

## PRESENTATIONS – 13 JANUARY 2022

	Track 1	Track 2	Track 3
08:30 - 09:10 (CET)	<b>Galenica</b> Felix Burkard (CFO)	tba	tba
09:20 - 10:00 (CET)	<b>Swiss Life Holding</b> Matthias Aellig (Group CFO)	<b>VZ Holding</b> Matthias Reinhart (CEO)	<b>Mobimo</b> Daniel Ducrey (CEO), Stefan Hilber (CFO)
<b>10:00 (CET)</b>	<b>Break</b>		
10:20 - 11:00 (CET)	<b>Clariant</b> Stephan Lynen (CFO)	<b>Tecan</b> Achim von Leoprechting (CEO)	<b>ARBONIA</b> Alexander von Witzleben (CEO), Daniel Wüest (CFO)
11:10 - 11:50 (CET)	<b>Givaudan</b> Gilles Andrier (CEO)	<b>Aryzta</b> Urs Jordi (CEO & Chairman of the Board of Directors), Martin Huber (CFO)	<b>Cembra Money Bank</b> Holger Laubenthal (CEO), Pascal Perritaz (CFO)
12:00 - 12:40 (CET)	<b>Geberit</b> Christian Buhl (CEO), Tobias Knechtle (CFO)	<b>Emmi</b> Ricarda Demarmels (CFO)	<b>Siegfried</b> Dr. Reto Suter (CFO)
<b>12:40 (CET)</b>	<b>Break</b>		
13:40 - 14:20 (CET)	<b>Sika</b> Adrian Widmer (CFO)	<b>Landis+Gyr</b> Werner Lieberherr (CEO)	<b>PSP Swiss Property</b> Giacomo Balzarini (CEO),
14:30 - 15:10 (CET)	<b>SIG Combibloc Group</b> Samuel Sigrist (CEO), Frank Herzog (CFO)	<b>Gurit</b> Philippe Wirth (CFO)	<b>Swiss Prime Site</b> René Zahnd (CEO), Dr. Marcel Kucher (CFO)
<b>15:10 (CET)</b>	<b>Break</b>		
15:30 - 16:10 (CET)	<b>PolyPeptide Group</b> Jan Fuhr Miller (CFO)	<b>VAT Group</b> Mike Allison (CEO), Fabian Chiozza (CFO)	<b>HIAG</b> Marco Feusi (CEO) Rico Müller (CFO)
16:20 - 17:00 (CET)	<b>PIERER Mobility</b> Hubert Trunkenpolz (Member of the Management Board), Friedrich Roithner (CFO)	<b>SFS Group</b> Jens Breu (CEO), Volker Dostmann (CFO)	<b>Peach Property</b> Dr. Thomas Wolfensberger (CEO), Thorsten Arsan (CFO)
17:10 - 17:50 (CET)	<b>HBM Healthcare Investments</b> Erwin Troxler (CFO)	<b>Schweiter Technologies</b> Dr. Heinz O. Baumgartner (CEO)	<b>Ina Invest</b> Marc Pointet (CEO)
<b>17:50 (CET)</b>	<b>End</b>		

### ONE-ON-ONE MEETINGS ONLY

- **Zurich Insurance Group**  
Samuel Han (IR)  
Fabian Wiederkehr (IR)
- **Helvetia Holding**  
Dr. Annelis Lüscher Hämmerli (CFO)
- **BB Biotech**  
Maria-Grazia Iten-Alderuccio (IR)  
Dr. Silvia Siegfried-Schanz (IR)
- **EFG International**  
Dimitris Politis (CFO)
- **Metall Zug AG**  
Daniel Keist (CFO)

10 January 2022

**Aryzta**

Switzerland

**Food & Beverages**

Reuters: ARYN.S

Bloomberg: ARYN SE

**Add**

Closing price as of

07-Jan-22

CHF 1.14

**Target price****CHF 1.30**

High/Low (12M)

CHF 1.41/0.70

Market cap.

CHF mn 1,130

Enterprise value

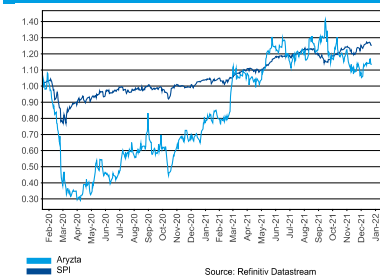
CHF mn 2,319

Free float

100.0%

Avg. daily turnover

CHF mn 3.48

**Price relative to Index**

Performance (%)	1M	3M	6M
Absolute	2.0	-4.7	-8.9
rel. SPI	0.2	-12.2	-13.7
rel. STOXX Europe 600	0.7	-10.7	-14.7
rel. SXXP Food & Bev.	-0.4	-13.8	-14.4

**Analyst:****Andreas von Arx**

+41 43 388 9257

avonarx@helvea.com

**Short-term uncertainty on an attractive case – When is the right time?**

- **Investment case:** Since his arrival, CEO Mr. Jordi implemented, in our view, significant positive transformational changes at Arzta. Some examples: **1)** the disposal of the North American unit **2)** the disposal of the Brazilian unit, **3)** an operational efficiency/fitness program, **4)** using the proceeds for debt reduction, and **5)** paying the deferred hybrid dividends.

In our view, the remaining approx. EUR 1.3-1.5bn European business with its leading position should provide a long-term defensible market position and especially in Germany, we would see Arzta having a dominant position. This should allow Arzta mid-term, post-COVID, to generate a peer comparable and reasonable ROCE level profitability. Such a unit should be able to generate low single-digit organic growth and clearly above 10% EBITDA margin. Such a business should long-term be comparable with Swiss names that are considered quality and defensive such as Barry Callebaut, Emmi or ORIOR with a FCF/EV yield valuation in-line with peers. Such a medium-term scenario provides significant upside compared to the current share price levels (Baader Helvea (E) approx. CHF 1.5-2.0 per share).

In the short term, the environment is somewhat more challenging. Firstly, uncertainties on COVID-19 developments and potential lockdowns are a drag on investor sentiment on a stock with significant food service exposure. Secondly, the input cost inflation adds pressure on profitability. In the past, Arzta had difficulties to pass on higher input cost although we think this was more related to North America. The more pressure on short-term profitability, the more challenging it is to convince investors to believe in the long-term attractive prospects as described above. But do not forget that with its cost saving efforts, Arzta seems to have a significant lever to improve profitability. Thirdly, the debt situation, including hybrids, is a drag on a quick return to normality as cash flows generated in coming years will primarily be used to pay down the hybrid debt to get to a reasonable net debt level including hybrids.

In our view, the situation is further complicated that due to the short-term uncertainty, Arzta shies away from giving clear, quantitative short and medium-term guidance. But without a management seeing a clear path, it is also difficult to convince additional shareholders to believe in the path of transformation. As a result, Arzta has been more driven by short-term news momentum than underlying operational progress in recent months, in our view.

Arzta remains a higher-risk, long-term transformation story and as such, we recommend the name mainly for specialty investors. We would hope that with half-year results in March the story and communication gets clearer, which then could lead to a sustainable share price improvement.

■ **What to ask the management?**

- Input cost inflation is a major topic in the food sector. Where do you feel the impact most and how did your price negotiations go with retailers?
- How do you see the current environment with regard to COVID-19 and lockdowns in your key markets?
- Could you elaborate on your turnaround and efficiency measures?
- Could you provide details on your plans on hybrids and the medium-term net debt situation?

**Key financials**

EUR mn	2019/20	2020/21	2021/22E	2022/23E	CAGR (%)
Sales	1,669.0	1,525.4	1,576.5	1,702.3	0.7
EBIT	-113.1	-12.6	57.5	81.8	-
EPS adj. (EUR)	-0.80	-0.25	0.03	0.05	-

**Valuation ratios**

x	2019/20	2020/21	2021/22E	2022/23E
EV/Sales	1.5	1.3	1.4	1.3
EV/EBIT	-22.0	-163.2	38.7	26.7
P/E adj.	-	-	36.5	21.9

Source: Company data, Baader Helvea Equity Research

Aryzta

Key data

FY 31 Jul.	2017/18	2018/19	2019/20	2020/21	2021/22E	2022/23E
<b>Share data</b>						
EPS reported (EUR)	-1.13	-0.04	-0.80	-0.25	0.03	0.05
<b>EPS adjusted (EUR)</b>	<b>-1.13</b>	<b>-0.04</b>	<b>-0.80</b>	<b>-0.25</b>	<b>0.03</b>	<b>0.05</b>
Dividend (CHF)	0.00	0.00	0.00	0.00	0.00	0.00
Book value (EUR)	4.02	2.96	1.28	1.11	0.67	0.69
Free cash flow (EUR)	0.74	0.14	0.09	0.76	0.00	0.09
Avg. no. of shares (mn)	416.6	822.7	990.9	991.5	991.5	991.5
Market cap. (avg./current; CHF mn)	2,072.4	1,110.0	713.2	1,097.2	1,130.3	1,130.3
Enterprise value (CHF mn)	3,964.8	2,235.4	2,590.4	2,143.5	2,319.1	2,275.9
<b>Valuation</b>						
<b>P/E adj. (x)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>36.5</b>	<b>21.9</b>
P/BV (x)	1.2	0.4	0.5	1.0	1.6	1.6
FCF/EV (%)	8.1	5.4	3.8	36.5	-0.1	4.1
FCF yield (%) (FCF/Mcap.)	15.4	10.9	13.6	71.3	-0.1	8.2
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0	0.0
EV/Sales (x)	1.1	0.6	1.5	1.3	1.4	1.3
EV/EBITDA adj. (x)	12.6	7.0	9.7	11.9	11.7	10.2
EV/EBIT adj. (x)	23.1	12.6	35.4	32.4	26.9	20.4
EV/CE (x)	1.3	0.7	1.1	1.5	1.5	1.5
ROCE/WACC adj. (x)	-0.4	-0.1	4.1	-0.2	0.5	0.7
<b>Key company data</b>						
Sales growth (%)	-9.5	-1.5	-50.7	-8.6	3.4	8.0
EBITDA adj. growth (%)	-28.2	1.9	-17.1	-32.0	9.7	12.8
EBITDA adj. margin (%)	8.8	9.1	15.3	11.4	12.1	12.6
<b>EBIT adj. margin (%)</b>	<b>4.8</b>	<b>5.0</b>	<b>4.2</b>	<b>4.2</b>	<b>5.2</b>	<b>6.3</b>
Net adj. margin (%)	-13.7	-0.9	-47.6	-16.0	1.9	2.8
Free cash flow margin (%)	8.9	3.4	5.6	49.2	-0.1	5.2
Payout ratio (%)	0.0	0.0	0.0	0.0	0.0	0.0
Gearing (%) (net debt/equity)	135.7	65.7	152.8	106.7	170.2	160.2
Net debt/EBITDA (x)	7.5	5.2	7.6	6.8	6.0	5.1
Equity ratio (x) (equity/total assets)	35.3	53.9	37.2	53.4	25.5	26.3
Capital employed (EUR mn)	2,980.5	2,932.5	2,366.4	1,405.9	1,452.1	1,426.6
ROCE adj. (%)	-2.5	-0.5	24.4	-1.4	3.1	4.4
<b>Income statement (EUR mn)</b>						
Turnover	3,435.4	3,383.4	1,669.0	1,525.4	1,576.5	1,702.3
EBITDA	-130.8	278.7	194.6	172.8	182.7	207.0
EBITDA adj.	301.8	307.5	255.0	173.4	190.2	214.5
EBIT	-423.3	5.1	-113.1	-12.6	57.5	81.8
EBIT adj.	164.9	169.9	70.2	63.5	82.7	107.0
EBT	-481.7	-18.0	-135.2	-45.4	40.8	64.0
Net profit after minorities	-470.0	-29.2	-794.4	-244.4	30.6	48.0
Net profit adj.	-470.0	-29.2	-794.4	-244.4	30.6	48.0
<b>Balance sheet (EUR mn)</b>						
Non-current assets	3,819	3,740	2,615	1,650	1,490	1,465
thereof goodwill	1,414	1,458	823	520	520	520
Current assets	916	780	795	414	1,130	1,133
<b>Total assets</b>	<b>4,736</b>	<b>4,520</b>	<b>3,410</b>	<b>2,064</b>	<b>2,619</b>	<b>2,598</b>
Shareholders' equity	1,673	2,436	1,268	1,102	668	684
<b>Total equity and liabilities</b>	<b>4,736</b>	<b>4,520</b>	<b>3,410</b>	<b>2,064</b>	<b>2,619</b>	<b>2,598</b>
Net debt	2,270	1,600	1,937	1,176	1,137	1,095
<b>Cash flow (EUR mn)</b>						
Cash flow from operations	150.3	211.6	24.3	116.9	96.6	190.0
of which change in working capital	-52.9	-40.3	-175.4	-20.0	-73.2	1.4
Cash flow from investments	156.4	-95.8	69.1	633.2	-98.2	-101.1
of which investment in fixed assets	-87.1	-104.9	-99.7	-88.0	-65.2	-68.1
<b>Free cash flow</b>	<b>306.7</b>	<b>115.8</b>	<b>93.4</b>	<b>750.1</b>	<b>-1.6</b>	<b>88.9</b>
Dividends paid	0.0	0.0	0.0	0.0	0.0	0.0
Cash flow from financing activities	-374.4	-84.6	-28.4	-1,008.6	210.8	-107.0
<b>Change in cash position</b>	<b>-17.7</b>	<b>-139.9</b>	<b>45.7</b>	<b>-310.5</b>	<b>39.1</b>	<b>-33.5</b>

Source: Company data, Baader Helvea Equity Research

## Aryzta

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**Baader Helvea AG, Talstrasse 9, 8001 Zurich, Switzerland**  
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This Research Document was completed at 01:00 PM (CET) on 10-01-2022.

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Research Documents with recommendation changes (rating or target price) published in the twelve months prior to the publication of this Research Document covering the same financial instruments or issuers.

Company	Date	Rating	Currency	Target price	Closing price as of	Analyst	
Aryzta	24-Nov-21	Add	CHF	1.30	1.11	23-Nov-21	Andreas von Arx
Aryzta	05-Oct-21	Add	CHF	1.45	1.28	04-Oct-21	Andreas von Arx
Aryzta	01-Jun-21	Buy	CHF	1.50	1.22	31-May-21	Andreas von Arx
Aryzta	24-Mar-21	Buy	CHF	1.40	1.11	23-Mar-21	Andreas von Arx

10 January 2022

## BB Biotech

Switzerland

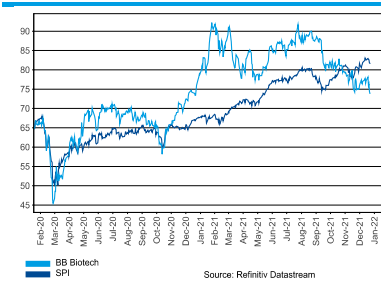
### Pharma

Reuters: BION.S Bloomberg: BION SE

### Add

Closing price as of 07-Jan-22	CHF 73.90
<b>Target price</b>	<b>CHF 93.00</b>
High/Low (12M)	CHF 92.20/73.90
Market cap.	CHF mn 4,093
Enterprise value	CHF mn 4,386
Free float	100.0%
Avg. daily turnover	CHF mn 4.88

### Price relative to Index



Performance (%)	1M	3M	6M
Absolute	-4.5	-9.0	-14.7
rel. SPI	-6.3	-16.6	-19.5
rel. STOXX Europe 600	-5.7	-15.1	-20.5
rel. STXE Biotechnology	-2.7	-6.1	-11.6

### Analyst:

**Leonildo Delgado, Ph.D.**  
+41 43 388 9226  
LDelgado@helvea.com

### Key financials

CHF mn	2020	2021E	2022E	2023E	CAGR (%)
Sales	741.5	492.3	611.8	641.8	-4.7
EBIT adj.	693.7	433.5	553.0	583.0	-5.6
EPS adj. (CHF)	12.48	7.78	9.94	10.48	-5.7

Source: Company data, Baader Helvea Equity Research

### Valuation ratios

x	2020	2021E	2022E	2023E
EV/Sales	5.6	10.0	7.2	6.8
EV/EBIT adj.	6.0	11.3	7.9	7.5
P/E adj.	5.9	10.7	7.4	7.1

## Going strong despite market volatility

### Investment case:

BB Biotech (BION) is a closed-end Swiss investment company, specializing in the global biotech sector. The company, founded in Schaffhausen in 1993, enjoys an enviable 16% net asset value CAGR since inception.

In 2021, BB Biotech's net asset value (NAV) pulled back -11.4% to end up at CHF 59.40 per share. The share price, however, increased by 8.3% to close at CHF 77.15, a 30% premium to NAV. This performance is even more relevant given the mixed results of the broader biotech sector. While the large-cap pharmaceutical companies (MSCI World Healthcare Index) rose by +23.9%, biotech companies (Nasdaq Biotechnology Index +3.0% and SPDR S&P Biotech ETF -18.1%) took a breather after their good performance in recent years.

Throughout the year, BB Biotech saw its portfolio company Moderna included in the S&P 500, which, combined with the evolving SARS-CoV-2 patterns, propelled Moderna's share price to all-time highs. These developments allowed the fund manager to take profits and reinvest the capital into new oncology pipeline companies such as Revolution Medicines, Relay Therapeutics, Fate Therapeutics, ESSA Pharma, MacroGenics, Molecular Templates and Mersana Therapeutics.

### What to ask the management?

- What are your views on the major risks for the biotech market going into 2022?
- Which is BB Biotech's highest conviction investment at present?
- Could you comment on Fate Therapeutics and the potential competitive threat from bispecifics?
- Would BB Biotech consider a diversification into Medtechs or medical services and if not, why?
- Will the drug pricing remain an important topic in 2022? What kind of impact can we expect in the broader healthcare sector?

## BB Biotech

### Key data

FY 31 Dec.	2018	2019	2020	2021E	2022E	2023E
<b>Share data</b>						
EPS reported (CHF)	-8.51	12.23	12.48	7.78	9.94	10.48
<b>EPS adjusted (CHF)</b>	<b>-8.51</b>	<b>12.23</b>	<b>12.48</b>	<b>7.78</b>	<b>9.94</b>	<b>10.48</b>
Dividend (CHF)	3.30	3.05	3.40	4.00	4.10	4.20
Book value (CHF)	55.72	64.16	71.55	78.68	84.57	90.90
Free cash flow (CHF)	1.95	3.88	4.74	4.01	4.10	4.20
Avg. no. of shares (mn)	55.4	55.4	55.4	55.4	55.4	55.4
Market cap. (avg./current; CHF mn)	4,094.1	4,094.1	4,093.4	4,608.0	4,093.4	4,093.4
Enterprise value (CHF mn)	4,257.0	4,213.4	4,149.6	4,900.9	4,386.3	4,386.3
<b>Valuation</b>						
<b>P/E adj. (x)</b>	<b>-</b>	<b>6.0</b>	<b>5.9</b>	<b>10.7</b>	<b>7.4</b>	<b>7.1</b>
P/BV (x)	1.3	1.2	1.0	1.1	0.9	0.8
FCF/EV (%)	2.5	5.1	6.3	4.5	5.2	5.3
FCF yield (%) (FCF/Mcap.)	2.6	5.3	6.4	4.8	5.5	5.7
Dividend yield (%)	4.5	4.1	4.6	4.8	5.5	5.7
EV/EBITDA adj. (x)	-9.0	6.2	6.0	11.3	7.9	7.5
EV/EBIT adj. (x)	-9.0	6.2	6.0	11.3	7.9	7.5
<b>Key company data</b>						
Sales growth (%)	-100.0	-	2.0	-33.6	24.3	4.9
EBITDA adj. growth (%)	-169.4	-243.5	2.2	-37.5	27.6	5.4
Payout ratio (%)	-38.8	24.9	27.3	51.4	41.3	40.1
Gearing (%) (net debt/equity)	5.6	3.5	1.4	7.2	6.7	6.2
Net debt/EBITDA (x)	-0.3	0.2	0.1	0.7	0.5	0.5
Equity ratio (x) (equity/total assets)	93.4	95.5	98.1	92.8	93.3	93.8
<b>Income statement (CHF mn)</b>						
Turnover	0.3	727.0	741.5	492.3	611.8	641.8
EBITDA	-473.1	678.7	693.7	433.5	553.0	583.0
EBITDA adj.	-473.1	678.7	693.7	433.5	553.0	583.0
EBIT	-473.1	678.7	693.7	433.5	553.0	583.0
EBIT adj.	-473.1	678.7	693.7	433.5	553.0	583.0
EBT	-471.3	677.5	691.2	431.0	550.5	580.5
Net profit after minorities	-471.3	677.4	691.2	431.0	550.5	580.5
Net profit adj.	-471.3	677.4	691.2	431.0	550.5	580.5
<b>Balance sheet (CHF mn)</b>						
Current assets	3,087	3,555	3,963	4,356	4,683	5,033
<b>Total assets</b>	<b>3,087</b>	<b>3,555</b>	<b>3,963</b>	<b>4,358</b>	<b>4,684</b>	<b>5,035</b>
Shareholders' equity	2,885	3,393	3,888	4,045	4,371	4,721
<b>Total equity and liabilities</b>	<b>3,087</b>	<b>3,555</b>	<b>3,963</b>	<b>4,358</b>	<b>4,684</b>	<b>5,035</b>
Net debt	163	119	56	293	293	293
<b>Cash flow (CHF mn)</b>						
Cash flow from operations	107.8	215.0	262.4	221.7	227.1	232.7
<b>Free cash flow</b>	<b>107.8</b>	<b>215.0</b>	<b>262.4</b>	<b>221.9</b>	<b>227.1</b>	<b>232.7</b>
Dividends paid	-182.8	-169.0	-188.4	-221.6	-227.1	-232.6
Cash flow from financing activities	-93.9	-205.2	-284.5	-221.6	-227.1	-232.6
<b>Change in cash position</b>	<b>11.3</b>	<b>8.6</b>	<b>-23.9</b>	<b>0.3</b>	<b>0.0</b>	<b>0.0</b>

Source: Company data, Baader Helvea Equity Research

## BB Biotech

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Research Documents with recommendation changes (rating or target price) published in the twelve months prior to the publication of this Research Document covering the same financial instruments or issuers.

