers who like Uniqlo but also appreciate a bit of style in their wardrobe," said Aldo Liguori, the brand's spokesperson.

Another unique aspect of the Japanese group is that it has a penchant for innovative textiles. Heattech thermal clothing and Dry-Ex breathable fabrics, both designed in partnership with Japanese chemical group Toray, as well as AIRism products that absorb humidity, have largely contributed to Uniqlo's brand awareness. This summer, Uniqlo launched a washable mask from its AIRism line to bring customers back to its stores, first in Japan and then in the rest of the world. And to highlight the advantages of these various technologies, who better to have as an ambassador than Roger Federer, who has been under contract with the brand since 2018: "I need to rely on my clothes, and my equipment and the material. (…). Dry-Ex is smooth, feels good, and I really feel good in it so it's comfortable," said the global tennis star in a commercial video.

THE CHALLENGE OF SUSTAINABLE FASHION

While relentless on the surface, the Japanese brand's rise to power has been fraught with pitfalls. Uniqlo had to revise its expectations for the United States downwards, which is a market that is both vital and ultra-competitive. The chain only has about 50 stores in the US: the Japanese minimalism and the disconnect between Asian sizes and North American silhouettes have hindered Uniqlo's efforts to generate more brand awareness.

There was a big misstep in 2015, when the brand raised the price of certain clothes by 10% to counter the unfavourable effects of the fall of the yen. This initiative caused sales to drop and the brand had to back-pedal.

Furthermore, even though Fast Retailing rejects the association, the Uniqlo brand remains, among many consumers, inevitably tied to the fast fashion industry and its disastrous image. This dimension has become critical in an era in

"The pandemic is a global crisis, but for us, it has become a turning point"
Tadashi Yanai, Uniqlo's CEO

which consumers are increasingly scrupulous. "Uniqlo is not fast fashion," said Yanai last year in London, during an exhibition dedicated to "LifeWear". The concept behind the campaign was to promote comfort above all, but also sustainability. "We don't make disposable clothes," insisted the CEO in a quote reported by *Nikkei Asia*.

It is true that Uniqlo invites customers to bring clothes that they no longer want back to their stores to be recycled or donated to the UN Refugee Agency (UNHCR). Uniqlo has partnered with the agency since 2006. Starting this autumn, it will recycle its famous down jackets to create new ones. But that's not enough: in the Fashion Transparency Index, a benchmark that evaluates the social and environmental commitments of apparel companies, Uniqlo is ranked 51st, far behind the top leaders H&M, C&A, and Adidas and Reebok (which are tied for third).

According to data analysis platform Retviews, apparel labelled as sustainable or environmentally-friendly still makes up only 2% of Uniqlo's total offering, compared to 9% for H&M and 14% at Zara. Currently, the COVID-19 crisis seems to have caused social and environmental concerns to become secondary amongst consumers, noted analysts from Morgan Stanley MUFG in a recent study on Uniqlo. "But as soon as the end of the pandemic is in sight," they warned, "a new wave of disdain for mass production and consumption could emerge and force companies back towards sustainable fashion."

ANALYST OPINIONS

A HIGH VALUATION

In a study published in September, Morgan Stanley MUFG Securities reiterated its "Equal Weight" ranking for Fast Retailing, while revising its price target slightly upwards to 62,000 yen. While the broker congratulates the group on its success compared to its primary competitors, particularly its larger presence in Asia, it believes that the current valuation is high. Many analysts believe that the stock price increase in the spring already reflected the anticipation of a less severe pandemic impact on Fast Retailing's business than for other international groups. Furthermore, the stock benefited in recent months from the overall favourable sentiment towards Japanese stocks, due to a new prime minister in Japan's government and investments made by Warren Buffett in the country's general trading companies. "We doubt that the valuation can still increase, unless there is stronger growth in Asia than we predicted," said analysts from Morgan Stanley MUFG Securities. IDIA

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- Dividend-paying stocks do not deliver the downside protection that bonds offer if held to maturity.
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Symbol **SQBHDU**

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SWISSQUOTE LAUNCHES ITS BAR AND RESTAURANT

Insider – a restaurant, cocktail bar and aperitif lounge depending on the time of day and your mood – is an original concept inspired by the stock markets and located just steps away from Zurich's central train station. Interview with Giuseppe Tafuro, director of the Zurich branch of Swissquote.

Off the starting blocks, the Insider team is cheerful and motivated.