Company	Date	Rating	Currency	Target price	Closing price as of	Analyst
BB Biotech	15-Mar-21	Add	CHF	93.00	87.50 12-Mar-21	Bruno Bulic, Ph.D.

10 January 2022

## Clariant

Switzerland

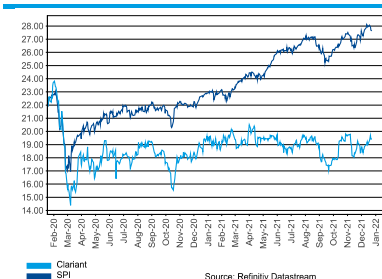
### Chemicals

Reuters: CLN.S Bloomberg: CLN SE

### Buy

Closing price as of 07-Jan-22	CHF 19.42
<b>Target price</b>	<b>CHF 24.00</b>
High/Low (12M)	CHF 20.50/17.07
Market cap.	CHF mn 6,441
Enterprise value	CHF mn 5,702
Free float	54.5%
Avg. daily turnover	CHF mn 12.33

### Price relative to Index



Performance (%)	1M	3M	6M
Absolute	2.0	11.5	4.5
rel. SPI	0.2	4.0	-0.3
rel. STOXX Europe 600	0.7	5.5	-1.3
rel. SXXP Chemicals	1.5	3.4	-3.3

### Analyst:

Markus Mayer

+49 89 5150 1818

markus.mayer@baaderbank.de

## New 2025 targets, portfolio change and hidden values not included in the market valuation, late cyclicality makes Clariant an interesting 2022 stock

■ **Investment case:** In 2021 and 2020, Clariant's share price has underperformed its chemical peers by ~10%. This was the case despite the successful divestments of masterbatches and pigments and the in November 2021 announced 2025 targets. Until 2025, Clariant aims to reach CAGR sales growth of 4-6% p.a., group EBITDA margin of 19-21% and free cash flow conversion of around 40%. As the step up in profitability is guided to come from cost savings and a positive product mix effect (and not from external growth), we think Clariant's targets are reasonable but are not yet included in consensus estimates. In addition, we also think that Clariant's hidden values are also not included in the market valuation of Clariant: **1)** Clariant's cash for its pigments divestment (between CHF 805-855mn EV plus its 20% stake in the joint pigment company, which might be worth CHF 100mn), **2)** Clariant's 14.8% stake in Stahl (leather chemicals – we see CHF 250mn as value for Clariant) and **3)** Clariant's 30% Infraseriv stake, which might be worth CHF 0.8bn (when Currenta multiples are used). If we adjust for these hidden values, the core Clariant business is trading on 5-6x EV/EBITDA, which is, together with the new 2025 targets, confirming our view that Clariant is undervalued. In our view, 2022 has multiple positive triggers for Clariant's share price to outperform its peers and the Swiss stock market.

### ■ What to ask the management?

- You provided new 2025 targets, but have not updated your divisional targets: Are they still in place or have they changed as well? How is the phasing of your targets?
- Can you explain what the basis for your dividend strategy “stable and rising dividends” is?
- How is the phasing of your cost savings out of the two announced programs and the recently additional cost savings? And how is the phasing of the associated costs?
- Your cash flow improved already over the past years but so far, the cash conversion is not where it is at your peers. You are now targeting 40% FCF conversion by 2025. When should we expect your FCF to go into this direction? What are the reasons which hold back the cash flow development so far?
- Your Oil & Mining Service and deicing business started to recover in 2021. What are your expectations regarding the further development for this unit? Is there a consolidation trend among competitors and is this an option for you?
- What revenue and earnings impact should we expect in 2022 from the currently ramped up Sunliquid plant and from the contract signed so far?
- Why do you guide for a 2021 EBITDA margin for catalysts that is below your previous target range?
- How many of your Care Chemicals products are already based and renewable resources and to what extent are these products based on palm oil?
- M&A and portfolio management is an important lever for you. Can you comment on your M&A strategy? Is SABIC a long-term anchor investor?

### Key financials

CHF mn	2020	2021E	2022E	2023E	CAGR (%)
Sales	3,860.0	4,271.0	4,678.4	4,874.8	8.1
EBIT adj.	298.0	459.9	554.6	625.0	28.0
EPS adj. (CHF)	2.29	0.79	0.96	1.12	-21.2

### Valuation ratios

x	2020	2021E	2022E	2023E
EV/Sales	1.9	1.3	1.2	1.1
EV/EBIT adj.	25.0	12.4	10.3	8.8
P/E adj.	7.6	24.1	20.2	17.3

Source: Company data, Baader Helvea Equity Research



Clariant

Key data

FY 31 Dec.	2018	2019	2020	2021E	2022E	2023E
<b>Share data</b>						
EPS reported (CHF)	0.59	-0.17	0.28	0.76	0.96	1.12
<b>EPS adjusted (CHF)</b>	<b>1.02</b>	<b>0.03</b>	<b>2.29</b>	<b>0.79</b>	<b>0.96</b>	<b>1.12</b>
Dividend (CHF)	0.55	3.00	0.70	0.55	0.57	0.56
Book value (CHF)	8.95	8.07	7.18	7.31	7.80	8.43
Free cash flow (CHF)	0.77	0.77	4.38	4.01	0.98	1.17
Avg. no. of shares (mn)	331.7	331.7	331.7	331.7	331.7	331.7
Market cap. (avg./current; CHF mn)	7,799.5	6,626.7	5,802.5	6,324.6	6,441.0	6,441.0
Enterprise value (CHF mn)	9,945.5	8,686.7	7,454.5	5,702.8	5,702.2	5,530.0
<b>Valuation</b>						
<b>P/E adj. (x)</b>	<b>23.1</b>	<b>666.0</b>	<b>7.6</b>	<b>24.1</b>	<b>20.2</b>	<b>17.3</b>
P/BV (x)	2.6	2.5	2.4	2.6	2.5	2.3
FCF/EV (%)	2.6	2.9	19.5	23.3	5.7	7.0
FCF yield (%) (FCF/Mcap.)	3.3	3.8	25.0	21.0	5.0	6.0
Dividend yield (%)	2.3	15.0	4.0	2.9	2.9	2.9
EV/Sales (x)	2.3	2.0	1.9	1.3	1.2	1.1
EV/EBITDA adj. (x)	14.8	19.9	12.0	7.8	6.7	5.9
EV/EBIT adj. (x)	22.5	19.6	25.0	12.4	10.3	8.8
EV/CE (x)	2.0	2.4	2.2	2.2	2.2	2.1
ROCE/WACC adj. (x)	0.9	1.5	0.9	1.6	1.9	-
<b>Key company data</b>						
Sales growth (%)	-30.9	-0.1	-12.3	10.6	9.5	4.2
EBITDA adj. growth (%)	-15.6	-35.1	41.6	17.8	16.8	9.4
EBITDA adj. margin (%)	15.3	9.9	16.0	17.1	18.2	19.1
<b>EBIT adj. margin (%)</b>	<b>10.1</b>	<b>10.1</b>	<b>7.7</b>	<b>10.8</b>	<b>11.9</b>	<b>12.8</b>
Net adj. margin (%)	4.4	-1.3	2.4	5.9	6.8	7.6
Free cash flow margin (%)	5.8	5.8	37.6	31.2	6.9	7.9
Payout ratio (%)	93.1	-1745.6	252.4	72.4	59.2	49.9
Gearing (%) (net debt/equity)	40.3	45.4	37.1	-58.4	-60.2	-62.8
Net debt/EBITDA (x)	1.6	1.7	1.4	-1.9	-1.8	-1.9
Equity ratio (x) (equity/total assets)	37.2	33.6	34.3	34.3	35.2	36.8
Capital employed (CHF mn)	4,900.0	3,674.0	3,362.0	2,612.4	2,636.5	2,648.3
ROCE adj. (%)	6.8	9.1	6.6	13.2	15.8	17.7
<b>Income statement (CHF mn)</b>						
Turnover	4,404.0	4,399.0	3,860.0	4,271.0	4,678.4	4,874.8
EBITDA	768.0	716.0	619.0	729.2	851.8	932.3
EBITDA adj.	673.0	437.0	619.0	729.2	851.8	932.3
EBIT	348.0	165.0	298.0	459.9	554.6	625.0
EBIT adj.	443.0	444.0	298.0	459.9	554.6	625.0
EBT	281.0	71.0	212.0	368.9	459.5	531.1
Net profit after minorities	196.0	-57.0	92.0	251.9	319.1	372.1
Net profit adj.	196.0	-57.0	92.0	251.9	319.1	372.1
<b>Balance sheet (CHF mn)</b>						
Non-current assets	4,131	3,218	3,068	2,287	2,280	2,277
thereof goodwill	1,261	1,045	1,145	855	865	875
Current assets	3,857	4,768	3,872	4,800	5,072	5,339
<b>Total assets</b>	<b>7,981</b>	<b>7,979</b>	<b>6,933</b>	<b>7,080</b>	<b>7,345</b>	<b>7,609</b>
Shareholders' equity	2,970	2,677	2,381	2,425	2,588	2,797
<b>Total equity and liabilities</b>	<b>7,981</b>	<b>7,979</b>	<b>6,933</b>	<b>7,080</b>	<b>7,345</b>	<b>7,609</b>
Net debt	1,196	1,216	883	-1,416	-1,558	-1,756
<b>Cash flow (CHF mn)</b>						
Cash flow from operations	387.0	509.0	369.0	824.9	599.3	672.1
of which change in working capital	113.0	313.0	162.0	-31.3	-31.0	-15.0
Cash flow from investments	-132.0	-254.0	1,083.0	505.8	-274.4	-284.7
of which investment in fixed assets	-257.0	-289.0	-309.0	-394.2	-274.4	-284.7
<b>Free cash flow</b>	<b>255.0</b>	<b>255.0</b>	<b>1,452.0</b>	<b>1,330.7</b>	<b>324.8</b>	<b>387.5</b>
Dividends paid	-165.0	-182.4	-995.0	-232.2	-182.4	-189.1
Cash flow from financing activities	-246.0	-440.0	-1,326.0	-232.2	-182.4	-189.1
<b>Change in cash position</b>	<b>137.6</b>	<b>-200.6</b>	<b>99.0</b>	<b>2,298.5</b>	<b>142.4</b>	<b>198.4</b>

Source: Company data, Baader Helvea Equity Research

## Clariant

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Company	Date	Rating	Currency	Target price	Closing price as of	Analyst
Clariant	10-Feb-21	Buy	CHF	24.00	19.20 09-Feb-21	Markus Mayer
Clariant	01-Feb-21	Buy	CHF	23.00	18.96 29-Jan-21	Markus Mayer

# Growth strategy by acquisitions remains a risk

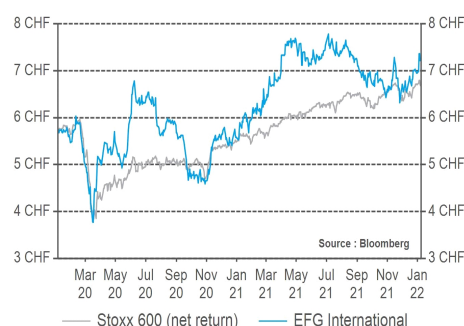
## Our investment view

EFG International was set up in 1995 by former management with the support of the Latsis family, the Greek shipping and banking dynasty. EFG has been an active acquirer, having made over 20 acquisitions since its foundation. But the fast acquisition strategy came at a price. Profit targets often failed to be reached and some high impairment charges were needed. EFG announced in February 2016 the planned merger with Swiss peer BSI. However, the Swiss banking regulator approved the acquisition of peer BSI in May 2016 but also announced that BSI was deeply involved in a big corruption scandal in Malaysia called 1MDB. The Swiss federal prosecutor opened a criminal probe against BSI (and the old owner BTG). One of the Swiss regulator's conditions was that BSI had to be fully integrated into EFG and dissolved. The integration and restructuring of BSI were finalised at the end of 2018. EFG International announced in March 2019 the acquisition of 51% of the Australian financial service provider Shaw and Partners through a combination of cash and shares in 2019. EFG bought the life insurance portfolio some years ago with the expectation of a decent profit which hasn't really been realised so far. Loan loss provisions were negligible for a wealth manager such as EFG despite the COVID-19 turmoil for global economies. EFG has not given a clear 2021 outlook. However, it confirmed its 2022 targets as a RoTE target of >15% compared to 8.1% for 2020. Strong net profit in H1 21 benefited from growing revenues due to positive market trends, whereas efficiency programmes pressed costs. Net new money (NNM) inflow was up 5.3% annualised in H1 21 and is within the 4-6% target range.

## What to ask the management?

- EFG International has been growing by acquisitions for decades. What are your internal targets and conditions for an acquisition? What are your target regions for acquisitions in the future?
- What impact from the negative yield environment do you expect in the mid-term on your interest margins and earnings?
- The high cash deposits position of clients is a problem for most wealth managers. How and when can this change? Do your clients have to pay an interest rate to you for high cash positions or do you intend to charge them interest in the future?
- EFG also wants to continue to execute cost management actions to mitigate revenue pressure. What expectations do you have regarding net new money and margins in 2022 and beyond?
- One of the targets of EFG is to enhance the operating efficiency and to increase the CRO productivity. What have you achieved so far and what are your targets?
- EFG bought a life insurance portfolio some years ago which is more of a burden for your income statement. How can you close it?
- More and more listed financial companies are currently updating their ESG policies regarding the challenges of climate change. You have not released so far ESG climate data for your banking business. What is the view of EFG on this trend? Do you intend to update your ESG policy regarding climate change and standards further?

<b>Buy</b>	<b>Upside: 26.9%</b>
Target Price (6 months)	CHF 9.23
Share Price	CHF 7.27
Market Cap. CHFM	2,185
Price Momentum	<b>GOOD</b>
Extremes 12Months	5.68 ▶ 7.78
Sustainability score	5.4 /10
Credit Risk	→
Fundamental Strength	8 /10
Bloomberg	EFGN SW Equity
Reuters	EFGN.S



Analyst : Dieter HEIN

### Equity Sales [EquitySales@baaderbank.de](mailto:EquitySales@baaderbank.de)

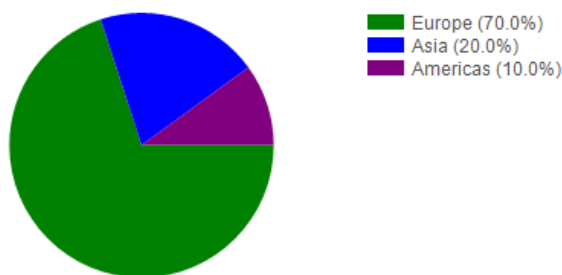
Frankfurt	+49 69 1388 1357
London	+44 20 7054 7100
Munich	+49 89 5150 1850
Zurich	+41 43 388 9200
New York	+1 212 935 5150

PERF	1w	1m	3m	12m
EFG International	4.60%	9.16%	6.13%	23.4%
Banks	6.78%	8.39%	7.56%	34.6%
STOXX 600	-0.32%	1.86%	6.04%	19.0%

Sector Opinion	<b>Underweight</b>
Strongest upside	Santander
Worst potential	Skandinaviska Enskilda Bank

Last updated: 23/07/2021	12/20A	12/21E	12/22E	12/23E
Adjusted P/E (x)	12.6	12.1	11.3	10.3
Dividend yield (%)	5.25	4.70	5.23	5.50
P/Book (x)	0.99	1.04	1.04	1.00
Adjusted EPS (CHF)	0.45	0.58	0.64	0.71
Growth in EPS (%)	16.2	28.7	10.7	10.3
Dividend (CHF)	0.30	0.33	0.38	0.40
Core Tier 1 (%)	16.2	16.3	16.8	17.4
Revenues (CHFm)	1,131	1,177	1,207	1,241
Attributable net profit (CHFm)	115	153	175	195
ROE reported (%)	6.71	8.24	8.50	9.12
Equity (gp. share) (CHFm)	1,701	2,024	2,101	2,183
Total assets (CHFb)	40.6	39.8	40.5	40.8

## Sales by Geography



## Consolidated P&L Accounts

		12/20A	12/21E	12/22E
Net banking revenues	CHFM	1,121	1,160	1,180
Operating revenues	CHFM	1,131	1,177	1,207
Staff costs	CHFM	-675	-672	-682
Gross operating profit	CHFM	191	255	268
Loan Loss Provisions	CHFM	-1.00	-8.00	-12.0
<b>Underlying operating profit</b>	<b>CHFM</b>	<b>178</b>	<b>232</b>	<b>242</b>
Underlying operating margin	%	15.7	19.7	20.1
Banking cost income ratio	%	84.2	79.6	78.9
<b>Operating profit (EBIT)</b>	<b>CHFM</b>	<b>153</b>	<b>206</b>	<b>218</b>
Corporate tax	CHFM	-31.0	-38.0	-38.0
Equity associates	CHFM			
Minority interests	CHFM	-7.00	-15.0	-5.00
<b>Adjusted attributable net profit</b>	<b>CHFM</b>	<b>140</b>	<b>179</b>	<b>199</b>
Fully-diluted adjusted attr. net profit	CHFM	140	179	199
Net investments in shares	CHFM			
Dividends (parent company)	CHFM	-88.0	-89.0	-99.0
Interest expense on Tier 1 debt funding	CHFM	0.00	0.00	0.00
New shareholders' equity	CHFM	-3.00		
Change in Tier 1 gross debt	CHFM			

## Risk Measures

Total Risk Weighted Assets	CHFM	9,919	10,200	10,400
Equity/total assets	%	4.33	5.23	5.33
Liquidity items	%	75.9	77.9	77.8
Loan loss ratio	bp	1.00	4.00	6.00
Provisions/Doubtful	%	0.00	0.00	0.00
Provisions/Impaired	%	100	100	100

## Per Share Data

No of shares net of treas. stock	Mio	295	300	301
Number of diluted shares (average)	Mio	310	309	310
<b>EPS before goodwill amort.(diluted)</b>	<b>CHF</b>	<b>0.45</b>	<b>0.58</b>	<b>0.64</b>
Restated NAV per share	CHF			
<b>Net dividend per share</b>	<b>CHF</b>	<b>0.30</b>	<b>0.33</b>	<b>0.38</b>

## Valuation Summary

Benchmarks	Value	Weight	Largest comparables
NAV/SOTP per share	CHF 9.03	30%	● Amundi ● DWS ● Julius Baer ● DnB ● Skandinaviska Ens...
Intrinsic value	CHF 8.84	25%	
Dividend Yield	CHF 9.32	15%	
MarketCap/Gross Operating Profit	CHF 9.18	10%	
P/E	CHF 9.89	10%	
P/Book	CHF 10.0	10%	
TARGET PRICE	CHF 9.23	100%	

## Balance Sheet

		12/20A	12/21E	12/22E
Loans & Credits to customers	CHFM	18,223	18,000	18,500
Trading portfolio	CHFM	8,240	8,100	8,200
<b>Total assets</b>	<b>CHFM</b>	<b>40,637</b>	<b>39,770</b>	<b>40,500</b>
Ordinary shareholders' equity	CHFM	1,701	2,024	2,101
Of which reevaluation reserves	CHFM			
Preference shares	CHFM			
Minority interests	CHFM	57.0	56.0	57.0
Subordinated Debt	CHFM	351	310	330
Provisions for pensions	CHFM	119	-140	-140
Customers deposits (amortized costs)	CHFM	30,842	31,000	31,500
Gross debt financing	CHFM	366	325	345
<b>Total liabilities and shareholders' equity</b>	<b>CHFM</b>	<b>40,637</b>	<b>39,770</b>	<b>40,500</b>
Avg gross long-term financing	CHFM	386	346	335
Assets under Management (3rd party)	CHFM	158,767	170,000	183,000
Off B/S business guarantees given	CHFM	1,179	1,100	1,000
Off B/S funding guarantees given	CHFM	376	360	350

## Tier 1 Analytics

Year end Tier 1 capital	CHFM	1,618	1,681	1,759
of which debt	CHFM	14.0	14.0	14.0
of which minorities	CHFM	57.0	56.0	57.0
<b>Tier 1 ratio</b>	<b>%</b>	<b>16.3</b>	<b>16.5</b>	<b>16.9</b>
Core Tier 1 (debt excl.)	%	16.2	16.3	16.8

## Valuation Ratios

Reference P/E (benchmark)	x	12.6	12.1	11.3
P/Book	x	0.99	1.04	1.04
Market Cap/Gross Operating Profit	x	8.82	8.23	8.14
Dividend yield	%	5.25	4.70	5.23

Analyst : Dieter Hein, Changes to Forecasts : 23/07/2021.

10 January 2022

**Emmi**

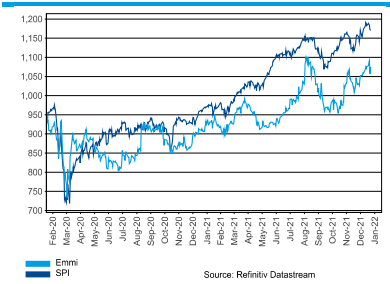
Switzerland

**Food & Beverages**

Reuters: EMMN.S Bloomberg: EMMN SE

**Add**

Closing price as of 07-Jan-22	CHF 1,073.00
<b>Target price</b>	<b>CHF 1,100.00</b>
High/Low (12M)	CHF 1,101.00/896.50
Market cap.	CHF mn 5,740
Enterprise value	CHF mn 5,808
Free float	39.0%
Avg. daily turnover	CHF mn 2.55

**Price relative to Index**

Performance (%)	1M	3M	6M
Absolute	2.5	11.3	10.8
rel. SMI	0.7	3.8	6.0
rel. STOXX Europe 600	1.2	5.3	5.0
rel. SXXP Food & Bev.	0.1	2.3	5.4

**Analyst:****Andreas von Arx**

+41 43 388 9257

avonarx@helvea.com

**On a similar path as peers into 2022 – What about the leadership change?**

■ **Investment case:** Emmi established itself on the list of high-quality plays in Switzerland, and we expect quality to remain in high investor demand as long as the current macro environment persists. Given the attractive positioning in premium niches, a home market, where profitability seems under control, the good cash generation, etc., the investment case looks attractive for long-term shareholders in the current extreme low (and negative interest) rates environment. After the recent share price increase, the stock is probably trading at the upper end of its trading range.

Looking at valuation, Emmi trades on 2023E EV/EBITDA of 13.0x, roughly a 10% premium to the 5-year average of 12x. 2023E FCF/EV yield stands at 4.0%, which compares to the 5-year average of 4.7%. In a historical context, we would therefore see Emmi trading at the upper end of its valuation range.

With regard to results momentum, we expect Emmi to show similar trends as peers in coming months: **1)** Good topline figures driven also more and more by price increases on higher input costs, **2)** margins facing certain temporary short-term pressure because of higher costs and delays in price adjustments. We see Emmi able to reach the midpoint of their 2021E reported EBIT guidance of CHF 275mn to CHF 290mn (consensus CHF 286mn, Baader Helvea (E) CHF 290mn).

Given the input cost environment, we would only see modest margin increases in 2022E (Baader Helvea (E) 0bps EBIT margin change yoy), but again a feature we would also expect to see at peers. However, the margin uncertainty could provide a drag on investor sentiment on a sector that has enjoyed a good share price performance at the end of last year.

Overall, we would see Emmi positioned in the middle of the pack when it comes to the capability to pass on higher input costs among the Swiss food & beverage-oriented companies. Fundamentally and long-term, we expect the strong positioning and strategy to continue to deliver.

Long-term CEO Urs Riedener announced to step down end-2022. We would expect the new CEO to be announced in spring. Given Mr. Riedener's excellent track record (and the premium-oriented strategy introduced by him) brought success to Emmi, we think the leadership announcement will be key catalyst for investor sentiment going forward.

**What to ask the management?**

- How do you see the development of input costs and could you provide an update about your price negotiations with retailers?
- Compared to other Swiss food & retail companies, do you see Emmi above or below average capable to cope with the inflationary input cost environment in 2022?
- On what sales level do you see your food service business compared to pre-pandemic levels?
- What % of sales generate your value-added products (Caffè Latte, goat cheese, US specialty cheese, Italian desserts, Kaltbach, Jogurtpur, etc.) and what is the growth/margin profile of these product groups?
- Assuming the company reaches its 2-3% organic growth target: What would be a reasonable corresponding earnings growth?
- Is it correct that private label products generate a higher share of total sales than branded products? How do the margin profile of these two product groups compare?
- Where would be opportunities for a further cost saving program?

**Key financials**

CHF mn	2020	2021E	2022E	2023E	CAGR (%)
Sales	3,706.1	3,862.2	3,926.4	4,043.1	2.9
EBIT adj.	277.6	290.4	296.4	314.2	4.2
EPS adj. (CHF)	39.13	40.97	41.04	43.49	3.6

**Valuation ratios**

x	2020	2021E	2022E	2023E
EV/Sales	1.3	1.4	1.5	1.4
EV/EBIT adj.	17.6	18.7	19.6	18.0
P/E adj.	22.2	23.8	26.1	24.7

Source: Company data, Baader Helvea Equity Research

## Emmi

### Key data

FY 31 Dec.	2018	2019	2020	2021E	2022E	2023E
<b>Share data</b>						
EPS reported (CHF)	43.60	36.45	35.21	40.86	40.94	43.39
<b>EPS adjusted (CHF)</b>	<b>36.40</b>	<b>40.07</b>	<b>39.13</b>	<b>40.97</b>	<b>41.04</b>	<b>43.49</b>
Dividend (CHF)	9.00	12.00	13.00	14.00	15.00	16.00
Book value (CHF)	298.82	225.58	210.67	241.49	272.12	304.59
Free cash flow (CHF)	54.87	16.10	1.72	22.37	41.13	42.58
Avg. no. of shares (mn)	5.3	5.3	5.3	5.3	5.3	5.3
Market cap. (avg./current; CHF mn)	4,097.6	4,489.6	4,649.8	5,214.3	5,740.3	5,740.3
Enterprise value (CHF mn)	4,191.0	4,651.6	4,896.1	5,419.0	5,807.8	5,667.8
<b>Valuation</b>						
<b>P/E adj. (x)</b>	<b>21.0</b>	<b>20.9</b>	<b>22.2</b>	<b>23.8</b>	<b>26.1</b>	<b>24.7</b>
P/BV (x)	2.6	3.7	4.1	4.0	3.9	3.5
FCF/EV (%)	7.0	1.9	0.2	2.2	3.8	4.0
FCF yield (%) (FCF/Mcap.)	7.2	1.9	0.2	2.3	3.8	4.0
Dividend yield (%)	1.2	1.4	1.5	1.4	1.4	1.5
EV/Sales (x)	1.2	1.3	1.3	1.4	1.5	1.4
EV/EBITDA adj. (x)	12.1	13.4	12.7	13.3	14.0	13.0
EV/EBIT adj. (x)	19.7	19.6	17.6	18.7	19.6	18.0
EV/CE (x)	2.4	3.2	3.4	3.4	3.6	3.5
ROCE/WACC adj. (x)	1.6	2.2	2.4	2.4	2.4	2.5
<b>Key company data</b>						
Sales growth (%)	2.8	1.1	6.1	4.2	1.7	3.0
EBITDA adj. growth (%)	3.7	-0.4	11.7	5.8	1.5	5.2
EBITDA adj. margin (%)	10.1	9.9	10.4	10.6	10.6	10.8
<b>EBIT adj. margin (%)</b>	<b>6.2</b>	<b>6.8</b>	<b>7.5</b>	<b>7.5</b>	<b>7.5</b>	<b>7.8</b>
Net adj. margin (%)	5.6	6.1	5.6	5.7	5.6	5.8
Free cash flow margin (%)	8.5	2.5	0.2	3.1	5.6	5.6
Payout ratio (%)	20.6	32.9	36.9	34.3	36.6	36.9
Gearing (%) (net debt/equity)	9.8	8.7	15.7	10.5	-0.1	-8.7
Net debt/EBITDA (x)	0.5	0.3	0.5	0.3	0.0	-0.3
Equity ratio (x) (equity/total assets)	56.7	50.7	48.2	49.9	52.6	55.1
Capital employed (CHF mn)	1,767.4	1,446.1	1,452.2	1,575.4	1,602.1	1,635.8
ROCE adj. (%)	10.6	14.4	15.9	15.4	15.4	16.0
<b>Income statement (CHF mn)</b>						
Turnover	3,457.4	3,494.0	3,706.1	3,862.2	3,926.4	4,043.1
EBITDA	347.5	346.0	386.4	409.0	415.1	436.6
EBITDA adj.	347.5	346.0	386.4	409.0	415.1	436.6
EBIT	216.7	243.2	271.2	289.8	295.9	313.7
EBIT adj.	212.6	237.2	277.6	290.4	296.4	314.2
EBT	209.1	238.8	256.9	284.4	288.9	307.2
Net profit after minorities	233.3	195.0	188.4	218.6	219.0	232.1
Net profit adj.	194.8	214.4	209.4	219.2	219.5	232.6
<b>Balance sheet (CHF mn)</b>						
Non-current assets	1,518	1,087	1,085	1,141	1,159	1,178
thereof goodwill	414	0	0	0	0	0
Current assets	1,302	1,295	1,253	1,451	1,606	1,780
<b>Total assets</b>	<b>2,820</b>	<b>2,382</b>	<b>2,337</b>	<b>2,591</b>	<b>2,766</b>	<b>2,959</b>
Shareholders' equity	1,599	1,207	1,127	1,292	1,456	1,630
<b>Total equity and liabilities</b>	<b>2,820</b>	<b>2,382</b>	<b>2,337</b>	<b>2,591</b>	<b>2,766</b>	<b>2,959</b>
Net debt	157	105	177	135	-2	-142
<b>Cash flow (CHF mn)</b>						
Cash flow from operations	299.2	312.4	351.8	294.1	357.5	369.3
of which change in working capital	-3.5	1.8	-15.7	-67.4	-8.0	-14.5
Cash flow from investments	-5.7	-226.3	-342.6	-174.5	-137.4	-141.5
of which investment in fixed assets	-84.8	-107.3	-126.2	-174.5	-137.4	-141.5
<b>Free cash flow</b>	<b>293.5</b>	<b>86.1</b>	<b>9.2</b>	<b>119.6</b>	<b>220.1</b>	<b>227.8</b>
Dividends paid	-56.4	-50.0	-65.9	-69.5	-74.9	-80.2
Cash flow from financing activities	-50.2	-148.6	-91.9	-69.5	-74.9	-80.2
<b>Change in cash position</b>	<b>238.8</b>	<b>-73.3</b>	<b>-83.4</b>	<b>41.6</b>	<b>137.2</b>	<b>140.1</b>

Source: Company data, Baader Helvea Equity Research

## Emmi

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**Baader Helvea AG, Talstrasse 9, 8001 Zurich, Switzerland**

**Baader Helvea Limited, 5 Royal Exchange Buildings, London EC3V 3NL, United Kingdom**

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Research Documents with recommendation changes (rating or target price) published in the twelve months prior to the publication of this Research Document covering the same financial instruments or issuers.

Company	Date	Rating	Currency	Target price	Closing price as of	Analyst	
Emmi	18-Aug-21	Add	CHF	1,100.00	1,040.00	17-Aug-21	Andreas von Arx
Emmi	03-Mar-21	Add	CHF	1,020.00	905.50	02-Mar-21	Andreas von Arx
Emmi	28-Jan-21	Add	CHF	1,010.00	934.00	27-Jan-21	Andreas von Arx

## A bet on the Swiss healthcare market

### ■ Our investment view

Galenica is essentially a bet leveraged on the growth/success of the Swiss healthcare market. Of late, the focus on the digitalisation of the business within the scope of its omni-channel strategy as well as further leveraging its pharmacy network to increase the range of services (doctor consultations, vaccinations, COVID-19 testing, more brand partnerships, etc.) have added tailwinds to the top-line growth.

From a margin perspective, the continued focus on efficiencies within its logistics services while maximising value of its pharmacy network, along with increasing higher-margin consumer health sales (through Verfora), will continue to support margins.

We believe, the ambition to leverage its strong retail presence while growing its e-commerce and mail order platforms is margin accretive, and will lift the overall margin and growth profile vs the historical dependency on slower growing and lower margin logistics business.

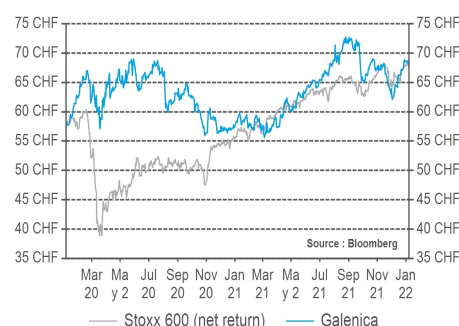
Backed by a very strong cash conversion ratio (over 60%), and limited capex needs (annual operating cash flows > CHF200m vs annual capex and pharmacy acquisitions of CHF 50-60m each), the firm should be able to finance growth easily while paying out a healthy dividend (FY21 yield of ~3%).

Given the recent pullback in the share price (~7% pullback from the September 2021 highs), the stronger than expected flu season should translate into near-term tailwinds heading into the FY 21 results.

### ■ What to ask the management?

- Can you run us through your online and mail-order business? What portion of the business is it presently? Is it margin neutral or otherwise? Do you think it can sustain double-digit growth in the long term? or, is that unrealistic?
- If we are right, the guidance anticipated a modest flu season. However, given recent readings that the flu season is stronger than expected, will that translate into a better performance for your retail OTC sales as well?
- Any update on the regulatory front? What should we expect from a price pressure perspective in the next few years, beyond the CHF240m target for 2018-20 timeframe?
- What is the generic substitution effect on both growth as well as margins?
- Beyond the optimisation in logistics and store presence, where do you see an incremental margin opportunity?

<b>Add</b>	<b>Upside: 12.8%</b>
Target Price (6 months)	CHF 76.6
Share Price	CHF 67.9
Market Cap. CHFM	3,395
Price Momentum	<b>GOOD</b>
Extremes 12Months	55.6 ▶ 72.8
Sustainability score	4.8 /10
Credit Risk	A →
Fundamental Strength	5 /10
Bloomberg	GALE SE Equity
Reuters	GALE.S



**Analyst :** Virendra CHAUHAN

### Equity Sales [EquitySales@baaderbank.de](mailto:EquitySales@baaderbank.de)

Frankfurt	+49 69 1388 1357
London	+44 20 7054 7100
Munich	+49 89 5150 1850
Zurich	+41 43 388 9200
New York	+1 212 935 5150

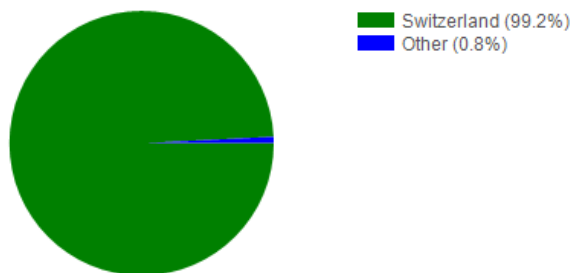
PERF	1w	1m	3m	12m
Galenica	-0.95%	7.18%	2.41%	15.1%
Non-Food Retail	-1.64%	-0.43%	0.45%	12.6%
STOXX 600	-0.32%	1.86%	6.04%	19.0%

Sector Opinion	<b>Overweight</b>
Strongest upside	Asos
Worst potential	Ferguson

Last updated: 05/12/2021	12/20A	12/21E	12/22E	12/23E
Adjusted P/E (x)	22.8	21.2	20.9	19.3
Dividend yield (%)	2.80	2.97	3.00	3.22
EV/EBITDA(R) (x)	14.2	12.9	13.2	12.5
Adjusted EPS (CHF)	2.82	3.05	3.25	3.52
Growth in EPS (%)	3.02	7.93	6.70	8.35
Dividend (CHF)	1.80	1.92	2.04	2.19
Sales (CHFm)	3,480	3,691	3,764	3,839
Underlying operat. profit ma...	4.81	5.09	5.29	5.62
Attributable net profit (CHFm)	172	148	161	174
ROE (after tax) (%)	16.9	12.6	12.1	12.5
Gearing (%)	54.7	44.5	40.8	35.9



## Sales by Geography



## Consolidated P&L Accounts

		12/20A	12/21E	12/22E
Sales	CHFM	3,480	3,691	3,764
Change in sales	%	5.42	6.06	1.99
Change in staff costs	%	-4.57	21.3	4.74
EBITDA	CHFM	263	278	286
<b>EBITDA(R) margin</b>	<b>%</b>	<b>7.83</b>	<b>7.79</b>	<b>7.60</b>
Depreciation	CHFM	-88.3	-81.3	-77.2
Underlying operating profit	CHFM	167	188	199
<b>Operating profit (EBIT)</b>	<b>CHFM</b>	<b>172</b>	<b>195</b>	<b>207</b>
Net financial expense	CHFM	-4.76	-5.17	-5.05
of which related to pensions	CHFM	-0.05	-9.15	-7.60
Exceptional items & other	CHFM	41.6	-3.87	0.00
Corporate tax	CHFM	-35.9	-38.0	-40.3
Equity associates	CHFM			
Minority interests	CHFM	-0.45	-0.40	-0.42
<b>Adjusted attributable net profit</b>	<b>CHFM</b>	<b>140</b>	<b>151</b>	<b>161</b>
NOPAT	CHFM	120	143	150

## Cashflow Statement

		12/20A	12/21E	12/22E
EBITDA	CHFM	263	278	286
Change in WCR	CHFM	-14.4	-32.4	-7.75
Actual div. received from equity holdi...	CHFM	0.00	0.00	0.00
Paid taxes	CHFM	-25.3	-38.0	-40.3
Exceptional items	CHFM	0.00	0.00	0.00
Other operating cash flows	CHFM	-40.8	5.00	5.00
Total operating cash flows	CHFM	183	213	243
Capital expenditure	CHFM	-55.1	-59.1	-60.2
Total investment flows	CHFM	-116	-117	-119
Net interest expense	CHFM	-4.76	-5.17	-5.05
Dividends (parent company)	CHFM	-89.2	-89.0	-94.8
Dividends to minorities interests	CHFM	0.00	0.00	0.00
New shareholders' equity	CHFM	3.78	0.00	0.00
Total financial flows	CHFM	-144	-76.0	-124
Change in cash position	CHFM	-76.7	19.4	0.57
<b>Free cash flow (pre div.)</b>	<b>CHFM</b>	<b>123</b>	<b>149</b>	<b>178</b>

## Per Share Data

		12/20A	12/21E	12/22E
No. of shares net of treas. stock (year...)	Mio	49.4	49.4	49.4
Number of diluted shares (average)	Mio	49.4	49.5	49.5
<b>Benchmark EPS</b>	<b>CHF</b>	<b>2.82</b>	<b>3.05</b>	<b>3.25</b>
Restated NAV per share	CHF			
<b>Net dividend per share</b>	<b>CHF</b>	<b>1.80</b>	<b>1.92</b>	<b>2.04</b>

## Valuation Summary

Benchmarks	Value	Weight	Largest comparables
DCF	CHF 65.8	35%	● Royal Philips
NAV/SOTP per share	CHF 70.8	20%	● Gn Store Nord
EV/Ebitda	CHF 76.2	20%	● EssilorLuxottica
P/E	CHF 86.9	10%	● Reckitt Benckiser G...
Dividend Yield	CHF 114	10%	● H Lundbeck
P/Book	CHF 80.1	5%	
TARGET PRICE	CHF 76.6	100%	

## Balance Sheet

		12/20A	12/21E	12/22E
Goodwill	CHFM	792	830	870
Total intangible	CHFM	916	968	1,020
Tangible fixed assets	CHFM	268	254	243
Financial fixed assets	CHFM	22.9	25.3	27.9
WCR	CHFM	387	419	427
Other assets	CHFM	50.1	50.1	50.1
Total assets (net of short term liab.)	CHFM	1,873	1,935	1,977
<b>Ordinary shareholders' equity</b>	<b>CHFM</b>	<b>1,047</b>	<b>1,292</b>	<b>1,359</b>
Quasi Equity & Preferred	CHFM			
Minority interests	CHFM	6.07	6.47	6.89
Provisions for pensions	CHFM	57.4	-116	-109
Other provisions for risks and liabilities	CHFM	4.40	4.40	4.40
Total provisions for risks and liabilities	CHFM	61.8	-111	-104
Tax liabilities	CHFM	48.3	48.3	48.3
Other liabilities	CHFM	129	129	129
<b>Net debt (cash)</b>	<b>CHFM</b>	<b>581</b>	<b>570</b>	<b>538</b>
Total liab. and shareholders' equity	CHFM	1,873	1,935	1,977

## Capital Employed

		12/20A	12/21E	12/22E
Capital employed after depreciation	CHFM	1,869	1,931	1,908

## Profits & Risks Ratios

		12/20A	12/21E	12/22E
<b>ROE (after tax)</b>	<b>%</b>	<b>16.9</b>	<b>12.6</b>	<b>12.1</b>
ROCE	%	6.78	7.74	7.86
<b>Gearing (at book value)</b>	<b>%</b>	<b>54.7</b>	<b>44.5</b>	<b>40.8</b>
Adj. Net debt/EBITDA(R)	x	3.14	2.90	2.55
Interest cover (x)	x	22.7	-158	-78.2

## Valuation Ratios

		12/20A	12/21E	12/22E
<b>Reference P/E (benchmark)</b>	<b>x</b>	<b>22.8</b>	<b>21.2</b>	<b>20.9</b>
Free cash flow yield	%	3.87	4.65	5.30
P/Book	x	3.03	2.47	2.47
<b>Dividend yield</b>	<b>%</b>	<b>2.80</b>	<b>2.97</b>	<b>3.00</b>

## EV Calculation

		12/20A	12/21E	12/22E
Market cap	CHFM	3,178	3,194	3,356
+ Provisions	CHFM	61.8	-111	-104
+ Unrecognised actuarial losses/(gains)	CHFM	0.00	0.00	0.00
+ Net debt at year end	CHFM	371	371	348
+ Leases debt equivalent	CHFM	275	264	190
- Financial fixed assets (fair value)	CHFM	18.5	18.5	18.5
+ Minority interests (fair value)	CHFM	6.07	6.47	6.89
= EV	CHFM	3,873	3,706	3,779
<b>EV/EBITDA(R)</b>	<b>x</b>	<b>14.2</b>	<b>12.9</b>	<b>13.2</b>
EV/Sales	x	1.11	1.00	1.00

Analyst : Virendra Chauhan, Changes to Forecasts : 05/12/2021.