DR

What does a typical day at Insider look like?

At lunchtime, it's a restaurant that serves meals à la carte. Starting at 4.30 pm, you can order a smaller Aperitivo or a larger Apericena, depending on your appetite. Around 9 pm, it slowly transforms into a cocktail bar. We wanted Insider to be reminiscent of the stock market: the drink prices fluctuate based on demand, just like company share prices. We use a software we call "Drink-Exchange", which automatically calculates drink prices based on how many are ordered. Throughout the day, a ticker also displays major share prices so that those interested in the markets can follow them in real time.

What type of food is served?

Mainly Mediterranean-inspired dishes. Originally from Rome, chef Francesco Raponi is very creative. For lunch, we have about 15 dishes on the menu – all at reasonable prices. For the Aperitivo and the Apericena, we offer both hot and cold options. We have two chefs in the kitchen and four people serving guests. Behind the cocktail bar, we even have a robot helping us out – another nod to Swissquote's technological investment universe. It's brand new and quite the "eye-catcher". We are the only restaurant in Switzerland to have this kind of robot. But we're not trying to remove the human element from the experience. Our team actually came up with new cocktail recipes and programmed the robot. The machine will handle the more mundane work and the barman can spend more time taking care of customers.

How has the pandemic affected the opening?

The current capacity is limited to 24 people, compared to 49 normally. And of course we're taking every possible health and safety precaution. We wanted to open the restaurant in spite of the second wave of COVID. It's our way of saying that one way or another, life will soon return to normal. I want to clarify that everyone is welcome; it's open to all, not just Swissquote clients. You can reserve the space for private parties.

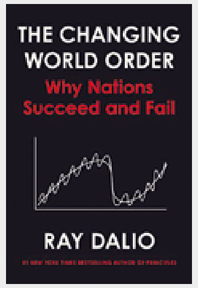
GIUSEPPE TAFURO
BRANCH MANAGER ZURICH

OPENING HOURS
Monday to Friday
11.30 am – 11 pm

ADDRESS
Insider Restaurant & Bar
Löwenstrasse 64
8001 Zürich

CONTACT INFO
+41 44 210 20 30
info@insiderbar.ch

TO READ, TO DOWNLOAD



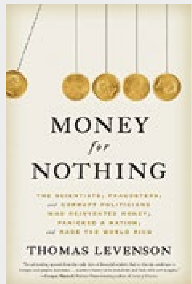
Avid Reader Press/ Simon & Schuster, 2020
CHF 40.-

THE CHANGING WORLD ORDER

WHY NATIONS SUCCEED AND FAIL

By Ray Dalio

In his latest publication, the famous billionaire investor Ray Dialo chronicles the forces and economic cycles that have contributed to the successes and failures of major world powers throughout history. Comparing nine economic empires over the last five centuries, *The Changing World Order* also offers practical advice for political and economic decision-makers.



Random House, 2020
CHF 30.-

MONEY FOR NOTHING

THE SCIENTISTS, FRAUDSTERS, AND CORRUPT POLITICIANS WHO REINVENTED MONEY, PANICKED A NATION, AND MADE THE WORLD RICH

By Thomas Levenson

At the dawn of the 18th century, England, short on funds following yet another war with France, desperately needed more money. After selling national debt to citizens, which was quite an innovative approach at the time, the English Parliament turned to the stock market, where new financial instruments were being created. In *Money for Nothing*, the writer and director Thomas Levenson brilliantly describes the emergence of modern capitalism due to raison d'état, greed, and Newton formulas applied to the new world of finance.

App Store, Google Play, Free, in-app purchases

DROIDCAM

TRANSFORM YOUR SMARTPHONE INTO A WEBCAM

This type of app is very timely during this period of working from home and virtual meetings: DroidCam can easily transform a smartphone into a webcam so that you don't have to buy a camera just to attend meetings. Free, although there is also a paid version of the app for HD quality.

Google Play, App Store, Free, in-app purchases

KIPPO

DATING FOR GAMERS

We've seen dating apps for rich people and celebrities. Now an app targets a new niche audience: gamers. Rather than "match" users based on aesthetic or socio-cultural criteria, Kippo brings gamers together based on their favourite games.