10 January 2022

## Geberit

Switzerland

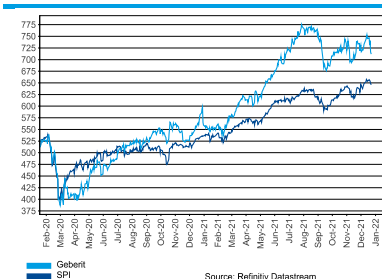
### Building Prod. & Materials

Reuters: GEBN.S Bloomberg: GEBN SE

#### Add

Closing price as of 07-Jan-22	CHF 712.80
<b>Target price</b>	<b>CHF 785.00</b>
High/Low (12M)	CHF 775.00/536.20
Market cap.	CHF mn 25,149
Enterprise value	CHF mn 25,559
Free float	94.8%
Avg. daily turnover	CHF mn 47.67

#### Price relative to Index



Performance (%)	1M	3M	6M
Absolute	-3.4	2.9	0.3
rel. SMI	-5.2	-4.7	-4.5
rel. STOXX Europe 600	-4.7	-3.2	-5.5
rel. SXXP Construction	-4.9	-5.6	-6.1

#### Analyst:

Emrah Basic, CFA

+41 43 388 9250

ebasic@helvea.com

### Well-positioned for a potentially more challenging FY22E

■ **Investment case:** Geberit is among a few Swiss industrials with an EBITDA margin towards 30% (FY17-FY20 29%; FY21E 31.6% (Baader Helvea) vs. 31% (consensus). As such, they are well-positioned to absorb short-term margin threats/hits, and their strong pricing power enables them to counteract inflationary pressures. The cash generation (FCF margin 20%) and shareholder value creation (ROIC >25%) reflect Geberit's strong market position. We believe this undisputed (European) leader in sanitary systems/products is a top-of-the-class and high-quality long-term stock to add.

#### ■ What to ask the management?

- What is your expectation of the European construction industry growth in FY22E?
- How much is the home improvement trend contributing to your topline growth?
- Were you successfully able to launch/start selling your new products last year?
- Are there (major) threats to your business model/market position that you expect in the near future?
- What are your major growth drivers in Europe vs. Americas vs. Far East/Pacific vs. Middle East/Africa?
- In which regions do you expect (strongest) market share gains in the next five years?
- In which (new) countries do you see the highest potential?
- Which of your product segments experience highest competition?
- Are you planning to have extraordinary price increases this year?
- Are there factors that could lead to a change of your medium-term EBITDA margin guidance (28-30%)?
- Which product and/or regional segment would you prioritize for M&A?

#### Key financials

CHF mn	2020	2021E	2022E	2023E	CAGR (%)
Sales	2,986.1	3,454.5	3,644.5	3,808.5	8.4
EBIT adj.	771.5	927.5	954.0	1,001.6	9.1
EPS adj. (CHF)	17.88	21.83	22.75	24.07	10.4

Source: Company data, Baader Helvea Equity Research

#### Valuation ratios

x	2020	2021E	2022E	2023E
EV/Sales	6.2	7.5	7.0	6.6
EV/EBIT adj.	24.0	28.1	26.8	25.1
P/E adj.	27.9	32.8	31.3	29.6

Geberit

Key data

FY 31 Dec.	2018	2019	2020	2021E	2022E	2023E
<b>Share data</b>						
EPS reported (CHF)	16.40	17.97	17.95	21.91	22.84	24.16
<b>EPS adjusted (CHF)</b>	<b>17.19</b>	<b>17.93</b>	<b>17.88</b>	<b>21.83</b>	<b>22.75</b>	<b>24.07</b>
Dividend (CHF)	10.80	11.30	11.40	13.97	14.62	15.46
Book value (CHF)	47.90	52.63	53.49	58.57	63.19	71.66
Free cash flow (CHF)	16.21	17.48	20.77	20.35	20.92	22.39
Avg. no. of shares (mn)	36.4	36.1	35.9	35.6	35.3	35.1
Market cap. (avg./current; CHF mn)	15,487.1	16,295.6	17,911.1	25,545.9	25,148.8	24,993.7
Enterprise value (CHF mn)	16,331.1	16,941.4	18,490.9	26,024.6	25,559.4	25,188.4
<b>Valuation</b>						
<b>P/E adj. (x)</b>	<b>24.7</b>	<b>25.2</b>	<b>27.9</b>	<b>32.8</b>	<b>31.3</b>	<b>29.6</b>
P/BV (x)	8.9	8.6	9.3	12.2	11.3	9.9
FCF/EV (%)	3.6	3.7	4.0	2.8	2.9	3.1
FCF yield (%) (FCF/Mcap.)	3.8	3.9	4.2	2.8	2.9	3.1
Dividend yield (%)	2.5	2.5	2.3	1.9	2.1	2.2
EV/Sales (x)	5.3	5.5	6.2	7.5	7.0	6.6
EV/EBITDA adj. (x)	18.8	18.7	20.0	23.9	22.6	21.2
EV/EBIT adj. (x)	21.9	22.4	24.0	28.1	26.8	25.1
EV/CE (x)	6.0	6.2	6.9	9.4	9.0	8.7
ROCE/WACC adj. (x)	4.3	4.4	4.6	5.2	5.2	5.3
<b>Key company data</b>						
Sales growth (%)	5.9	0.1	-3.1	15.7	5.5	4.5
EBITDA adj. growth (%)	5.7	4.2	2.4	17.8	3.6	5.3
EBITDA adj. margin (%)	28.2	29.3	31.0	31.5	31.0	31.2
<b>EBIT adj. margin (%)</b>	<b>24.2</b>	<b>24.5</b>	<b>25.8</b>	<b>26.8</b>	<b>26.2</b>	<b>26.3</b>
Net adj. margin (%)	20.3	21.0	21.5	22.5	22.0	22.2
Free cash flow margin (%)	19.2	20.5	25.0	21.0	20.3	20.6
Payout ratio (%)	65.9	63.0	63.8	64.0	64.3	64.3
Gearing (%) (net debt/equity)	31.8	16.8	12.4	6.5	3.1	-5.9
Net debt/EBITDA (x)	0.6	0.4	0.3	0.1	0.1	-0.1
Equity ratio (x) (equity/total assets)	49.8	51.0	51.2	52.8	54.9	58.1
Capital employed (CHF mn)	2,713.4	2,730.9	2,698.5	2,762.9	2,836.8	2,904.3
ROCE adj. (%)	23.6	24.4	25.1	28.6	28.6	29.4
<b>Income statement (CHF mn)</b>						
Turnover	3,080.5	3,082.9	2,986.1	3,454.5	3,644.5	3,808.5
EBITDA	867.8	903.9	925.3	1,089.9	1,128.9	1,188.2
EBITDA adj.	867.8	903.9	925.3	1,089.9	1,128.9	1,188.2
EBIT	707.6	756.6	771.5	927.5	954.0	1,001.6
EBIT adj.	744.1	756.6	771.5	927.5	954.0	1,001.6
EBT	687.2	742.8	754.3	915.2	944.2	992.7
Net profit after minorities	597.2	646.9	642.3	778.0	802.6	843.8
Net profit adj.	626.4	646.9	642.3	778.0	802.6	843.8
<b>Balance sheet (CHF mn)</b>						
Non-current assets	2,610	2,680	2,675	2,710	2,772	2,833
thereof goodwill	1,299	1,255	1,253	1,253	1,253	1,253
Current assets	892	1,046	1,076	1,242	1,288	1,495
<b>Total assets</b>	<b>3,502</b>	<b>3,725</b>	<b>3,751</b>	<b>3,951</b>	<b>4,060</b>	<b>4,328</b>
Shareholders' equity	1,745	1,899	1,922	2,087	2,230	2,513
<b>Total equity and liabilities</b>	<b>3,502</b>	<b>3,725</b>	<b>3,751</b>	<b>3,951</b>	<b>4,060</b>	<b>4,328</b>
Net debt	555	318	238	137	68	-147
<b>Cash flow (CHF mn)</b>						
Cash flow from operations	747.5	832.0	898.3	921.1	973.6	1,031.1
of which change in working capital	-11.1	12.6	26.3	-29.8	-12.0	-6.5
Cash flow from investments	-156.6	-201.2	-151.9	-195.7	-235.5	-246.1
of which investment in fixed assets	-162.4	-166.9	-149.7	-179.6	-218.7	-228.5
<b>Free cash flow</b>	<b>590.9</b>	<b>630.8</b>	<b>746.4</b>	<b>725.4</b>	<b>738.1</b>	<b>785.0</b>
Dividends paid	-380.8	-389.0	-404.0	-404.5	-404.5	-404.5
Cash flow from financing activities	-714.1	-499.6	-676.1	-650.9	-730.0	-599.1
<b>Change in cash position</b>	<b>-130.5</b>	<b>125.9</b>	<b>60.5</b>	<b>69.6</b>	<b>8.1</b>	<b>185.9</b>

Source: Company data, Baader Helvea Equity Research

## Geberit

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Research Documents with recommendation changes (rating or target price) published in the twelve months prior to the publication of this Research Document covering the same financial instruments or issuers.

Company	Date	Rating	Currency	Target price	Closing price as of	Analyst
Geberit	04-Nov-21	Add	CHF	785.00	716.80	03-Nov-21 Emrah Basic, CFA
Geberit	20-Aug-21	Add	CHF	795.00	752.40	19-Aug-21 Emrah Basic, CFA
Geberit	10-May-21	Add	CHF	680.00	632.00	07-May-21 Emrah Basic, CFA
Geberit	16-Mar-21	Add	CHF	650.00	577.40	15-Mar-21 Jorg Schirmacher, CFA

10 January 2022

## Givaudan

Switzerland

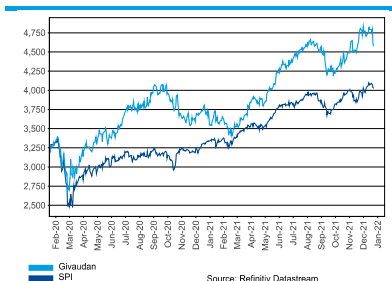
### Chemicals

Reuters: GIVN.S Bloomberg: GIVN SE

### Add

Closing price as of 07-Jan-22	CHF 4,582.00
<b>Target price</b>	<b>CHF 4,500.00</b>
High/Low (12M)	CHF 4,830.00/3,405.00
Market cap.	CHF mn 42,552
Enterprise value	CHF mn 46,597
Free float	80.0%
Avg. daily turnover	CHF mn 68.41

### Price relative to Index



Performance (%)	1M	3M	6M
Absolute	-3.4	6.1	4.2
rel. SMI	-5.2	-1.5	-0.6
rel. STOXX Europe 600	-4.6	0.1	-1.6
rel. SXXP Chemicals	-3.8	-2.1	-3.6

### Analyst:

Andreas von Arx

+41 43 388 9257

avonarx@helvea.com

## Fundamentally a great investment case

■ **Investment case:** Just looking at the qualities of the business, we see Givaudan and the Flavor & Fragrance sector in general as winners. An oligopolistic industry structure driven by quality and not price-driven competition. A high level of complexity combined with a need to deliver flawless products. Customers that have a preference to work with large suppliers and a regulatory environment that favors consolidation. Products that for the customers are a relatively small portion of their overall costs, but also products that have a high influence on who wins in the Fast-Moving Consumer Goods (FMCG) market space. There are reasons why there has not been a significant new market entry in the Flavor & Fragrance space in decades. From a dynamic perspective, there are several drivers that make for a growth industry: **1)** urbanization, **2)** a high level of product innovation in the consumer space and **3)** the trend that FMCG companies like to outsource more and more steps of their value chain. In addition to their classical Flavor and Fragrance segment, the companies like Givaudan successfully expanded into adjacent areas (like active cosmetic or integrated solutions) while defending their valuation multiple (that is based, in our view, on the relatively higher entry barriers in Fragrance & Flavors). With mid-single-digit organic growth, >20% EBITDA margins and double-digit FCF as % of sales levels, Givaudan and the Flavor & Fragrance players are a dream investment for investors looking for cash generation in a defensive and defensible model.

This positives have led to ever increasing multiple expansion in recent years. Looking at 2023E, we see Givaudan trading on an EV/EBITDA of 27.0x; this is an approx. 35% premium to the 5-year historical average. On 2023E FCF/EV yield, we see Givaudan on 2.6% versus the 5-year average of 2.8%. It is fair to say that valuation levels look high, especially after the favorable share price run end of 2021 (as also indicated by a share price surpassing our price target in the last quarter).

Results momentum-wise, we see two stories. On the one hand, we see a favorable topline development driven by higher input costs that continues to grow strongly as seen throughout COVID impacted quarters in 2020/2021 into 2022. On the other hand, we would expect this input cost inflation to become a temporary drag on profitability (especially on the 2022 outlook) as Flavor & Fragrance companies typically experience a time delay until they are able to fully pass on higher input costs (hence they take a short-term hit on profitability, albeit still to level around 20% EBITDA margin). It remains to be seen if that profitability uncertainty will become a drag on the share price in coming months.

We recommend Givaudan to long-term investors although we favor Symrise in a direct comparison. For more short-term oriented investors, we would advise to wait until after the FY results announcement end of January.

### ■ What to ask the management?

- Could you provide an update on the input cost situation?
- Could you provide an update on COVID-19/lockdown impacts?
- Could you provide an update on your M&A strategy and expansion into adjacent businesses?

### Key financials

CHF mn	2020	2021E	2022E	2023E	CAGR (%)
Sales	6,322.0	6,691.4	7,147.1	7,487.5	5.8
EBIT adj.	1,041.0	1,145.5	1,259.2	1,367.3	9.5
EPS adj. (CHF)	101.00	114.35	120.59	128.40	8.3

### Valuation ratios

x	2020	2021E	2022E	2023E
EV/Sales	5.8	6.4	6.5	6.2
EV/EBIT adj.	35.4	37.3	37.0	33.8
P/E adj.	34.6	36.3	38.0	35.7

Source: Company data, Baader Helvea Equity Research

## Givaudan

### Key data

FY 31 Dec.	2018	2019	2020	2021E	2022E	2023E
<b>Share data</b>						
EPS reported (CHF)	71.92	76.17	80.62	94.83	105.46	116.04
<b>EPS adjusted (CHF)</b>	<b>80.29</b>	<b>93.25</b>	<b>101.00</b>	<b>114.35</b>	<b>120.59</b>	<b>128.40</b>
Dividend (CHF)	60.00	62.00	64.00	68.00	75.00	80.00
Book value (CHF)	399.29	391.95	375.80	406.39	443.56	484.29
Free cash flow (CHF)	-101.49	26.38	-30.80	99.58	92.94	129.86
Avg. no. of shares (mn)	9.3	9.3	9.3	9.3	9.3	9.3
Market cap. (avg./current; CHF mn)	21,190.6	24,753.6	32,471.2	38,523.8	42,552.4	42,552.4
Enterprise value (CHF mn)	24,453.6	28,841.6	36,859.2	42,692.9	46,597.0	46,190.3
<b>Valuation</b>						
<b>P/E adj. (x)</b>	<b>28.4</b>	<b>28.6</b>	<b>34.6</b>	<b>36.3</b>	<b>38.0</b>	<b>35.7</b>
P/BV (x)	5.7	6.8	9.3	10.2	10.3	9.5
FCF/EV (%)	-3.9	0.8	-0.8	2.2	1.9	2.6
FCF yield (%) (FCF/Mcap.)	-4.5	1.0	-0.9	2.4	2.0	2.8
Dividend yield (%)	2.6	2.3	1.8	1.6	1.6	1.7
EV/Sales (x)	4.4	4.6	5.8	6.4	6.5	6.2
EV/EBITDA adj. (x)	21.1	21.7	25.6	27.8	28.9	27.0
EV/EBIT adj. (x)	27.3	29.6	35.4	37.3	37.0	33.8
EV/CE (x)	3.4	3.6	4.4	5.1	5.4	5.4
ROCE/WACC adj. (x)	1.8	1.7	1.8	2.0	2.1	2.3
<b>Key company data</b>						
Sales growth (%)	9.4	12.2	1.9	5.8	6.8	4.8
EBITDA adj. growth (%)	-1.5	14.9	8.3	6.4	5.1	6.1
EBITDA adj. margin (%)	21.0	21.5	22.8	22.9	22.6	22.9
<b>EBIT adj. margin (%)</b>	<b>16.2</b>	<b>15.7</b>	<b>16.5</b>	<b>17.1</b>	<b>17.6</b>	<b>18.3</b>
Net adj. margin (%)	13.5	14.0	14.8	15.6	15.5	15.9
Free cash flow margin (%)	-17.1	3.9	-4.5	13.8	12.1	16.1
Payout ratio (%)	84.1	82.0	80.0	72.3	71.7	69.5
Gearing (%) (net debt/equity)	76.7	101.1	115.8	101.2	89.7	73.1
Net debt/EBITDA (x)	2.5	2.8	2.8	2.5	2.3	1.9
Equity ratio (x) (equity/total assets)	40.0	35.0	32.7	34.0	35.4	37.5
Capital employed (CHF mn)	7,221.0	8,104.0	8,305.0	8,370.1	8,591.0	8,562.5
ROCE adj. (%)	10.7	10.0	10.4	11.8	12.6	13.8
<b>Income statement (CHF mn)</b>						
Turnover	5,527.0	6,203.0	6,322.0	6,691.4	7,147.1	7,487.5
EBITDA	1,145.0	1,275.0	1,397.0	1,509.6	1,583.3	1,681.7
EBITDA adj.	1,158.0	1,331.0	1,442.0	1,534.6	1,613.3	1,711.7
EBIT	883.0	920.0	996.0	1,120.5	1,229.2	1,337.3
EBIT adj.	896.0	976.0	1,041.0	1,145.5	1,259.2	1,367.3
EBT	772.0	808.0	876.0	1,004.5	1,117.2	1,229.3
Net profit after minorities	663.0	702.0	743.0	873.9	971.9	1,069.5
Net profit adj.	746.0	866.0	938.0	1,046.9	1,109.9	1,192.5
<b>Balance sheet (CHF mn)</b>						
Non-current assets	6,503	7,430	7,687	7,512	7,462	7,436
thereof goodwill	2,968	3,146	3,500	3,500	3,500	3,500
Current assets	2,774	2,966	2,971	3,589	4,164	4,567
<b>Total assets</b>	<b>9,277</b>	<b>10,396</b>	<b>10,658</b>	<b>11,101</b>	<b>11,626</b>	<b>12,003</b>
Shareholders' equity	3,710	3,640	3,490	3,774	4,119	4,498
<b>Total equity and liabilities</b>	<b>9,277</b>	<b>10,396</b>	<b>10,658</b>	<b>11,101</b>	<b>11,626</b>	<b>12,003</b>
Net debt	2,847	3,679	4,040	3,821	3,697	3,290
<b>Cash flow (CHF mn)</b>						
Cash flow from operations	916.0	1,136.0	1,133.0	1,139.0	1,166.8	1,524.2
of which change in working capital	-89.0	-15.0	-134.0	-240.0	-271.2	2.3
Cash flow from investments	-1,859.0	-891.0	-1,419.0	-214.2	-303.8	-318.2
of which investment in fixed assets	-294.0	-320.0	-227.0	-214.2	-303.8	-318.2
<b>Free cash flow</b>	<b>-943.0</b>	<b>245.0</b>	<b>-286.0</b>	<b>924.8</b>	<b>863.1</b>	<b>1,206.0</b>
Dividends paid	-534.1	-553.1	-571.4	-589.8	-626.7	-691.2
Cash flow from financing activities	848.0	-204.0	-346.0	-589.8	-626.7	-691.2
<b>Change in cash position</b>	<b>-111.0</b>	<b>29.0</b>	<b>-41.0</b>	<b>218.9</b>	<b>124.4</b>	<b>406.7</b>

Source: Company data, Baader Helvea Equity Research

## Givaudan

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Research Documents with recommendation changes (rating or target price) published in the twelve months prior to the publication of this Research Document covering the same financial instruments or issuers.

Company	Date	Rating	Currency	Target price	Closing price as of	Analyst	
Givaudan	12-Oct-21	Add	CHF	4,500.00	4,287.00	11-Oct-21	Andreas von Arx
Givaudan	23-Jul-21	Add	CHF	4,600.00	4,446.00	22-Jul-21	Andreas von Arx
Givaudan	13-Apr-21	Add	CHF	4,000.00	3,764.00	12-Apr-21	Andreas von Arx
Givaudan	01-Feb-21	Add	CHF	3,850.00	3,596.00	29-Jan-21	Andreas von Arx

10 January 2022

## Gurit

Switzerland

### Chemicals

Reuters: GUR.S Bloomberg: GUR SE

### Add

Closing price as of 07-Jan-22	CHF 1,526.00
<b>Target price</b>	<b>CHF 1,850.00</b>
High/Low (12M)	CHF 2,705.00/1,424.00
Market cap.	CHF mn 714
Enterprise value	CHF mn 726
Free float	85.7%
Avg. daily turnover	CHF mn 1.24

### Price relative to Index



Performance (%)	1M	3M	6M
Absolute	2.4	-10.2	-25.9
rel. SPI	0.6	-17.8	-30.7
rel. STOXX Europe 600	1.2	-16.3	-31.7
rel. SXXP Chemicals	1.9	-18.4	-33.7

### Analyst:

**Markus Mayer**

+49 89 5150 1818

markus.mayer@baaderbank.de

## Wind energy power play which was hit hard in 2021 – The US infrastructure package and the new Chinese plans offer upside for the future

■ **Investment case:** Gurit has over 30 years of experience in the practical application of composites across various market sectors, combined with an impressive portfolio of materials and a unique technical approach, enabling Gurit to offer the most complete composite solution on the market. Gurit's most important end customer market is wind energy with ~70% exposure, followed by marine, general industry and aerospace. The demand for Gurit's wind energy products was only marginally affected by COVID-19, but with the end of subsidies in China at the same time of significant raw material cost increases, Gurit had to come up with two profit warnings in 2021. However, the news published by the State Council (the country's highest executive body) on 24 October is indicating significant demand upside for the years to come. According to the State Council, China will work towards having 80% of its total energy mix from non-fossil fuel sources by 2060 and 1,200GW of solar and wind generation capacities by 2030. In addition, the U.S. Congress has passed a landmark USD 1tn infrastructure spending package of which USD 73bn are reserved for clean energy as going green and clean was a big part of Mr. Biden's campaign promises. How fast these Chinese and US plans will affect the demand for Gurit's business is hard to say, but we think that there might be an effect earliest in 2H22E. Consequently, we think 2022 might be still a transition year for Gurit, but might be the year to invest in the long-term interesting story.