Google Play, App Store, Free, in-app purchases

AMONG US

CLUEDO IN SPACE

Among Us is the surprise of the year for the mobile video game market. Launched in 2018 with a lukewarm reception, this game with minimalist graphics has become incredibly popular during lockdown. The premise is similar to a game of Cluedo in space. In Among Us, astronauts need to solve all sorts of tasks in a space station, and must fight to eliminate imposters in the team. Laughter is guaranteed.

Google Play, App Store, Free

WATCH ESSENTIALS

A WATCH ENCYCLOPEDIA

This app, created by the Fondation de la Haute Horlogerie, is a wealth of information about watches and watchmaking. Terminology, gears, complexities and industry leaders are all presented in an educational way, suited for all levels of understanding.

AUTO

A seamless shift

In typical Mazda fashion, the MX-30 electric crossover has strong identifying characteristics and a few original design features, including a small battery, which limits it to shorter trips.

BY RAPHAËL LEUBA

Upon first glance, it's difficult to see the turbo-charged metabolism that powers this model and its true-blue crossover silhouette. The MX-30 is not all smooth edges like most electric models, instead bearing a family resemblance to the CX-30 combustion-powered model. Its voracious radiator grille doesn't even look like it belongs on an electric car. Besides its silver roof arches, there's only one oddity: small rear-hinged back doors cleverly tucked into the side of the vehicle. Less compact than it appears, this attractive model measures 4.39 m long and can seat five people. However, despite the lack of central pillars, access to the back seats is a tricky business.

In comparison, the driver has lots of space and will immediately feel right at home, surrounded by a sporty yet chic ambiance in which the controls seem totally familiar – except perhaps the climate controls touchpad, which is a new feature for Mazda. Felt and cork inserts provide an environmentally-friendly feel and the premium interior would have been worthy of the return of Mazda's Xedos range, the equivalent of Lexus and Infiniti in the 1990s. It's a shame that there are only a few small storage spaces to leave room for a bulky central gear lever, which doesn't make sense in an electric vehicle without a gearbox or transmission tunnel. The boot, which ranges in size from 366 L to 1,171 L with the back seats folded down, is large enough to transport an e-bike if you remove the front wheel and saddle.

High on its wheels with an entirely streamlined underbody, the MX-30 has no fear of rough roads. However, its front-wheel drive transmission does limit the vehicle primarily to on-road use, where it scores well, particularly in terms of ride comfort. Aerodynamic noise is discreet, suspension is muted and acceleration is steady. What's more, the 145 hp and 271 Nm of torque gives this Japanese electric model quite the kick, and the battery, located under the floor, provides a lot of power. The front end provides excellent traction and carves out clean lines, making driving a pleasure. Everything feels very natural, including the variation in the regenerative braking, which can be amplified via the paddles on the steering wheel.

In terms of weight, the MX-30 tops the scales at 1,645 kg empty, a reasonable amount for an electric vehicle of this size, which results from its small 35.5 kWh battery. To put things into perspective, the new ID.3 1st Edition from Volkswagen has a 58 kWh battery and weighs 150 kg more, but offers double the driving range. The Mazda is clearly limited in terms of range, but on the bright side this does drastically reduce the price.

The MX-30 transforms every drive into a moment of peace

In terms of equipment, the MX-30 draws on proven solutions, which leave nothing to be desired. The top-of-the-range Revolution (42,900 Swiss franc) has LED matrix headlights, rear cross-traffic alert and driving assistance in traffic jams. The only optional features are the sunroof and metallic paint. The driver assistance system is not too intrusive and the infotainment system is very user-friendly, proof of accomplished craftsmanship.

The MX-30 transforms every drive into a moment of peace, and a sense of worry only emerges when the "low battery" message appears – when the battery only has 25% energy left. The advertised range of 200 km (WLTP) is a bit optimistic, and it might be good to keep a charging cable in the boot (fast CCS or slow Type 2). On a variety of roads without blasting the heat, and driving smoothly with help from the powerful engine brake, it's quite easy to reach the average factory consumption of 19 kWh per 100 km. But if you want to push the limits while driving, it's better to assume you'll use a few more kilowatt-hours, with a driving range of no more than 150 km. The MX-30 is far better suited to short trips – which it handles with enthusiasm – rather than long family escapades. You just need to bear that in mind.