### ■ What to ask the management?

- How is your view on the Chinese, US and Indian wind energy market?
- Until when do you think will the higher raw material prices of 2021 be passed on to customers?
- Is your focus on recycled PET as a raw material currently a big disadvantage because R-PET is said to be tight (due to COVID-related lower demand for bottled beverages)?
- How big are the costs for your restructuring program? How is the phasing of the costs and of the cost savings?
- When will "green hydrogen" projects positively affect you?
- What is your on/off-shore split? Is off-shore more profitable? How is the competitive landscape on/off-shore?
- Covestro and the Chinese wind power company Goldwind have launched a new polyurethane technology. Is this a risk or an opportunity for your core materials business?
- Is M&A an option for you? Are there any interesting targets you are looking at? Is the aerospace business core?
- Is your small (and currently troubled) aerospace business core for you as there is a significant gap to a "critical size" of CHF 100mn sales?
- How will you profit from the automation trend and in which of your business units?

### Key financials

CHF mn	2020	2021E	2022E	2023E	CAGR (%)
Sales	576.7	457.4	477.5	517.3	-3.6
EBIT adj.	64.1	32.0	35.5	48.2	-9.1
EPS adj. (CHF)	99.27	45.97	50.26	72.79	-9.8

### Valuation ratios

x	2020	2021E	2022E	2023E
EV/Sales	1.4	2.2	1.5	1.3
EV/EBIT adj.	12.3	31.3	20.4	14.5
P/E adj.	16.6	45.3	30.4	21.0

Source: Company data, Baader Helvea Equity Research



Gurit

Key data

FY 31 Dec.	2018	2019	2020	2021E	2022E	2023E
<b>Share data</b>						
EPS reported (CHF)	42.96	76.06	100.31	45.98	50.27	72.81
<b>EPS adjusted (CHF)</b>	<b>78.86</b>	<b>95.34</b>	<b>99.27</b>	<b>45.97</b>	<b>50.26</b>	<b>72.79</b>
Dividend (CHF)	20.00	25.00	30.00	10.70	15.08	21.84
Book value (CHF)	267.12	314.46	371.36	371.08	410.64	468.35
Free cash flow (CHF)	-156.38	78.98	100.41	10.11	42.34	74.29
Avg. no. of shares (mn)	0.5	0.5	0.5	0.5	0.5	0.5
Market cap. (avg./current; CHF mn)	414.0	561.4	770.6	974.9	713.9	713.9
Enterprise value (CHF mn)	494.1	612.9	788.4	1,001.8	725.8	697.9
<b>Valuation</b>						
<b>P/E adj. (x)</b>	<b>11.2</b>	<b>12.6</b>	<b>16.6</b>	<b>45.3</b>	<b>30.4</b>	<b>21.0</b>
P/BV (x)	3.3	3.8	4.4	5.6	3.7	3.3
FCF/EV (%)	-14.8	6.0	6.0	0.5	2.7	5.0
FCF yield (%) (FCF/Mcap.)	-17.7	6.6	6.1	0.5	2.8	4.9
Dividend yield (%)	2.3	2.1	1.8	0.5	1.0	1.4
EV/Sales (x)	1.2	1.1	1.4	2.2	1.5	1.3
EV/EBITDA adj. (x)	8.7	8.0	10.1	22.6	14.2	10.9
EV/EBIT adj. (x)	10.9	10.0	12.3	31.3	20.4	14.5
EV/CE (x)	1.5	1.9	2.5	3.0	2.1	2.0
ROCE/WACC adj. (x)	2.1	2.7	2.8	1.5	1.4	2.0
<b>Key company data</b>						
Sales growth (%)	20.8	36.0	3.3	-20.7	4.4	8.3
EBITDA adj. growth (%)	21.3	34.5	1.5	-43.0	15.1	25.3
EBITDA adj. margin (%)	13.9	13.7	13.5	9.7	10.7	12.4
<b>EBIT adj. margin (%)</b>	<b>11.0</b>	<b>11.0</b>	<b>11.1</b>	<b>7.0</b>	<b>7.4</b>	<b>9.3</b>
Net adj. margin (%)	9.0	8.0	8.1	4.7	4.9	6.6
Free cash flow margin (%)	-17.8	6.6	8.1	1.0	4.1	6.7
Payout ratio (%)	46.6	32.9	29.9	23.3	30.0	30.0
Gearing (%) (net debt/equity)	64.0	35.9	11.1	16.5	7.2	-6.3
Net debt/EBITDA (x)	1.4	0.7	0.2	0.6	0.3	-0.2
Equity ratio (x) (equity/total assets)	33.8	40.5	46.1	49.8	51.9	54.2
Capital employed (CHF mn)	334.9	329.2	320.7	334.1	339.7	341.0
ROCE adj. (%)	11.8	15.0	15.6	8.5	8.1	11.2
<b>Income statement (CHF mn)</b>						
Turnover	410.6	558.3	576.7	457.4	477.5	517.3
EBITDA	56.9	76.6	77.7	44.3	51.0	63.9
EBITDA adj.	56.9	76.6	77.7	44.3	51.0	63.9
EBIT	45.4	61.5	64.1	24.4	35.5	48.2
EBIT adj.	45.4	61.5	64.1	32.0	35.5	48.2
EBT	44.8	56.7	60.4	27.5	31.8	44.8
Net profit after minorities	20.1	35.6	46.9	21.5	23.5	34.1
Net profit adj.	36.9	44.6	46.4	21.5	23.5	34.1
<b>Balance sheet (CHF mn)</b>						
Non-current assets	101	103	113	119	123	120
thereof goodwill	0	0	0	0	0	0
Current assets	268	260	264	229	247	284
<b>Total assets</b>	<b>370</b>	<b>363</b>	<b>377</b>	<b>348</b>	<b>370</b>	<b>404</b>
Shareholders' equity	125	147	174	174	192	219
<b>Total equity and liabilities</b>	<b>370</b>	<b>363</b>	<b>377</b>	<b>348</b>	<b>370</b>	<b>404</b>
Net debt	80	53	19	29	14	-14
<b>Cash flow (CHF mn)</b>						
Cash flow from operations	19.4	65.9	70.2	31.5	38.8	47.8
of which change in working capital	-4.8	28.0	25.2	-2.3	-0.2	-2.0
Cash flow from investments	-92.5	-28.9	-23.2	-26.8	-19.0	-13.1
of which investment in fixed assets	-15.2	-24.6	-25.4	-27.0	-19.0	-13.0
<b>Free cash flow</b>	<b>-73.2</b>	<b>36.9</b>	<b>47.0</b>	<b>4.7</b>	<b>19.8</b>	<b>34.8</b>
Dividends paid	-9.3	-9.3	-11.7	-14.0	-5.0	-7.1
Cash flow from financing activities	76.8	-38.4	-43.0	-13.9	-5.0	-7.1
<b>Change in cash position</b>	<b>3.6</b>	<b>-3.2</b>	<b>2.7</b>	<b>-9.3</b>	<b>14.8</b>	<b>27.7</b>

Source: Company data, Baader Helvea Equity Research

## Gurit

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Company	Date	Rating	Currency	Target price	Closing price as of	Analyst	
Gurit	05-Jan-22	Add	CHF	1,850.00	1,594.00	04-Jan-22	Markus Mayer
Gurit	27-Jul-21	Add	CHF	2,234.00	2,090.00	26-Jul-21	Markus Mayer
Gurit	08-Mar-21	Buy	CHF	2,750.00	2,245.00	05-Mar-21	Markus Mayer
Gurit	01-Feb-21	Reduce	CHF	2,650.00	2,625.00	29-Jan-21	Markus Mayer

10 January 2022

## HBM Healthcare Investments

Switzerland

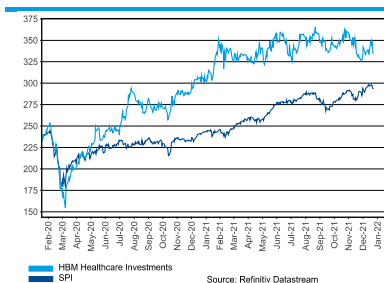
### Other financials

Reuters: HBMN.S Bloomberg: HBMN SE

### Add

Closing price as of 07-Jan-22	CHF 334.50
<b>Target price</b>	<b>CHF 355.00</b>
High/Low (12M)	CHF 365.00/302.00
Market cap.	CHF mn 2,318
Enterprise value	CHF mn 2,172
Free float	83.0%
Avg. daily turnover	CHF mn 1.11

### Price relative to Index



Performance (%)	1M	3M	6M
Absolute	0.5	-1.0	-3.6
rel. SMI	-1.4	-8.6	-8.4
rel. STOXX Europe 600	-0.8	-7.1	-9.4
rel. SXXP Financial SVS	-0.4	-7.0	-10.1

### Analyst:

Leonildo Delgado, Ph.D.

+41 43 388 9226

LDelgado@helvea.com

## Exploiting lower correlation to public market portfolios through growing private equity allocation

### Investment case:

In the calendar year 2021, HBM Healthcare Investments continued to perform strongly. The net asset value per share (NAV) rose by 19% to CHF 336.30, while the share price increased by 15% to close at CHF 339.00. Now the stock trades at a small premium, which shows the increased trust of Investors in HBM's ability to build and reap value from its diversified portfolio of private and small-cap listed life sciences companies.

This performance is even more relevant given the mixed results of the broader biotech sector. While the large-cap pharmaceutical companies (MSCI World Healthcare Index) rose by +23.9%, biotech companies (Nasdaq Biotechnology Index +3.0% and SPDR S&P Biotech ETF -18.1%) took a breather after their good performance in recent years.

In 2021, HBM also continued its streak of successful portfolio IPOs (eight) and trade sales (one): IO Biotech (IPO, USD 100mn), Pyxis Oncology (IPO, USD 168mn), Monte Rosa Therapeutics (IPO, USD 260mn), Ambrx (IPO, USD 145mn), Werewolf Therapeutics (IPO, USD 120mn), Connect Biopharma (IPO, USD 159mn), Instil Bio (IPO, USD 423mn), Longboard Pharmaceuticals (IPO, USD 92mn) and Viela Bio (M&A, USD 3.05bn).

### What to ask the management:

- What are the key portfolio catalysts to keep an eye on in the short term?
- Do you expect a strong deal activity in the biotech sector in 2022 or will there be a slowdown?
- After the recent wave of successful IPOs/M&As, what could be HBM's outlook for 2022 regarding listing appetite?
- Will the drug pricing remain an important topic in 2022? What kind of impact can we expect in the broader healthcare sector?

### Key financials

CHF mn	2019/20	2020/21	2021/22E	2022/23E	CAGR (%)
Sales	232.5	911.3	289.0	358.9	15.6
EBIT adj.	182.6	752.9	231.3	291.7	16.9
EPS adj. (CHF)	26.07	108.31	33.02	41.74	17.0

Source: Company data, Baader Helvea Equity Research

### Valuation ratios

x	2019/20	2020/21	2021/22E	2022/23E
EV/Sales	5.6	2.3	7.3	6.1
EV/EBIT adj.	7.1	2.8	9.1	7.4
P/E adj.	7.7	3.1	10.1	8.0

## HBM Healthcare Investments

### Key data

FY 31 Mar.	2017/18	2018/19	2019/20	2020/21	2021/22E	2022/23E
<b>Share data</b>						
EPS reported (CHF)	16.55	29.97	26.08	108.30	33.02	41.74
<b>EPS adjusted (CHF)</b>	<b>16.40</b>	<b>29.97</b>	<b>26.07</b>	<b>108.31</b>	<b>33.02</b>	<b>41.74</b>
Dividend (CHF)	5.87	7.03	7.50	7.72	12.50	7.95
Book value (CHF)	165.71	189.00	206.99	310.18	346.89	380.68
Free cash flow (CHF)	10.49	14.24	4.41	34.30	-8.61	-1.04
Avg. no. of shares (mn)	6.9	6.9	6.9	6.9	6.9	6.9
Market cap. (avg./current; CHF mn)	857.7	1,129.2	1,395.6	2,359.3	2,317.8	2,317.8
Enterprise value (CHF mn)	753.9	994.1	1,297.2	2,108.8	2,107.1	2,171.9
<b>Valuation</b>						
<b>P/E adj. (x)</b>	<b>7.5</b>	<b>5.5</b>	<b>7.7</b>	<b>3.1</b>	<b>10.1</b>	<b>8.0</b>
P/BV (x)	0.7	0.9	1.0	1.1	1.0	0.9
FCF/EV (%)	9.7	9.9	2.4	11.3	-2.8	-0.3
FCF yield (%) (FCF/Mcap.)	8.5	8.7	2.2	10.1	-2.6	-0.3
Dividend yield (%)	4.8	4.3	3.7	2.3	3.7	2.4
EV/Sales (x)	5.0	3.8	5.6	2.3	7.3	6.1
EV/EBITDA adj. (x)	6.5	4.8	7.1	2.8	9.1	7.4
EV/EBIT adj. (x)	6.5	4.8	7.1	2.8	9.1	7.4
EV/CE (x)	0.6	0.8	1.0	1.0	0.9	0.8
ROCE/WACC adj. (x)	-	-	-	-	-	-
<b>Key company data</b>						
Sales growth (%)	-14.6	75.0	-11.7	291.9	-68.3	24.2
EBITDA adj. growth (%)	-15.2	79.8	-12.6	312.4	-69.3	26.1
EBITDA adj. margin (%)	77.2	79.3	78.5	82.6	80.0	81.3
<b>EBIT adj. margin (%)</b>	<b>77.2</b>	<b>79.3</b>	<b>78.5</b>	<b>82.6</b>	<b>80.0</b>	<b>81.3</b>
Net adj. margin (%)	75.6	78.4	77.5	82.3	79.2	80.6
Free cash flow margin (%)	48.4	37.2	13.1	26.1	-20.6	-2.0
Payout ratio (%)	35.8	23.4	28.8	7.1	37.9	19.1
Gearing (%) (net debt/equity)	-9.0	-10.4	-6.9	-11.7	-8.8	-5.5
Net debt/EBITDA (x)	-0.9	-0.6	-0.5	-0.3	-0.9	-0.5
Equity ratio (x) (equity/total assets)	81.2	85.0	90.7	84.8	93.3	93.8
Capital employed (CHF mn)	1,164.3	1,230.9	1,336.5	2,067.1	2,296.1	2,595.1
ROCE adj. (%)	10.0	17.0	13.7	36.4	10.1	11.2
<b>Income statement (CHF mn)</b>						
Turnover	150.6	263.4	232.5	911.3	289.0	358.9
EBITDA	116.2	208.9	182.6	752.9	231.3	291.7
EBITDA adj.	116.2	208.9	182.6	752.9	231.3	291.7
EBIT	116.2	208.9	182.6	752.9	231.3	291.7
EBIT adj.	116.2	208.9	182.6	752.9	231.3	291.7
EBT	113.8	206.6	180.1	750.4	228.8	289.2
Net profit after minorities	113.8	206.6	180.1	750.4	228.8	289.2
Net profit adj.	113.8	206.6	180.1	750.4	228.8	289.2
<b>Balance sheet (CHF mn)</b>						
Non-current assets	1,194	1,262	1,347	2,105	2,296	2,595
thereof goodwill	-	-	-	-	-	-
Current assets	224	269	229	429	281	216
<b>Total assets</b>	<b>1,417</b>	<b>1,532</b>	<b>1,576</b>	<b>2,535</b>	<b>2,577</b>	<b>2,811</b>
Shareholders' equity	1,150	1,303	1,430	2,149	2,404	2,638
<b>Total equity and liabilities</b>	<b>1,417</b>	<b>1,532</b>	<b>1,576</b>	<b>2,535</b>	<b>2,577</b>	<b>2,811</b>
Net debt	-104	-135	-98	-251	-211	-146
<b>Cash flow (CHF mn)</b>						
Cash flow from operations	-41.3	-37.1	-58.0	-55.4	-157.9	-67.2
of which change in working capital	0.0	0.0	0.0	0.0	0.0	0.0
Cash flow from investments	114.1	135.2	88.5	293.1	98.3	60.0
of which investment in fixed assets	-	-	-	-	-	-
<b>Free cash flow</b>	<b>72.8</b>	<b>98.1</b>	<b>30.5</b>	<b>237.7</b>	<b>-59.7</b>	<b>-7.2</b>
Dividends paid	-40.8	-48.4	-51.8	-53.5	-86.6	-55.1
Cash flow from financing activities	-52.9	-56.7	-54.9	-33.6	-88.9	-57.6
<b>Change in cash position</b>	<b>10.1</b>	<b>48.3</b>	<b>-44.2</b>	<b>205.0</b>	<b>-148.5</b>	<b>-64.8</b>

Source: Company data, Baader Helvea Equity Research

## HBM Healthcare Investments

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**Baader Bank AG, Weihenstephaner Strasse 4, 85716 Unterschleissheim, Germany**  
**Baader Helvea AG, Talstrasse 9, 8001 Zurich, Switzerland**  
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Company	Date	Rating	Currency	Target price	Closing price as of	Analyst
HBM Healthcare Investments	01-Mar-21	Add	CHF	355.00	325.00 26-Feb-21	Bruno Bulic, Ph.D.

## 20.25 RoE remains 8-11%

### Our investment view

Helvetia is one of the big insurance companies in Switzerland. The company is number 3 in the Swiss insurance market, ahead of peers Baloise and Zurich insurance. The stock has a dividend yield of roughly 5%, which is sustainable and is expected to increase further. However, management said it is not interested in share buy-back programmes or one-off bonus dividends unlike some peers. One reason might be that M&A was always an important element. The acquisition of the Spanish insurer Caser fits therefore into the group's acquisition strategy. Furthermore, Helvetia is opening up new business models with Caser in the form of eco-systems in the healthcare and old age sectors, which are strongly linked to the life and pension business, and thus generating additional fee business. The minority shareholders of Caser, with its banking branch network of around 3,000 branches in Spain, opens a new distribution channel in Spain. However, we do not really understand why Helvetia does not integrate Helvetia Spain into the much bigger Caser to realise much higher cost synergies. This makes no sense for shareholders. What is remarkable at Helvetia compared to peers is the strong volatility of the investment result as Helvetia evaluates a bigger part of its equity portfolio at fair value. Helvetia's profit was therefore impacted more by the COVID-19 turmoil than peers mainly due to a weaker investment result. Helvetia announced a new Helvetia 20.25 strategy in March 2021. The RoE target remains unchanged at 8-11% p.a. over the strategy period. The targeted dividend distribution to shareholders has risen from >CHF1bn (Helvetia 20.20) to >CHF1.5bn over the next five years (cumulative). Cost efficiency measurements should reduce costs by CHF100m p.a. by 2025. The targeted 50% increase of dividend distribution to shareholders to >CHF1.5bn over the next five years (cumulative) is good news for shareholders that count on dividend yields.

### What to ask the management?

- What are your expectations and outlook for the insurance sector and specifically Helvetia for the current year and beyond?
- Can you explain your future strategy in Spain and the expected synergies by the Caser acquisition? Why are you not intending to integrate Helvetia Spain into the much bigger Caser to realise much higher cost synergies?
- Are further acquisitions possible in the next three years despite the Caser acquisition? In which regions and business fields are you interested to grow by acquisitions in general?
- Does your digitalisation and acquisition strategy differentiate you from your peers? Do you see competitive advantages for Helvetia?
- Helvetia's largest shareholder is Patria Genossenschaft with 34%. Additionally, Helvetia's shares are registered shares. Why is this limitation so important for Helvetia?
- More and more listed financial companies are currently updating their ESG policies regarding the challenges of climate change. What is the view of Helvetia on this trend? Do you intend to update your ESG policy regarding climate change and standards too?