MAZDA MX-30

MOTOR:
FRONT ELECTRIC MOTOR, 35.5 KWH LI-ION BATTERY

POWER:
107 KW (145 HP), 271 NM

ACCELERATION:
0–100 KM/H IN 9.7 S

DRIVING RANGE:
200 KM (WLTP)

PRICE:
STARTING AT CHF 36,990.- (FIRST EDITION)

ALTERNATIVES

VW ID.3 PRO PERFORMANCE

Multipurpose 5-door, 5-seater saloon (4.36 m). Optional extras, economical finish. Respectable interior cabin and boot size (385 L). Front-wheel drive, 204 hp and 310 Nm (less powerful models coming soon). Driving range of 425 km in WLTP cycle (with 58 kWh battery), 0-100 km/h in 7.3 s, max speed of 160 km/h.
CHF 39,450.–

DS 3 CROSSBACK E-TENSE

5-door, 5-seater high-end electric crossover. Unique presentation, moderate size (4.12 m long). Large 50 kWh battery. Driving range of 320 km (WLTP). 260 Nm, 100 kW (136 hp), front-wheel drive. 350 L boot, 0–100 km/h in 8.7 s, max speed 150 km/h (compared to 140 km/h for the Mazda MX-30).
CHF 45,790.–

TRAVEL

La Brévine: Switzerland's hidden gem

With its snowy Northern climate, delicious culinary traditions and wintry mornings, this part of the Jura is a perfect destination for travellers who love nature, silence and frost.

BY SALOMÉ KINER

GUILLAUME PERRET / TOURISME NEUCHÂTELOIS

"People love records, and La Brévine holds one! On 12 January 1987, the temperature dropped to -41.8 degrees." When he talks about the village of 630 residents, mayor Jean-Maurice Gasser speaks the truth: ever since La Brévine recorded the coldest temperature in Swiss meteorological history, this wild valley — which includes the Lac des Taillères and three municipalities of La Brévine, La Chaux-du-Milieu and Cerneux-Péquignot — has become a national curiosity. In a time where climate change has become concerning and is causing many parts of the world to heat up quite a bit, the tourism of the future is focused more on temperate, or even quite chilly, locations.

Switzerland can hold its own alongside Norway's fjords and Canada's wintry plains: La Brévine, nicknamed Little Siberia, is a snowy paradise tucked deep into a valley at an altitude of 1,050 m, sandwiched between Lake Neuchâtel and the French border. French writer André Gide spent two months here in 1894 for a treatment. He used his experience as the backdrop of his novel *La Symphonie Pastorale* [The Pastoral Symphony], published in 1919. It's a great story to read during lockdown or while preparing for your trip. ▷

Dog sled rides allow you to discover La Brévine while enjoying pristine nature.

KEYSTONE/STEFAN MEYER

This harsh microclimate — which is quite the opposite of its friendly residents — is due to the geographic location of this 20 km valley that no river passes through. At night, cold air comes down and stagnates in the valley. But despite this phenomenon, the region does boast some quite magnificent days: "We are surrounded by hills, not mountains. When the weather is good, we get a lot of sun, whereas on the plateau, they get a lot of fog." To turn the weather into a tourist attraction, Gasser created the La Brévine Valley Swiss Siberia association in 2012.

Each year, the group organises the famous "Fête du Froid" [Cold festival], a day focused entirely on local specialities. Every 12 January, a "cold village" made up of small wooden kiosks is built next to the Lac des Taillères, offering regional handicrafts, toboggan rides pulled by dogs or horses, icy swims, snowshoeing and cross-country ski lessons.

There's also plenty of local culinary specialities to taste: "torrée", a sausage wrapped in cabbage and newspaper that cooks slowly over the cinders of a large fire, or fondue served with bacon and shallots in a large loaf of hollowed-out bread. The edible fondue pot is deliciously drenched in cheese. At the end of the meal, the only thing left will be the candle!

The 2021 Fête du Froid festival is cancelled due to the COVID-19 pandemic. But that's no reason not to visit La Brévine, which is prepared to welcome visitors in compliance with health and safety measures.

When the ice quality is good enough, Lac des Taillères turns into a giant ice rink.

KEYSTONE/LAURENT GILLIERON

PLACES TO STAY zzZ

L'hôtel-de-ville La Brévine

Recently restored to provide visitors with a warm, hearty welcome, this communal building offers all of the modern comforts in the heart of Little Siberia. The restaurant is closed during partial lockdown, but the kitchen remains open for takeaway.

Price: starting at 140 Swiss francs per night for two people.

Grand Hôtel Les Endroits

For sporty travellers who wish to end the day in a spa, this luxurious establishment located in La Chaux-de-Fonds is only 25 minutes from La Brévine.

Price: starting at 320 Swiss francs per night.

Hôtel Palafitte

For a weekend of both modern comforts and natural beauty, the Hôtel Palafitte in Neuchâtel is an idyllic five-star hotel with 24 luxury cabins on the lake and private terraces on stilts. It's a beautiful setting for romantic getaways.

Price: starting at 290 Swiss francs per night.

PLAN YOUR TRIP

Snowshoes and cross-country skiing

The shop Siberia Sports in La Brévine rents all the equipment you'll need for snowshoeing or Nordic skiing. When not in lockdown, the shop offers individual cross-country ski lessons and group snowshoeing trips with an aperitif in the forest at dusk.

Price for cross-country ski lessons: 50 Swiss francs per hour per person.
Price for a snowshoe outing: 400 Swiss francs for 10 people, including snowshoes, poles and aperitif. Bring your own walking shoes, gloves, hats, warm clothing and a head lamp.
For more information, contact 032 935 13 24 or visit siberiasport.sitew.ch.

For more information about trail openings, itineraries and local weather conditions, visit romandieskidefond.ch.

Sled digs

Jura Escapades, a company located in the Franches-Montagnes district 40 minutes north of La Brévine, organises sled dog trips. Their pack of huskies is one of the largest in Switzerland, with approximately 40 dogs raised on the property in the Inuit tradition, without leads or collars.

Prices range from 90 to 175 Swiss francs per person depending on the trip.
For more information, contact Anouk Duflon at 079 771 63 58 or visit jura-escapades.ch.

Due to the pandemic, the programmes are adapted on a case-by-case basis, but there are two types of trips: an introduction to active mushing with a course on how to lead the dogs, or a more peaceful, contemplative version with more walking and a focus on relationships with nature and living things.

When the water temperature is only one degree, you have to have the courage to jump into the Lac des Taillères, like these people during the Fête du froid in February this year.

KEYSTONE/LAURENT GILLIERON

In winter, snowshoe and cross-country ski fans will love the 100 km of perfectly marked and maintained trails that are perfect for either athletic pursuits or a family excursion. Trails dotted with large farms and snowy pastures run through the valley, starting at La Brévine and heading towards Cerneux-Péquignot or La Chaux-du-Milieu, where adventurers could stop for lunch at either the Hotel-Restaurant du Moulin or the Auberge du Vieux-Puits respectively (please confirm that these are open based on cantonal COVID-related measures). The return trip is a loop that runs along the border.

Another option is to take the Lac des Taillères trail. If you take that route, an excellent restaurant is Aux Berges d'Estaillères, a blue and white building with a ship protruding from its entrance. It is covered from top to bottom in maritime and lakeside decorations: lighthouses, rudders, sketches of boats… it's a journey within a journey.

Like many in his generation, Jean-Maurice Gasser has wonderful memories of childhood afternoons spent ice skating on the lake: "It was usually between Christmas and New Year's day. Our friends called us to say that the ice was good. We came down from Le Locle in a post bus, it was quite the adventure!" Today, even in Switzerland's Little Siberia, winters are getting warmer and weather conditions are making ice skating more infrequent, but when the conditions are right, the natural 2 km long rink attracts skaters from all over the region.

BOUTIQUE

MUSICAL NOSTALGIA

To celebrate its 95th anniversary, Bang & Olufsen has unveiled a re-imagined version of its Beogram 4000c, an iconic piece of Hi-Fi history first launched in 1972. The limited edition was sourced from 95 original units that the Danish brand collected and then fully restored and modernised. A chic, sought-after revival.

bang-olufsen.com
CHF 11,000.-

FOR THE MOUNTAIN

Bally is committed to preserving mountains through its Bally Peak Outlook Foundation and has created an outdoor collection from which profits will be allocated to various ongoing projects. Highlights include the Gadey, a women's shoe inspired by the sport of curling. Created in partnership with Italian manufacturer Vibram, they are made with Arctic Grip soles that are renowned for their traction on icy surfaces.

bally.com
CHF 510.-

GRIND COFFEE AT HOME

Buying coffee beans and grinding them at home is the holy grail for coffee aficionados. With its futuristic design straight out of a science fiction film, the Onyx EG-1 from US company Weber Workshops is a professional-grade grinder that is equipped with two burrs to provide different types of grinds. Speed and output are both customisable. The grinder comes with a blind tumbler and an elegant tamping mat made from vegan leather.