### Reduce Upside: -4.77%

Target Price (6 months)	CHF 109
Share Price	CHF 114
Market Cap. CHFM	6,056
Price Momentum	<b>STRONG</b>
Extremes 12Months	85.3 ▶ 114
Sustainability score	4.1 /10
Credit Risk	→
Fundamental Strength	5 /10
Bloomberg	HELN SE Equity
Reuters	HELN.S



Analyst : Dieter HEIN

### Equity Sales [EquitySales@baaderbank.de](mailto:EquitySales@baaderbank.de)

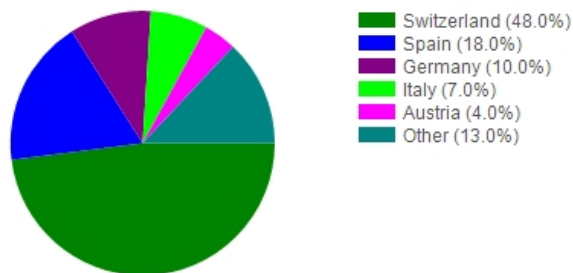
Frankfurt	+49 69 1388 1357
London	+44 20 7054 7100
Munich	+49 89 5150 1850
Zurich	+41 43 388 9200
New York	+1 212 935 5150

PERF	1w	1m	3m	12m
Helvetia Holding	6.33%	9.28%	10.0%	25.2%
Insurance	4.66%	6.81%	11.6%	25.3%
STOXX 600	-0.32%	1.86%	6.04%	19.0%

Sector Opinion	<b>Underweight</b>
Strongest upside	Scor
Worst potential	Storebrand

Last updated: 15/09/2021	12/20A	12/21E	12/22E	12/23E
Adjusted P/E (x)	16.9	10.1	10.5	9.93
Dividend yield (%)	5.35	5.05	4.82	5.08
P/Book (x)	0.84	0.90	0.97	0.93
Adjusted Eps (CHF)	5.53	10.2	10.9	11.5
Growth in EPS (%)	-39.5	85.1	6.45	5.54
Dividend (CHF)	5.00	5.20	5.50	5.80
Revenues (CHFm)	10,311	12,100	12,090	12,360
Operating profit (CHFm)	339	696	743	788
Attributable net profit (CHFm)	244	503	536	570
ROE (after tax) (%)	4.84	9.07	9.38	9.53
Embedded Value per share ...	140	127	137	141
Gearing (%)	18.1	21.4	21.9	22.1

## Sales by Geography



## Consolidated P&L Accounts

		12/20A	12/21E	12/22E
Net Insurance related income	CHFM	10,139	11,700	11,670
Operating revenues	CHFM	10,311	12,100	12,090
Staff costs	CHFM	-1,127	-1,277	-1,282
Combined ratio (non life insurance)	%	94.0		
Gross Operating Profit	CHFM	456	816	843
Underlying operating profit	CHFM	339	696	743
<b>Operating profit</b>	<b>CHFM</b>	<b>299</b>	<b>656</b>	<b>701</b>
Corporate tax	CHFM	-38.0	-138	-150
Attributable net profit	CHFM	244	503	536
<b>Adjusted attributable net profit</b>	<b>CHFM</b>	<b>284</b>	<b>543</b>	<b>578</b>

## Cashflow Statement

		12/20A	12/21E	12/22E
Adjusted EBIT	CHFM	481	846	873
Cash Incr. (Decr.)	CHFM	193	-300	-300
Net investments in shares	CHFM	-1.00		
Total investment flows	CHFM	-527	-75.0	-90.0
Dividends (parent company)	CHFM	-244	-265	-276
Interest expenses relating to LT fundi...	CHFM	-25.0	-30.0	-30.0
New shareholders' equity	CHFM	296		
Change in gross debt	CHFM	539		
Total financial flows	CHFM	640	-255	-256
Change in net debt position	CHFM	-9.00	338	357

## Per Share Data

		12/20A	12/21E	12/22E
No of shares net of treas. stock	Mio	53.0	53.0	53.0
Number of diluted shares (average)	Mio	51.4	53.0	53.0
benchmark EPS	CHF	5.53	10.2	10.9
Restated NAV per share	CHF			
Net dividend per share	CHF	5.00	5.20	5.50

## Valuation Summary

Benchmarks	Value	Weight	Largest comparables
Embedded value	CHF 97.5	40%	<ul style="list-style-type: none"> <li>Swiss Life Holding</li> <li>Allianz</li> <li>Baloise Holding</li> <li>Zurich Insurance G...</li> </ul>
P/E	CHF 118	20%	
NAV/SOTP per share	CHF 104	15%	
Dividend Yield	CHF 109	15%	
P/Book	CHF 142	10%	
TARGET PRICE	CHF 109	100%	

## Balance Sheet

		12/20A	12/21E	12/22E
Investments related to Insur. Activities	CHFM	60,540	62,600	64,300
Total assets	CHFM	69,722	71,368	73,166
Ordinary shareholders' equity	CHFM	5,912	6,050	6,264
Of which unrealised capital gains	CHFM	486	400	360
Preference shares	CHFM	775	775	775
Minority interests	CHFM	488	490	495
Subordinated Debt	CHFM	2,289	2,220	2,240
Provisions for pensions	CHFM	743	92.6	132
Liabilities arising from Insur. Activities	CHFM	54,251	57,600	59,100
Net debt (cash)	CHFM	1,215	1,375	1,365
Total liabilities and shareholders' equity	CHFM	69,722	71,368	73,166
Average net debt (cash)	CHFM	1,072	1,295	1,370

## Solvency & Risks Ratios

		12/20A	12/21E	12/22E
Solvency margin (given by group)	CHFM	9,500	9,600	9,700
<b>ROE (after tax)</b>	%	<b>4.84</b>	<b>9.07</b>	<b>9.38</b>
<b>RoEmb.V</b>	%	<b>3.94</b>	<b>8.06</b>	<b>7.97</b>
Gross gearing (at book value)	%	18.1	21.4	21.9
Total debt gross/market cap	%	61.9	54.8	49.8

## Valuation Ratios

		12/20A	12/21E	12/22E
<b>Reference P/E (benchmark)</b>	x	<b>16.9</b>	<b>10.1</b>	<b>10.5</b>
<b>P/Book</b>	x	<b>0.84</b>	<b>0.90</b>	<b>0.97</b>
<b>Dividend yield</b>	%	<b>5.35</b>	<b>5.05</b>	<b>4.82</b>

## Embedded Value

		12/20A	12/21E	12/22E
Life Embedded Value	CHFM	4,705	4,280	4,400
Non life Embedded Value	CHFM	2,500	2,450	2,850
<b>Total Embedded value</b>	<b>CHFM</b>	<b>7,205</b>	<b>6,730</b>	<b>7,250</b>

Analyst : Dieter Hein, Changes to Forecasts : 15/09/2021.

10 January 2022

**HIAG**

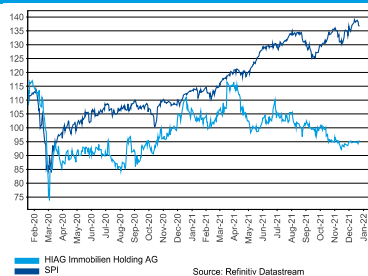
Switzerland

**Real Estate**

Reuters: HIAG.S Bloomberg: HIAG SE

**Add**

Closing price as of 07-Jan-22	CHF 95.20
<b>Target price</b>	<b>CHF 116.00</b>
High/Low (12M)	CHF 116.50/92.20
Market cap.	CHF mn 956
Enterprise value	CHF mn 1,737
Free float	36.9%
Avg. daily turnover	CHF mn 0.38

**Price relative to Index**

Performance (%)	1M	3M	6M
Absolute	1.1	-3.8	-8.5
rel. SPI	-0.7	-11.4	-13.3
rel. STOXX Europe 600	-0.2	-9.9	-14.3
rel. SXXP Real Estate	3.3	-8.7	-9.7

**Analyst:****Andreas von Arx**

+41 43 388 9257

avonarx@helvea.com

**Much better positioned: Is HIAG now entering the shareholder value generation phase?**

■ **Investment case:** In terms of investment case development, we think HIAG under Mr. Feusi's leadership could show good progress last year: **1)** Cleanup of the HIAG Data and Rohner acquisition issues, **2)** a generally more focused real estate model, **3)** more transparent communication regarding development projects, **4)** improvement in governance at board and management level, **5)** with the capital increase in autumn, HIAG delivered a further increase in free float in shares plus financial metrics improved, and **6)** the CHF 60mn disposals announced end of 2021.

Although we believe that a capital increase was necessary to be able to achieve the planned short to medium-term development gains in the portfolio, we believe that HIAG seemingly opting for a larger size capital increase amount with a lower transaction price of CHF 95 (versus the last reported NAV value of CHF 93.5 per 1H21, not mentioning the adj. NAV of CHF 103 that is normally seen as "fair" value reflecting a real estate business to continue indefinitely, neither value reflecting the future revaluation potential of upcoming developments) led to an unattractive dilution for the existing (minority) shareholders in our view. We do hope that the company puts a greater emphasis on shareholder value generation for existing shareholders over potential empire building in future capital increases (that might be needed for the larger scale projects in Pratteln, Dornach, Zürich, Solothurn, Cham und Lancy). We would hope that HIAG's management would supply more clarity on the medium-term financial planning, criteria of future capital increases and target balance sheet/leverage key items.

Besides the (overly) dilutive impact from the capital increase, HIAG's share price, in our view, also suffered end of last year from the general Swiss real estate corrections seen (i.e. PSP and Swiss Prime Site). We would see that correction potentially be driven by the anticipated change in the interest rate environment with an approx. 20bps increase in 10-year Swiss government bond rates in 2H21. Large Swiss peers now trade, in our view, on double-digit discounts to their adj. NAV values; this is a level last seen before Switzerland faced a negative interest rate environment (i.e. in 2014) and is a signal that investors already adjusting their "fair value" views for a different interest rate environment. Be reminded that our price target of CHF 116 (still) assumes that HIAG is valued on its adj. NAV (without discount) and then should get a premium for the development potential on top (Baader Helvea (E) 10%). We would anticipate (still) favorable revaluation results at Swiss real estate companies (given favorable transactional evidence) for 2H/FY21, but a potential sustainable interest rate increase could lead to a more challenging picture in 2022. This might let us review our "fair value" assumption for the yielding portfolio in our valuation approach in the future.

■ **What to ask the management?**

- What is your view on recent developments in Swiss real estate (i.e. transaction market, revaluation perspectives, category and regional outlook)?
- How do you see the medium-term outlook for office demand in the new times of increased use of home offices? How do you see the demand for retail space? Do you expect a change in trend for commercial space given the anticipated economic recession effects (i.e. more bankruptcies)?
- Do you still feel comfortable with approx. CHF 100mn revaluation gain guidance for your short to medium-term projects?
- Which of your larger long-term projects should investors excite most? On which one can one expect news flow in the nearer future?

**Key financials**

CHF mn	2020	2021E	2022E	2023E	CAGR (%)
Net income	55.2	72.5	51.0	50.6	-2.8
FFOps (CHF)	3.29	2.72	2.59	2.68	-6.6
NAVps (CHF)	98.93	104.27	107.17	109.67	3.5

**Valuation ratios**

%	2020	2021E	2022E	2023E
NAV prem./discount	-3.3	-2.7	-11.2	-13.2
FFO yield	3.4	2.7	2.7	2.8
Dividend yield	2.4	2.7	3.2	3.4

Source: Company data, Baader Helvea Equity Research



HIAG

Key data

FY 31 Dec.	2018	2019	2020	2021E	2022E	2023E
<b>Share data</b>						
EPS adjusted (CHF)	7.60	-8.85	6.82	8.08	5.08	5.04
Indirect investment result (CHF)	0.00	0.00	0.00	0.00	0.00	0.00
EPS reported (CHF)	7.60	-8.85	6.82	8.08	5.08	5.04
<b>FFOps (CHF)</b>	<b>2.25</b>	<b>-3.61</b>	<b>3.29</b>	<b>2.72</b>	<b>2.59</b>	<b>2.68</b>
Dividend (CHF)	3.90	0.00	2.30	2.70	3.00	3.20
Book value (CHF)	97.82	84.05	90.26	95.86	98.24	100.28
<b>NAV adj. (CHF)</b>	<b>108.15</b>	<b>92.64</b>	<b>98.93</b>	<b>104.27</b>	<b>107.17</b>	<b>109.67</b>
Number of shares (outstanding; mn)	8.1	8.1	8.4	8.4	10.0	10.0
Share price (avg./current; CHF)	116.50	108.00	95.70	101.50	95.20	95.20
Market cap. (avg./current; CHF mn)	937.8	869.4	807.0	855.9	956.4	956.4
Enterprise value (CHF mn)	1,605.3	1,676.8	1,604.0	1,618.0	1,737.4	1,783.8
<b>Valuation</b>						
P/E adj. (x)	15.3	-	14.0	12.6	18.7	18.9
<b>FFO yield (%)</b>	<b>1.9</b>	<b>-3.3</b>	<b>3.4</b>	<b>2.7</b>	<b>2.7</b>	<b>2.8</b>
Dividend yield (%)	3.3	0.0	2.4	2.7	3.2	3.4
Implied yield (EBITDA/EV) (%)	1.7	-1.3	2.7	2.6	2.8	3.0
<b>P/NAV (x)</b>	<b>1.08</b>	<b>1.17</b>	<b>0.97</b>	<b>0.97</b>	<b>0.89</b>	<b>0.87</b>
P/BV (x)	1.19	1.28	1.06	1.06	0.97	0.95
ROCE/WACC (x)	0.25	-0.30	0.60	0.47	0.65	0.68
(EV/CE)/(ROCE/WACC) (x)	4.00	-3.39	1.56	1.86	1.47	1.38
<b>Key company data</b>						
Rental income growth (%)	4.3	5.4	-2.6	4.1	3.2	6.7
EBITDA growth (%)	-30.0	-177.5	-300.2	-3.6	18.1	7.2
<b>FFO growth (%)</b>	<b>-43.8</b>	<b>-260.0</b>	<b>-192.3</b>	<b>-8.3</b>	<b>6.7</b>	<b>3.5</b>
FFO per share growth (%)	-43.6	-260.4	-191.1	-17.3	-4.8	3.5
DPS growth (%)	2.6	-100.0	-	17.4	11.1	6.7
EBITDA margin adj. (%)	47.9	-35.2	72.4	67.1	76.8	77.2
ROE recurring (%)	0.0	0.0	0.0	0.0	0.0	0.0
Net gearing (%)	85.0	120.1	104.7	79.1	79.1	82.1
<b>Net loan-to-value (%)</b>	<b>47.5</b>	<b>53.2</b>	<b>50.8</b>	<b>44.4</b>	<b>43.9</b>	<b>44.7</b>
Equity ratio (%)	49.1	41.3	45.0	51.3	51.0	50.3
Interest cover (x)	5.5	-3.6	5.7	4.7	6.4	4.9
<b>Income statement (CHF mn)</b>						
Total revenues	66.2	70.5	115.0	112.3	154.5	131.7
Gross rental income	58.2	61.4	59.7	62.2	64.1	68.5
Net rental income	44.7	16.5	52.8	53.0	54.8	58.6
EBITDA	27.9	-21.6	43.3	41.7	49.3	52.8
EBIT	79.9	-78.9	69.9	95.5	66.2	67.7
EBT	70.3	-86.5	61.3	85.5	60.6	59.6
EBT adjusted	70.3	-86.5	61.3	85.5	60.6	59.6
Net profit after minorities	60.9	-70.7	55.2	72.5	51.0	50.6
<b>Funds from operations (FFO)</b>	<b>18.0</b>	<b>-28.9</b>	<b>26.6</b>	<b>24.4</b>	<b>26.0</b>	<b>27.0</b>
<b>Balance sheet (CHF mn)</b>						
Investment property	1,476	1,563	1,608	1,779	1,834	1,909
Non-current assets	1,523	1,572	1,621	1,789	1,844	1,919
Cash and equivalents	35	24	20	28	24	26
Current assets	76	56	70	89	91	82
<b>Total assets</b>	<b>1,599</b>	<b>1,629</b>	<b>1,691</b>	<b>1,877</b>	<b>1,936</b>	<b>2,001</b>
Equity	783	672	761	963	987	1,007
Interest bearing debt	702	831	817	790	805	853
<b>Total equity and liabilities</b>	<b>1,599</b>	<b>1,629</b>	<b>1,691</b>	<b>1,877</b>	<b>1,936</b>	<b>2,001</b>
Net debt	667	807	797	762	781	827
<b>Cash flow (CHF mn)</b>						
Cash flow from operating activities	19.1	19.8	5.1	16.4	15.3	23.6
Cash flow from investing activities	-145.4	-111.6	-39.3	-109.8	-15.4	-36.8
Free cash flow	-126.3	-91.8	-34.3	-93.4	0.0	-13.2
Dividend paid	-30.5	-31.2	0.0	-20.6	-27.1	-30.1
Cash flow from financing activities	121.1	96.0	18.7	102.8	-11.9	17.9
Changes in cash position	38.9	34.5	23.9	19.7	28.0	24.3

Source: Company data, Baader Helvea Equity Research

## HIAG

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Research Documents with recommendation changes (rating or target price) published in the twelve months prior to the publication of this Research Document covering the same financial instruments or issuers.

Company	Date	Rating	Currency	Target price	Closing price as of	Analyst
HIAG	31-Aug-21	Add	CHF	116.00	101.50 30-Aug-21	Andreas von Arx
HIAG	18-Mar-21	Add	CHF	117.00	106.50 17-Mar-21	Andreas von Arx

10 January 2022

## Ina Invest

Switzerland

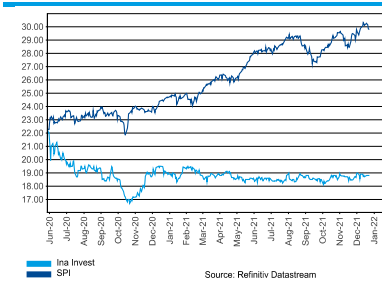
### Real Estate

Reuters: INAI.S Bloomberg: INA SE

### Buy

Closing price as of 07-Jan-22	CHF 18.80
<b>Target price</b>	<b>CHF 22.00</b>
High/Low (12M)	CHF 19.48/18.10
Market cap.	CHF mn 167
Enterprise value	CHF mn 544
Free float	49.2%
Avg. daily turnover	CHF mn 0.09

### Price relative to Index



Performance (%)	1M	3M	6M
Absolute	1.7	2.2	1.1
rel. SPI	-0.1	-5.4	-3.7
rel. STOXX Europe 600	0.5	-3.9	-4.7
rel. SXXP Real Estate	3.9	-2.7	-0.2

### Analyst:

**Andreas von Arx**  
+41 43 388 9257  
avonarx@helvea.com

## A developer with significant upside but also need for more visibility on the strategy and financial planning

■ **Investment case:** Ina Invest was listed as a developer-focused Swiss real estate spin-off by Implenia mid-2020. Implenia still holds a 42.5% economic interest in Ina Invest. Given a lack of development track record, the “washout” from smaller shareholders receiving shares in the spin-off, a complicated organizational structure and financing uncertainties led to a share price underperformance since the IPO. However, we believe investor sentiment towards Ina Invest could change in 2022 with first projects being realized, investors’ better understanding the model, an attractive valuation level and (hopefully) a step-up in communication in explaining the medium-term strategy and financial planning.

Post the IPO, Ina Invest had a list of 17 development projects (worth CHF 1.2bn once completed). We see these attractive projects (mainly residential-focused in good locations like Winterthur or Cham) offering aggregated approx. CHF 150mn revaluation gains once they are fully constructed in 2027E.

Mid-December 2021, Ina Invest announced a significant transaction and became the majority owner of CERES Group Holding. At the core of CERES 0.3bn portfolio is a transformation property close to the train station in Pratteln, close to Basle. This Pratteln site could be developed into a CHF 1bn residential-focused site with a usable area of 172,500m<sup>2</sup> and 1,000 apartments. Given the size of the project and Ina Invest’s existing (mostly Winterthur-focused) site, the company opted to take in financing partners. These partners already committed to take their share of the approx. CHF 0.6bn development capex needed in Pratteln. With debt financing, we estimate this makes the CERES project more digestible for the (still) relatively small Ina Invest (CHF 0.17bn market cap). With the CERES deal, Ina Invest got access to another large scale, residential-focused development with excellent transportation connection to Switzerland’s third-largest city Basle. The other one is Lokstadt, relatively close to the train station in Winterthur (Switzerland 6<sup>th</sup> largest city) that is well connected to the Zurich airport and Zurich city. The CERES deal also makes Ina Invest more independent of Implenia: HRS Real Estate AG will execute half of the general contractor work in Pratteln.

We regard the current valuation as attractive given a 1H22 reported NAV per share of CHF 22.1 respective adj. NAV per share of CHF 24.6. This makes Ina Invest a company that is clearly trading below its book value.

Overall, we believe Ina Invest provides an attractive opportunity for long-term oriented investors to get a developer with two attractive large scale residential projects at a valuation level that does not reflect the current portfolio value and especially not the potential revaluation gains (even taking into account additional capital increases).

However, in order to convince investors of the positives of their investment case, we think management needs to become much clearer in communication regarding positioning, medium-term strategy and financial planning. In the hope to see a step-up with full-year reporting: Buy.

### ■ What to ask the management?

- Could you provide an update on your key developments, i.e. Lokstadt and Cham?
- Could you provide details on the CERES transaction.
- Could you please explain Ina Invest’s strategic positioning compared to Swiss real estate peers? What makes Ina Invest the preferred investment?
- Could you provide some color on your financial planning (i.e. target equity ratio, target LTV), criteria for a capital increase, etc.?

### Key financials

CHF mn	2020	2021E	2022E	2023E	CAGR (%)
Net income	1.4	2.4	3.7	5.2	54.8
FFO <sub>ps</sub> (CHF)	-1.03	-0.57	-0.94	-1.26	6.9
NAV <sub>ps</sub> (CHF)	24.45	24.82	25.53	26.45	2.7

### Valuation ratios

%	2020	2021E	2022E	2023E
NAV prem./discount	-22.4	-24.5	-26.4	-28.9
FFO yield	-5.4	-3.0	-5.0	-6.7
Dividend yield	0.0	0.0	0.0	0.0

Source: Company data, Baader Helvea Equity Research

Ina Invest

Key data

FY 31 Dec.	2018	2019	2020	2021E	2022E	2023E
<b>Share data</b>						
EPS adjusted (CHF)	-	-	0.19	0.27	0.42	0.58
Indirect investment result (CHF)	-	-	0.00	0.00	0.00	0.00
EPS reported (CHF)	-	-	0.19	0.27	0.42	0.58
<b>FFOps (CHF)</b>	-	-	<b>-1.03</b>	<b>-0.57</b>	<b>-0.94</b>	<b>-1.26</b>
Dividend (CHF)	-	-	0.00	0.00	0.00	0.00
Book value (CHF)	-	-	21.88	22.19	22.64	23.25
<b>NAV adj. (CHF)</b>	-	-	<b>24.45</b>	<b>24.82</b>	<b>25.53</b>	<b>26.45</b>
Number of shares (outstanding; mn)	-	-	8.9	8.9	8.9	8.9
Share price (avg./current; CHF)	-	-	18.98	18.74	18.80	18.80
Market cap. (avg./current; CHF mn)	-	-	168.3	166.2	166.7	166.7
Enterprise value (CHF mn)	-	-	297.7	384.0	543.7	708.9
<b>Valuation</b>						
P/E adj. (x)	-	-	99.9	69.4	44.8	32.4
<b>FFO yield (%)</b>	-	-	<b>-5.4</b>	<b>-3.0</b>	<b>-5.0</b>	<b>-6.7</b>
Dividend yield (%)	-	-	0.0	0.0	0.0	0.0
Implied yield (EBITDA/EV) (%)	-	-	-1.4	-0.4	-0.2	0.4
<b>P/NAV (x)</b>	-	-	<b>0.78</b>	<b>0.76</b>	<b>0.74</b>	<b>0.71</b>
P/BV (x)	-	-	0.87	0.84	0.83	0.81
ROCE/WACC (x)	-	-	-0.92	-0.18	-0.17	0.00
(EV/CE)/(ROCE/WACC) (x)	-	-	-0.80	-4.24	-4.67	224.22
<b>Key company data</b>						
Rental income growth (%)	-	-	-	355.1	0.0	102.8
EBITDA growth (%)	-	-	-	-67.2	-32.3	-398.6
<b>FFO growth (%)</b>	-	-	-	<b>-35.1</b>	<b>66.0</b>	<b>33.3</b>
FFO per share growth (%)	-	-	-	-44.7	64.9	34.0
DPS growth (%)	-	-	-	-	-	-
EBITDA margin adj. (%)	-	-	-543.5	-39.2	-26.5	39.1
ROE recurring (%)	-	-	0.0	0.0	0.0	0.0
Net gearing (%)	-	-	-7.3	36.0	111.5	185.0
<b>Net loan-to-value (%)</b>	-	-	<b>-4.1</b>	<b>16.4</b>	<b>36.5</b>	<b>48.7</b>
Equity ratio (%)	-	-	50.5	41.3	31.1	25.1
Interest cover (x)	-	-	-6.1	-13.5	-2.3	-0.5
<b>Income statement (CHF mn)</b>						
Total revenues	-	-	2.2	21.0	27.1	50.3
Gross rental income	-	-	0.8	3.6	3.6	7.3
Net rental income	-	-	0.7	3.2	3.2	6.6
EBITDA	-	-	-4.3	-1.4	-1.0	2.9
EBIT	-	-	5.3	5.6	12.1	18.5
EBT	-	-	4.6	5.4	10.4	13.7
EBT adjusted	-	-	-5.0	-1.6	-2.7	-2.0
Net profit after minorities	-	-	1.4	2.4	3.7	5.2
<b>Funds from operations (FFO)</b>	-	-	<b>-7.8</b>	<b>-5.0</b>	<b>-8.4</b>	<b>-11.2</b>
<b>Balance sheet (CHF mn)</b>						
Investment property	-	-	269	368	550	742
Non-current assets	-	-	366	452	613	783
Cash and equivalents	-	-	14	14	17	15
Current assets	-	-	18	24	33	37
<b>Total assets</b>	-	-	<b>384</b>	<b>477</b>	<b>646</b>	<b>820</b>
Equity	-	-	338	344	354	367
Interest bearing debt	-	-	0	85	241	396
<b>Total equity and liabilities</b>	-	-	<b>384</b>	<b>477</b>	<b>646</b>	<b>820</b>
Net debt	-	-	-14	71	224	381
<b>Cash flow (CHF mn)</b>						
Cash flow from operating activities	-	-	-8.0	5.2	-9.0	14.4
Cash flow from investing activities	-	-	-86.9	-90.3	-144.4	-172.1
Free cash flow	-	-	-94.9	-85.1	-153.4	-157.7
Dividend paid	-	-	0.0	0.0	0.0	0.0
Cash flow from financing activities	-	-	107.8	85.0	155.6	155.9
Changes in cash position	-	-	12.9	-0.1	2.2	-1.8

Source: Company data, Baader Helvea Equity Research

**Ina Invest****Disclaimer**

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Company	Date	Rating	Currency	Target price	Closing price as of	Analyst
Ina Invest	21-Oct-21	Buy	CHF	22.00	18.20 20-Oct-21	Andreas von Arx

10 January 2022

## PSP Swiss Property

Switzerland

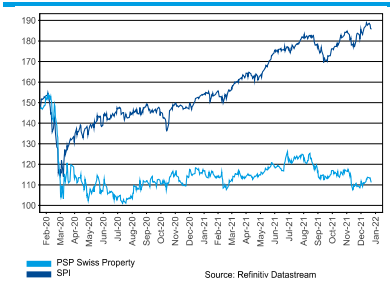
### Real Estate

Reuters: PSPN.S Bloomberg: PSPN SE

### Add

Closing price as of 07-Jan-22	CHF 111.50
<b>Target price</b>	<b>CHF 133.00</b>
High/Low (12M)	CHF 126.20/107.60
Market cap.	CHF mn 5,114
Enterprise value	CHF mn 8,193
Free float	90.8%
Avg. daily turnover	CHF mn 7.94

### Price relative to Index



Performance (%)	1M	3M	6M
Absolute	1.6	-2.3	-7.6
rel. SPI	-0.2	-9.8	-12.4
rel. STOXX Europe 600	0.4	-8.3	-13.4
rel. SXXP Real Estate	3.8	-7.2	-8.9

**Analyst:**  
**Andreas von Arx**  
+41 43 388 9257  
avonarx@helvea.com

## Our preferred high-quality, defensive play in (Swiss) listed real estate

■ **Investment case:** PSP remains the preferred pick among Swiss real estate companies for us. We point to the superior geographical exposure with city center locations. PSP offers a pure/simple yielding portfolio-focused model, with easy to follow accounts and conservative financing. For (international) investors seeking a high-quality/low-risk exposure to the Swiss real estate market, this is an excellent option. Compared to peers, we see PSP's exposure to hotels (no operations) and retail (no aggro-shopping, high share of mixed-usage and luxury) as relatively more attractive (i.e. vs. Swiss Prime Site or Mobimo). We note that the key gastronomy properties (5% of rental income) are mainly in best city center locations.

On the one hand, the simplicity of the model makes PSP an option for international investors (as opposed to an Allreal or Mobimo and partially Swiss Prime Site). On the other hand, the higher free float also makes PSP's share price reacting more volatile. In comparison, we see share prices at Allreal or Mobimo not reacting in the same way as at PSP, especially on (international) environment related news flow like anticipated changes in interest rates.

On the current share price, PSP trades on a discount of approx. 10-15% to adj. NAV. This is relatively close to the approx. 17% seen in 2013/2014, i.e. before the negative interest rate environment. From a historical perspective – on current external valuation levels – we see limited downside and it seems investors are anticipating a return to a more normalized interest rate environment.

With around CHF 115, the absolute share price level is back to levels seen in April 2020, i.e. before the anticipated strong 1H results led to a share price increase to levels of CHF 125. Ever since, the share price has corrected both in 1) anticipation of changes of monetary policies of central banks and 2) the increases in 10-year Swiss bond interest rates (+10bps) in Switzerland since mid-2021. Be reminded that the sensitivities of the external valuers is at approx. 30% portfolio fair value correction for a 1% interest change. However, the actual change in portfolio values since 2014 amounted to rather approx. 10% in our view: Besides interest rates, also the transactional market is a key input for the external values.

In 2H21, we would see the actual transactional evidence as supportive for real estate companies, also in the commercial segment. This is also evident in the disposal transactions of the listed Swiss real estate companies. Given the (still) strong demand from an asset allocation perspective, there is significant demand for prime location commercial properties. In their pre-Christmas trading update, Swiss real estate company Piazza pointed to strong revaluations for FY21 driven by continued favorable discount rates also in 2H21. Given Piazza's external valuer is Wüest Partner, we would expect similar developments at the likes of PSP, Swiss Prime Site and HIAG. Consequently, we would anticipate favorable revaluations for FY21 (potentially ahead of expectations). In 1H21, this led to a favorable (temporary) rerating of the Swiss real estate sector.

Looking at numbers post FY reporting and looking at the underlying market developments (i.e. according to SNB statistics), we note that rents for office and retail space yoy show a negative trend for the first nine months of 2021. Also, companies expect potentially higher underlying vacancy rates, especially in non-prime locations. This points to potential negative revaluation pressure in 2022, in our view. Therefore when considering a 12-month perspective, we continue to take a cautious stance on the sector.

### ■ What to ask the management?

- Could you provide an update on what you see in transaction market prices?
- How do you see the medium-term impact of the “more home office” trend?

### Key financials

CHF mn	2020	2021E	2022E	2023E	CAGR (%)
Net income	292.1	576.1	207.1	236.2	-6.8
FFOps (CHF)	4.77	4.81	5.04	5.26	3.3
NAVps (CHF)	119.57	130.94	131.48	132.78	3.6

### Valuation ratios

%	2020	2021E	2022E	2023E
NAV prem./discount	-2.3	-11.4	-15.2	-16.0
FFO yield	4.1	4.1	4.5	4.7
Dividend yield	3.1	3.2	3.4	3.5

Source: Company data, Baader Helvea Equity Research

PSP Swiss Property

Key data

FY 31 Dec.	2018	2019	2020	2021E	2022E	2023E
<b>Share data</b>						
EPS adjusted (CHF)	3.84	4.69	4.70	5.05	5.18	5.27
Indirect investment result (CHF)	2.88	5.20	1.67	7.51	-0.67	-0.12
EPS reported (CHF)	6.72	9.89	6.37	12.56	4.51	5.15
<b>FFOps (CHF)</b>	<b>4.07</b>	<b>4.23</b>	<b>4.77</b>	<b>4.81</b>	<b>5.04</b>	<b>5.26</b>
Dividend (CHF)	3.40	3.50	3.60	3.70	3.80	3.90
Book value (CHF)	90.63	97.02	99.83	108.79	109.61	110.96
<b>NAV adj. (CHF)</b>	<b>109.20</b>	<b>115.82</b>	<b>119.57</b>	<b>130.94</b>	<b>131.48</b>	<b>132.78</b>
Number of shares (outstanding; mn)	45.9	45.9	45.9	45.9	45.9	45.9
Share price (avg./current; CHF)	93.33	116.52	116.82	116.04	111.50	111.50
Market cap. (avg./current; CHF mn)	4,280.9	5,344.3	5,358.5	5,322.4	5,114.3	5,114.3
Enterprise value (CHF mn)	6,769.0	7,920.8	8,383.4	8,345.1	8,192.6	8,254.6
<b>Valuation</b>						
P/E adj. (x)	24.3	24.8	24.9	23.0	21.5	21.2
<b>FFO yield (%)</b>	<b>4.4</b>	<b>3.6</b>	<b>4.1</b>	<b>4.1</b>	<b>4.5</b>	<b>4.7</b>
Dividend yield (%)	3.6	3.0	3.1	3.2	3.4	3.5
Implied yield (EBITDA/EV) (%)	3.6	3.4	3.2	3.5	3.4	3.4
<b>P/NAV (x)</b>	<b>0.85</b>	<b>1.01</b>	<b>0.98</b>	<b>0.89</b>	<b>0.85</b>	<b>0.84</b>
P/BV (x)	1.03	1.20	1.17	1.07	1.02	1.00
ROCE/WACC (x)	0.90	0.95	0.94	0.95	0.88	1.00
(EV/CE)/(ROCE/WACC) (x)	0.90	0.95	0.94	0.87	0.93	0.81
<b>Key company data</b>						
Rental income growth (%)	2.5	4.0	2.0	4.9	3.3	3.1
EBITDA growth (%)	0.1	11.2	0.4	6.4	-4.7	2.1
<b>FFO growth (%)</b>	<b>3.5</b>	<b>3.7</b>	<b>12.8</b>	<b>0.8</b>	<b>4.8</b>	<b>4.4</b>
FFO per share growth (%)	3.3	3.9	12.8	0.8	4.8	4.4
DPS growth (%)	1.5	2.9	2.9	2.8	2.7	2.6
EBITDA margin adj. (%)	87.0	93.0	91.5	92.8	85.6	84.8
ROE recurring (%)	0.0	0.0	0.0	0.0	0.0	0.0
Net gearing (%)	59.9	57.9	66.1	60.6	61.2	61.7
<b>Net loan-to-value (%)</b>	<b>36.5</b>	<b>35.1</b>	<b>38.8</b>	<b>36.7</b>	<b>37.0</b>	<b>36.9</b>
Equity ratio (%)	54.6	55.4	52.8	54.4	54.3	54.3
Interest cover (x)	9.9	12.0	16.7	21.2	24.3	24.9
<b>Income statement (CHF mn)</b>						
Total revenues	397.8	405.1	359.1	465.1	348.6	341.2
Gross rental income	279.4	290.5	296.3	310.8	321.2	331.3
Net rental income	249.6	261.7	270.3	282.7	293.5	304.7
EBITDA	242.9	270.1	271.1	288.5	275.1	280.9
EBIT	408.5	513.0	371.3	723.9	231.8	272.2
EBT	386.6	493.9	358.1	713.2	222.2	262.3
EBT adjusted	219.9	249.7	256.5	276.5	264.1	269.7
Net profit after minorities	308.2	453.4	292.1	576.1	207.1	236.2
<b>Funds from operations (FFO)</b>	<b>186.9</b>	<b>193.8</b>	<b>218.6</b>	<b>220.5</b>	<b>231.0</b>	<b>241.3</b>
<b>Balance sheet (CHF mn)</b>						
Investment property	6,779	7,259	7,682	8,156	8,251	8,444
Non-current assets	7,555	7,927	8,503	9,042	9,143	9,262
Cash and equivalents	23	20	32	30	38	28
Current assets	65	110	162	130	124	110
<b>Total assets</b>	<b>7,619</b>	<b>8,036</b>	<b>8,665</b>	<b>9,172</b>	<b>9,267</b>	<b>9,372</b>
Equity	4,157	4,450	4,579	4,990	5,027	5,089
Interest bearing debt	2,511	2,596	3,057	3,052	3,116	3,168
<b>Total equity and liabilities</b>	<b>7,619</b>	<b>8,036</b>	<b>8,665</b>	<b>9,172</b>	<b>9,267</b>	<b>9,372</b>
Net debt	2,488	2,576	3,025	3,023	3,078	3,140
<b>Cash flow (CHF mn)</b>						
Cash flow from operating activities	207.7	241.9	209.8	228.5	239.2	233.7
Cash flow from investing activities	-81.2	-151.9	-491.0	-61.2	-125.1	-121.4
Free cash flow	126.4	90.0	-281.2	167.3	114.1	112.3
Dividend paid	-155.9	-160.5	-165.1	-165.1	-169.7	-174.3
Cash flow from financing activities	-136.7	-93.5	293.9	-170.0	-106.1	-121.8
Changes in cash position	-10.3	-3.5	12.7	-2.7	7.9	-9.6

Source: Company data, Baader Helvea Equity Research

## PSP Swiss Property

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This Research Document was completed at 01:00 PM (CET) on 10-01-2022.

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Research Documents with recommendation changes (rating or target price) published in the twelve months prior to the publication of this Research Document covering the same financial instruments or issuers.

Company	Date	Rating	Currency	Target price	Closing price as of	Analyst	
PSP Swiss Property	09-Nov-21	Add	CHF	133.00	114.90	08-Nov-21	Andreas von Arx
PSP Swiss Property	11-Aug-21	Add	CHF	135.00	123.20	10-Aug-21	Andreas von Arx
PSP Swiss Property	02-Mar-21	Add	CHF	126.00	109.10	01-Mar-21	Andreas von Arx



10 January 2022

## Schweiter Technologies

Switzerland

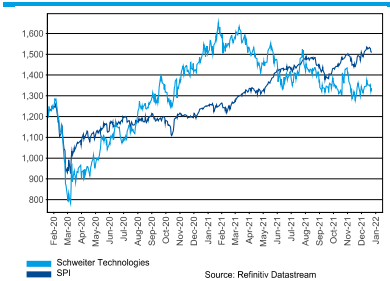
### Capital Goods

Reuters: SWTQ.S Bloomberg: SWTQ SE

### Add

Closing price as of 07-Jan-22	CHF 1,334.00
<b>Target price</b>	<b>CHF 1,450.00</b>
High/Low (12M)	CHF 1,652.00/1,278.00
Market cap.	CHF mn 1,910
Enterprise value	CHF mn 1,844
Free float	68.4%
Avg. daily turnover	CHF mn 1.29

### Price relative to Index



Performance (%)	1M	3M	6M
Absolute	-0.6	-1.2	-4.7
rel. SMI	-2.4	-8.7	-9.5
rel. STOXX Europe 600	-1.9	-7.2	-10.5
rel. SXXP Industrials	-1.8	-7.8	-11.0

### Analyst:

**Markus Mayer**

+49 89 5150 1818

markus.mayer@baaderbank.de

## A hidden “green deal”/ESG enabler with strong market share

■ **Investment case: Why we remain positive on Schweiter:** **1)** Hidden green deal enabler: **i)** Schweiter’s composites enable **lightweight** applications in transport & automotive and therefore decrease CO2 emission and increase electric vehicle ranges, **ii)** Schweiter’s core material business and the wind energy composites business are driven by the demand for **wind energy.** **2)** As Schweiter is with its core materials business unit roughly 70% backward integrated into Balsa wood, we think Schweiter might have better supply security and therefore might gain market shares. **3) Strong balance sheet and opportunistic M&A behavior** as part of Schweiter’s DNA might lead to interesting transactions for attractive multiples. **4) Consistent dividend payments** with >3% dividend yield. **5) Recovery of the cyclical displays and architecture business** but lower demand for the clear sheets (used for hygiene applications during pandemic). **6)** Schweiter has, compared to its Capital Goods and ESG enabler peers, with 16x EV/EBIT 2021E a low valuation. Given its defensive portfolio and good growth profile, we think there might be **re-rating potential.**

### ■ What to ask the management?

- How much should global infrastructure programs positively impact you and in which areas of your business?
- Your clear sheets display business recorded very strong demand in 2020 due to the COVID-19 pandemic, whereas the colored sheet business suffered from the economic downturn. Have you seen the reversal of both trends in 2H21?
- Your core materials competitor Gurit became negative on the Wind Energy market. Do you share its view? Have you already experienced positive effects from the latest infrastructure project steps of China and the U.S.?
- In addition, Gurit expects the complete shift towards PET away from Balsa wood. Do you share this view?
- How quick do you think will you be able to pass on higher raw material and other inflationary effects to customers?
- Could you update us on the order book development of Architecture (which is 20% of sales), Core Materials (which stand for 16%) and Transport & Industry (which are ~13% of sales)?
- Do you see interesting M&A opportunities in the weakening business environment?
- What would be your M&A firepower?
- Could you give us more information on your latest acquisitions Encore und Elmer?