weberworkshops.com
CHF 3,810.- (+ delivery fees)

A SPICY SAMPLER

Switzerland is a country of chocolate and cheese… But also spicy seasonings, such as the famous handmade Tsüri barbecue sauces invented by chef Christian Heusser. For the holiday season, the Zurich brand has created a gift box that includes their three best sellers: the classic, fruit-flavoured with hints of coffee, as well as a chilli flavour and a wild pepper flavour.

tsurisauce.ch
CHF 33.-

SCENTED DISINFECTANT

Gel hand sanitiser is the most popular item of the moment. As part of his Mizensir brand, the famous Geneva-based perfumer Alberto Morillas revisited the formula, created by Dr Didier Pittet and shared with the World Health Organization, and developed several lightly scented versions. We particularly like the invigorating Ginger scent with extracts of ginger, neroli and petitgrain.

mizensir.ch
From CHF 15.- (60ml)

GAMING FOR SERIOUS PLAYERS

Are the new Playstation 5 and Xbox Series X too low-key for you? Gamers who love the ultra-fluid 4k experience can now go a step further with the compact PCs made by Alienware. Available in either black or white, the new Aurora model, which is configurable online, can be equipped with the RTX 3080 graphics card, the flagship product from Nvidia. Everything you need to spend the winter gaming.

dell.com/fr-fr/gaming
From CHF 2,649.- (model with Geforce RTX 3080)

A SMART SKI COACH

Speed, turns, endurance, style, body position, intensity: all of this information is captured by the three Snowcookie sensors that skiers place on each ski and their chest. By analysing the way skiers move while on the pistes, the smart coach can help skiers closely monitor their skills and win virtual points when they hit new levels. For both beginner skiers and seasoned slope veterans, it's a fun way to improve performance.

snowcookiesports.com
From CHF 349.-

NINTENDO

TRIED AND TESTED

MARIO KART IN THE REAL WORLD

BY GÉRARD DUCLOS

Just in time for Christmas, our reporter tested augmented reality Mario Kart.

While Sony and Microsoft have recently come out with new versions of their game consoles, which are all about graphics and sound performance, as usual, Nintendo has veered off on its own track with this 2020 release. To secure a spot under Christmas trees this year, the Japanese giant once again goes all-in on family entertainment with its portable Switch console. And this time, Nintendo's art of going against the grain is captured in an unexpected version of Mario Kart using augmented reality.

For 100 Swiss francs, Nintendo's *Mario Kart Live: Home Circuit* game comes with either a 20 cm Mario kart or Luigi kart, depending on the set. The kart is remote-controlled with the Switch and features a small, on-board camera. The pack also contains four numbered cardboard gates and two arrow signboards.

Using augmented reality, the player steers the vehicle through a real environment using the Switch. The screen displays the images filmed from the kart, enhanced with virtual animation that impacts the kart's movements in the real environment. For example, grabbing a mushroom powers up the kart, while throwing banana peels – the classic Mario tactic – slows down both human and virtual opponents.

The kart crosses the start line and zips across the living room floor

As to be expected from Nintendo, setting the game up is child's play. After downloading the (free) game onto the console, pairing the car with the game, and setting out the cardboard gates, one lap around the track lets players design an entirely new circuit.

We quickly realise that simple set-ups work best, especially if they are not too spread out, as the camera's range is limited. The floor must be flat, as the slightest obstacle brings the kart to a halt. The room must also be well lit. Unfortunately the car does not have headlamps, and image quality rapidly degrades without ample lighting.

Once the circuit is marked out, it's time to start the engines. On both the screen and in real life, the kart crosses the start line and zips across the living room floor, slaloming between obstacles, bonuses and opponents. Hitting a virtual kart will immobilise the physical car for a split second. A mushroom gives the car a sudden boost to catch up to competitors caught in a virtual obstacle... Real and virtual worlds are seamlessly intertwined. And the camera's point of view and position close to the ground pull off a brilliant sensation of speed, while in actual fact the kart is moving pretty slowly.

Drawing on the entire canon that has made the franchise so successful over the past nearly 30 years, the game offers various modes (Grand Prix, Against the clock, etc.) and environments, as well as ways to customise the experience. Fans will love it, even if Nintendo is mainly targeting families and very young players. But they will be sure to ask for extra karts, at 100 Swiss francs apiece, to see how they measure up against one another. ◢