### Key financials

CHF mn	2020	2021E	2022E	2023E	CAGR (%)
Sales	1,160.2	1,283.6	1,361.1	1,402.0	6.5
EBIT adj.	137.6	114.5	126.2	128.1	-2.4
EPS adj. (CHF)	69.86	61.21	65.61	66.56	-1.6

### Valuation ratios

x	2020	2021E	2022E	2023E
EV/Sales	1.4	1.6	1.4	1.3
EV/EBIT adj.	11.9	17.7	14.6	14.2
P/E adj.	16.9	23.6	20.3	20.0

Source: Company data, Baader Helvea Equity Research

## Schweiter Technologies

### Key data

FY 31 Dec.	2018	2019	2020	2021E	2022E	2023E
<b>Share data</b>						
EPS reported (CHF)	42.10	43.73	69.86	61.21	65.61	66.56
<b>EPS adjusted (CHF)</b>	<b>42.10</b>	<b>43.73</b>	<b>69.86</b>	<b>61.21</b>	<b>65.61</b>	<b>66.56</b>
Dividend (CHF)	40.00	40.00	40.00	42.00	44.00	46.00
Book value (CHF)	525.20	511.27	515.52	536.72	560.33	582.89
Free cash flow (CHF)	-38.66	54.59	80.23	31.50	59.13	64.21
Avg. no. of shares (mn)	1.4	1.4	1.4	1.4	1.4	1.4
Market cap. (avg./current; CHF mn)	1,582.5	1,402.0	1,687.5	2,069.8	1,909.9	1,909.9
Enterprise value (CHF mn)	1,515.5	1,373.6	1,634.0	2,031.9	1,844.0	1,812.7
<b>Valuation</b>						
<b>P/E adj. (x)</b>	<b>26.3</b>	<b>22.4</b>	<b>16.9</b>	<b>23.6</b>	<b>20.3</b>	<b>20.0</b>
P/BV (x)	2.1	1.9	2.3	2.7	2.4	2.3
FCF/EV (%)	-3.7	5.7	7.0	2.2	4.6	5.1
FCF yield (%) (FCF/Mcap.)	-3.5	5.6	6.8	2.2	4.4	4.8
Dividend yield (%)	3.6	4.1	3.4	2.9	3.3	3.4
EV/Sales (x)	1.4	1.2	1.4	1.6	1.4	1.3
EV/EBITDA adj. (x)	13.7	10.9	9.3	13.1	11.1	10.8
EV/EBIT adj. (x)	18.4	15.5	11.9	17.7	14.6	14.2
EV/CE (x)	2.4	2.1	2.6	3.0	2.7	2.6
ROCE/WACC adj. (x)	1.4	1.4	2.2	1.7	1.9	1.9
<b>Key company data</b>						
Sales growth (%)	6.9	12.6	-1.6	10.6	6.0	3.0
EBITDA adj. growth (%)	-3.0	14.0	38.9	-11.9	7.6	1.2
EBITDA adj. margin (%)	10.6	10.7	15.1	12.1	12.2	12.0
<b>EBIT adj. margin (%)</b>	<b>7.9</b>	<b>7.5</b>	<b>11.9</b>	<b>8.9</b>	<b>9.3</b>	<b>9.1</b>
Net adj. margin (%)	5.8	5.3	8.6	6.8	6.9	6.8
Free cash flow margin (%)	-5.3	6.6	9.9	3.5	6.2	6.6
Payout ratio (%)	95.0	91.5	57.3	68.6	67.1	69.1
Gearing (%) (net debt/equity)	-14.1	-11.7	-17.0	-13.9	-16.7	-19.8
Net debt/EBITDA (x)	-1.0	-0.7	-0.7	-0.7	-0.8	-1.0
Equity ratio (x) (equity/total assets)	72.5	69.7	67.3	67.3	67.3	67.5
Capital employed (CHF mn)	624.8	645.4	632.7	677.2	688.6	694.0
ROCE adj. (%)	10.6	10.7	16.9	13.2	14.2	14.3
<b>Income statement (CHF mn)</b>						
Turnover	1,047.4	1,179.6	1,160.2	1,283.6	1,361.1	1,402.0
EBITDA	111.0	126.5	175.7	154.8	166.5	168.5
EBITDA adj.	111.0	126.5	175.7	154.8	166.5	168.5
EBIT	82.2	88.6	137.6	114.5	126.2	128.1
EBIT adj.	82.2	88.6	137.6	114.5	126.2	128.1
EBT	77.3	81.9	130.7	114.5	122.8	124.6
Net profit after minorities	60.3	62.6	100.0	87.6	93.9	95.3
Net profit adj.	60.3	62.6	100.0	87.6	93.9	95.3
<b>Balance sheet (CHF mn)</b>						
Non-current assets	528	552	549	545	540	534
thereof goodwill	129	127	0	0	0	0
Current assets	509	498	548	596	651	701
<b>Total assets</b>	<b>1,037</b>	<b>1,051</b>	<b>1,097</b>	<b>1,141</b>	<b>1,191</b>	<b>1,236</b>
Shareholders' equity	752	732	738	768	802	835
<b>Total equity and liabilities</b>	<b>1,037</b>	<b>1,051</b>	<b>1,097</b>	<b>1,141</b>	<b>1,191</b>	<b>1,236</b>
Net debt	-106	-86	-125	-107	-134	-165
<b>Cash flow (CHF mn)</b>						
Cash flow from operations	60.7	104.3	157.8	81.4	119.7	126.8
of which change in working capital	-9.3	1.3	-7,141.4	-46.5	-14.6	-8.9
Cash flow from investments	-116.0	-26.1	-42.9	-36.3	-35.0	-34.9
of which investment in fixed assets	-22.6	-28.2	-28.3	-32.5	-32.7	-33.6
<b>Free cash flow</b>	<b>-55.3</b>	<b>78.2</b>	<b>114.9</b>	<b>45.1</b>	<b>84.7</b>	<b>91.9</b>
Dividends paid	-64.4	-57.3	-57.3	-57.3	-60.1	-63.0
Cash flow from financing activities	-69.7	-70.5	-66.9	-63.4	-57.9	-60.8
<b>Change in cash position</b>	<b>-125.1</b>	<b>7.7</b>	<b>48.0</b>	<b>-18.3</b>	<b>26.7</b>	<b>31.2</b>

Source: Company data, Baader Helvea Equity Research

## Schweiter Technologies

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Research Documents with recommendation changes (rating or target price) published in the twelve months prior to the publication of this Research Document covering the same financial instruments or issuers.

Company	Date	Rating	Currency	Target price	Closing price as of	Analyst	
Schweiter Technologies	21-Dec-21	Add	CHF	1,450.00	1,314.00	20-Dec-21	Markus Mayer
Schweiter Technologies	19-Mar-21	Add	CHF	1,775.00	1,608.00	18-Mar-21	Markus Mayer
Schweiter Technologies	20-Jan-21	Add	CHF	1,650.00	1,518.00	19-Jan-21	Markus Mayer

10 January 2022

## SFS Group

Switzerland

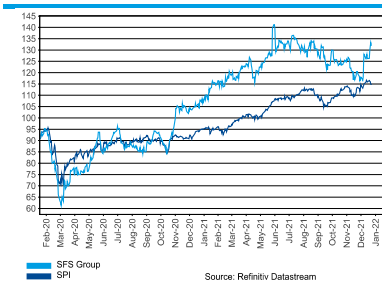
### Capital Goods

Reuters: SFSN.S      Bloomberg: SFSN SE

### Add

Closing price as of 07-Jan-22	CHF 132.10
<b>Target price</b>	<b>CHF 130.00</b>
High/Low (12M)	CHF 141.20/106.70
Market cap.	CHF mn 4,954
Enterprise value	CHF mn 4,663
Free float	45.0%
Avg. daily turnover	CHF mn 2.70

### Price relative to Index



Performance (%)	1M	3M	6M
Absolute	9.7	6.8	-0.1
rel. SMI	7.9	-0.7	-4.9
rel. STOXX Europe 600	8.5	0.8	-5.9
rel. SXXP Industrials	8.5	0.2	-6.4

### Analyst:

**Christian Obst, CEFA**

+49 89 5150 1805

christian.obst@baaderbank.de

## New growth opportunities with the acquisition of Hoffmann

■ **Investment case:** On 21 December SFS announced that they intend to take over the Hoffmann group. The deal should be closed during 1H22 and earnings accretive from day one. Operationally, SFS rebounded strongly from the pandemic and based on the HY21 results (EBIT margin was 17.1% 1H21 versus 9.2% in 1H20), we are reassured that SFS was: **1)** Well positioned and **2)** managed the market recovery very well. Management mentioned that their FY21 guidance (gross sales, incl. M&A, CHF ~1.9bn and EBIT margin ~15%) is conservative and assumes a significant drop in profitability in 2H21 (420bps to 12.9% 2H21G EBIT margin) due to: **1)** raw material price increases, **2)** lower volumes, **3)** change in product mix, and **4)** higher costs. Our FY21E is above management guidance and remains subject to uncertainties around the future developments of COVID-19. As such, we believe that the more important investor question relates to SFS' capabilities to reach or outgrow the high end of their medium-term guidance (gross sales, incl. M&A, 3-6% and EBIT margin 13-16%) in combination with efficient capital allocation (organically and for M&A). Based on SFS' historical achievements visible in: **1)** Sales growth, **2)** profitability, **3)** ROCE, and **4)** ROIC) and the presented plans, we believe that the chances to outgrow the high end (16%) EBIT margin mid-term is (still) underestimated by the market.

### ■ What to ask the management?

- What are the growth and margin perspectives for the segment Distribution & Logistics after the full integration of Hoffmann? Where do you see the main risks?
- SFS' overall exposure to the end market automotive is roughly 25% of total sales and a significant portion of profits. What impressions do you currently get from discussions with your customers? Do you expect a significant recovery in 2022?
- What do you consider the largest risks for SFS investors?
- Where do you see the largest potential for SFS investors?
- Why do you run your company with a net cash position in a world of negative (real) interest rates?
- How do you manage the very diverse markets? Would it not be more beneficial for shareholders to have more focus (and divest certain businesses)?
- Which opportunities do you anticipate to improve your ROCE? and ROIC?
- What is your long-term growth guidance over the cycle? What would need to happen to achieve such growth?
- What is your capex plan for 2022 and beyond?
- Please elaborate on your capital allocation strategy going forward.

### Key financials

CHF mn	2020	2021E	2022E	2023E	CAGR (%)
Sales	1,707.1	1,804.6	1,895.8	1,991.8	5.3
EBIT adj.	227.4	236.9	259.9	276.7	6.8
EPS adj. (CHF)	4.90	5.04	5.54	5.90	6.4

### Valuation ratios

x	2020	2021E	2022E	2023E
EV/Sales	1.9	2.5	2.5	2.3
EV/EBIT adj.	14.1	18.8	17.9	16.5
P/E adj.	18.0	24.5	23.8	22.4

Source: Company data, Baader Helvea Equity Research

SFS Group

Key data

FY 31 Dec.	2018	2019	2020	2021E	2022E	2023E
<b>Share data</b>						
EPS reported (CHF)	5.14	5.47	4.90	5.04	5.54	5.90
<b>EPS adjusted (CHF)</b>	<b>5.14</b>	<b>5.47</b>	<b>4.90</b>	<b>5.04</b>	<b>5.54</b>	<b>5.90</b>
Dividend (CHF)	2.00	1.80	1.80	2.00	2.50	2.70
Book value (CHF)	31.52	32.55	33.63	36.90	40.47	43.89
Free cash flow (CHF)	2.90	2.32	3.97	4.02	5.01	5.12
Avg. no. of shares (mn)	37.5	37.5	37.5	37.5	37.5	37.5
Market cap. (avg./current; CHF mn)	4,065.2	3,137.5	3,305.4	4,637.3	4,953.8	4,953.8
Enterprise value (CHF mn)	4,055.7	3,121.0	3,210.7	4,459.0	4,662.7	4,567.9
<b>Valuation</b>						
<b>P/E adj. (x)</b>	<b>21.1</b>	<b>15.3</b>	<b>18.0</b>	<b>24.5</b>	<b>23.8</b>	<b>22.4</b>
P/BV (x)	3.4	2.6	2.6	3.4	3.3	3.0
FCF/EV (%)	2.7	2.8	4.6	3.4	4.0	4.2
FCF yield (%) (FCF/Mcap.)	2.7	2.8	4.5	3.3	3.8	3.9
Dividend yield (%)	1.8	2.2	2.0	1.6	1.9	2.0
EV/Sales (x)	2.3	1.8	1.9	2.5	2.5	2.3
EV/EBITDA adj. (x)	12.2	9.4	9.8	13.1	12.8	11.8
EV/EBIT adj. (x)	16.7	13.1	14.1	18.8	17.9	16.5
EV/CE (x)	2.6	2.4	2.6	3.4	3.5	3.4
ROCE/WACC adj. (x)	1.9	2.4	2.2	2.2	2.4	2.5
<b>Key company data</b>						
Sales growth (%)	6.2	2.6	-4.2	5.7	5.0	5.1
EBITDA adj. growth (%)	2.9	-0.3	-1.2	3.5	7.8	5.6
EBITDA adj. margin (%)	19.2	18.6	19.2	18.8	19.3	19.4
<b>EBIT adj. margin (%)</b>	<b>14.0</b>	<b>13.4</b>	<b>13.3</b>	<b>13.1</b>	<b>13.7</b>	<b>13.9</b>
Net adj. margin (%)	11.1	11.5	10.8	10.5	11.0	11.1
Free cash flow margin (%)	6.3	4.9	8.7	8.4	9.9	9.6
Payout ratio (%)	38.9	32.9	36.7	39.7	45.2	45.8
Gearing (%) (net debt/equity)	-5.0	-5.6	-11.4	-16.4	-22.4	-26.7
Net debt/EBITDA (x)	-0.2	-0.2	-0.4	-0.7	-0.9	-1.1
Equity ratio (x) (equity/total assets)	73.0	74.5	74.9	75.4	75.9	76.1
Capital employed (CHF mn)	1,568.8	1,275.1	1,249.5	1,292.6	1,317.8	1,352.4
ROCE adj. (%)	13.0	16.9	15.6	15.4	16.6	17.2
<b>Income statement (CHF mn)</b>						
Turnover	1,736.9	1,782.1	1,707.1	1,804.6	1,895.8	1,991.8
EBITDA	332.8	331.7	327.6	339.1	365.7	386.2
EBITDA adj.	332.8	331.7	327.6	339.1	365.7	386.2
EBIT	243.1	236.3	227.4	236.9	259.9	276.7
EBIT adj.	243.1	239.1	227.4	236.9	259.9	276.7
EBT	235.1	229.7	220.3	230.3	253.0	269.4
Net profit after minorities	192.8	205.3	183.9	188.9	207.6	221.2
Net profit adj.	192.8	205.3	183.9	188.9	207.6	221.2
<b>Balance sheet (CHF mn)</b>						
Non-current assets	784	806	794	809	826	846
thereof goodwill	0	0	0	0	0	0
Current assets	836	833	890	1,026	1,173	1,317
<b>Total assets</b>	<b>1,619</b>	<b>1,639</b>	<b>1,684</b>	<b>1,835</b>	<b>2,000</b>	<b>2,163</b>
Shareholders' equity	1,182	1,221	1,261	1,384	1,518	1,646
<b>Total equity and liabilities</b>	<b>1,619</b>	<b>1,639</b>	<b>1,684</b>	<b>1,835</b>	<b>2,000</b>	<b>2,163</b>
Net debt	-59	-69	-144	-228	-340	-439
<b>Cash flow (CHF mn)</b>						
Cash flow from operations	263.5	277.6	296.4	268.2	311.0	321.6
of which change in working capital	-25.0	10.1	-2.6	-24.0	-3.5	-10.2
Cash flow from investments	-154.6	-190.6	-147.6	-117.3	-123.2	-129.5
of which investment in fixed assets	-149.1	-116.7	-104.1	-117.3	-123.2	-129.5
<b>Free cash flow</b>	<b>108.9</b>	<b>87.0</b>	<b>148.8</b>	<b>150.9</b>	<b>187.7</b>	<b>192.1</b>
Dividends paid	-72.4	-76.6	-67.5	-67.5	-75.0	-93.8
Cash flow from financing activities	-90.0	-83.8	-85.8	-67.5	-75.0	-93.8
<b>Change in cash position</b>	<b>16.8</b>	<b>1.0</b>	<b>57.0</b>	<b>83.4</b>	<b>112.7</b>	<b>98.4</b>

Source: Company data, Baader Helvea Equity Research

## SFS Group

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This Research Document was completed at 01:00 PM (CET) on 10-01-2022.

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Research Documents with recommendation changes (rating or target price) published in the twelve months prior to the publication of this Research Document covering the same financial instruments or issuers.

Company	Date	Rating	Currency	Target price	Closing price as of	Analyst	
SFS Group	23-Jul-21	Add	CHF	150.00	135.90	22-Jul-21	Rolf Renders
SFS Group	11-Mar-21	Add	CHF	130.00	117.70	10-Mar-21	Jorg Schirmacher, CFA
SFS Group	18-Jan-21	Add	CHF	110.00	107.10	15-Jan-21	Jorg Schirmacher, CFA

10 January 2022

## Siegfried

Switzerland

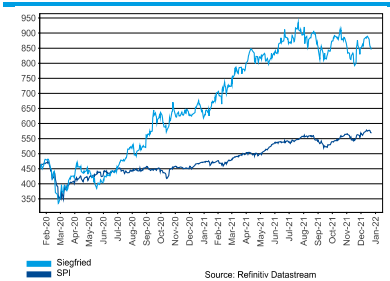
### Pharma

Reuters: SFZN.S Bloomberg: SFZN SE

### Buy

Closing price as of 07-Jan-22	CHF 847.00
<b>Target price</b>	<b>CHF 1,032.00</b>
High/Low (12M)	CHF 934.50/618.00
Market cap.	CHF mn 3,542
Enterprise value	CHF mn 4,019
Free float	80.0%
Avg. daily turnover	CHF mn 4.89

### Price relative to Index



Performance (%)	1M	3M	6M
Absolute	-0.8	1.4	-7.1
rel. SMI	-2.6	-6.1	-11.9
rel. STOXX Europe 600	-2.0	-4.6	-12.9
rel. SXXP Chemicals	-1.2	-6.7	-14.9

### Analyst:

**Markus Mayer**

+49 89 5150 1818

markus.mayer@baaderbank.de

## The market is too cautious on 2022E and beyond since the growth and margin uplift story is not yet believed

■ **Investment view:** Siegfried is a leader in the small molecule contract development and manufacturing organization (CDMO) industry. Siegfried's focus is on the chemical production of intermediates, APIs (Active Pharmaceutical Ingredients) and finished dosage forms (including sterile fillings). From 2010-2015, Siegfried had a period of heavy investments to reach critical size in its Drug Substance division. This is an attractive base for future sustainable profitable growth as capacity utilization increases. Since 2016, Siegfried has improved its EBITDA margin by over 280bps, reaching 17.7% in FY20 and the medium-term goal to reach 20% (which might be reached in 2022E already). Additionally, very strong market fundamentals should continue to support growth rates in at least a mid single-digit percentage range because an increasing outsourcing trend in the pharmaceutical industry continues to favor high-quality producers like Siegfried. The demand outlook mid-term also looks favorable as the CDMO market is expected to grow at a CAGR of 6% up until 2024. Oil-based raw material costs moved up yoy by double-digit %, but the pricing power of Siegfried should easily pass on these higher costs. However, the passing on should come with a delay of a few months. The surge in palladium prices (needed for the fine chemical catalysts of Siegfried) will affect lease costs, which are expected to be passed on to customers in 2H21. In addition, Siegfried will start the production of Pfizer/BioNTech COVID-19 vaccine in 2H21. Siegfried has an outstanding M&A track record and should achieve synergies from the acquisition of two former Novartis plants. As a highly defensive investment with high visibility, low risk and significant external growth potential, Siegfried is an attractive long-term investment in our view.

### ■ What to ask the management?

- Do you see upside to the guided CHF 90mn revenue potential from the partnership with BioNTech/Pfizer for the COVID-19 vaccine, given the stronger than expected 4<sup>th</sup> COVID wave? Do you expect to see an effect of Novavax already in 2022?
- Could you comment on the nature of the production lines at the acquired ex-Novartis production sites in Spain, particularly when looking at biologics capabilities?
- Could you give guidance when you expect additional volume for the Novartis plants and how the capacity utilization of the plants is expected to developed over the coming years.
- Would you consider further acquisitions in biologics or in a complementary segment?
- How do you see the general situation for the pharmaceutical outsourcing companies like Siegfried in the coming 5 years and the impact from potential changes in China?
- Can you describe the capacity utilization at the Nangton plant since the COVID-19 outbreak and which markets are primarily served by the plant? Was the plant (or other plants you own) affected by energy shortages?
- What is your current split between generics and on-patent products? Are there significant profitability differences between both kinds of products?
- Is 2022 the start of a new significant capex cycle? When should we expect effects on revenues and earnings?

### Key financials

CHF mn	2020	2021E	2022E	2023E	CAGR (%)
Sales	845.1	1,094.0	1,227.6	1,348.0	16.8
EBIT adj.	94.3	119.3	168.0	194.4	27.3
EPS adj. (CHF)	14.69	22.23	32.02	36.70	35.7

### Valuation ratios

x	2020	2021E	2022E	2023E
EV/Sales	3.0	3.6	3.3	2.9
EV/EBIT adj.	26.9	32.9	23.9	20.4
P/E adj.	33.8	36.5	26.5	23.1

Source: Company data, Baader Helvea Equity Research

Siegfried

Key data

FY 31 Dec.	2018	2019	2020	2021E	2022E	2023E
<b>Share data</b>						
EPS reported (CHF)	13.52	12.85	14.69	22.23	32.02	36.70
<b>EPS adjusted (CHF)</b>	<b>13.81</b>	<b>15.88</b>	<b>14.69</b>	<b>22.23</b>	<b>32.02</b>	<b>36.70</b>
Dividend (CHF)	2.60	2.80	3.00	3.40	3.80	4.20
Book value (CHF)	101.52	105.35	119.54	139.15	167.47	199.22
Free cash flow (CHF)	10.61	0.92	11.70	-10.21	16.11	17.03
Avg. no. of shares (mn)	4.2	4.1	4.1	4.2	4.2	4.2
Market cap. (avg./current; CHF mn)	1,566.9	1,553.0	2,058.9	3,397.0	3,541.8	3,541.8
Enterprise value (CHF mn)	2,017.0	2,065.3	2,533.8	3,927.5	4,019.2	3,966.9
<b>Valuation</b>						
<b>P/E adj. (x)</b>	<b>27.2</b>	<b>23.6</b>	<b>33.8</b>	<b>36.5</b>	<b>26.5</b>	<b>23.1</b>
P/BV (x)	3.7	3.6	4.2	5.8	5.1	4.3
FCF/EV (%)	2.2	0.2	1.9	-1.1	1.7	1.8
FCF yield (%) (FCF/Mcap.)	2.8	0.2	2.4	-1.3	1.9	2.0
Dividend yield (%)	0.7	0.7	0.6	0.4	0.4	0.5
EV/Sales (x)	2.5	2.5	3.0	3.6	3.3	2.9
EV/EBITDA adj. (x)	15.8	14.7	17.0	18.9	16.0	14.2
EV/EBIT adj. (x)	25.9	23.2	26.9	32.9	23.9	20.4
EV/CE (x)	2.0	2.0	2.3	3.1	3.0	2.8
ROCE/WACC adj. (x)	1.0	1.4	1.1	1.2	1.6	1.7
<b>Key company data</b>						
Sales growth (%)	5.8	4.9	1.4	29.5	12.2	9.8
EBITDA adj. growth (%)	11.8	10.5	6.1	38.8	21.5	11.2
EBITDA adj. margin (%)	16.0	16.9	17.7	19.0	20.5	20.8
<b>EBIT adj. margin (%)</b>	<b>9.8</b>	<b>10.7</b>	<b>11.2</b>	<b>10.9</b>	<b>13.7</b>	<b>14.4</b>
Net adj. margin (%)	7.2	7.9	7.2	8.5	10.9	11.4
Free cash flow margin (%)	5.6	0.5	5.7	-3.9	5.5	5.3
Payout ratio (%)	19.2	21.8	20.4	15.3	11.9	11.4
Gearing (%) (net debt/equity)	77.1	83.9	65.2	64.9	46.1	32.5
Net debt/EBITDA (x)	2.6	3.4	2.4	1.9	1.3	1.0
Equity ratio (x) (equity/total assets)	38.3	37.3	39.9	42.3	46.0	50.1
Capital employed (CHF mn)	1,014.6	1,047.8	1,088.7	1,253.5	1,332.3	1,412.7
ROCE adj. (%)	6.2	8.8	7.1	7.7	10.2	11.1
<b>Income statement (CHF mn)</b>						
Turnover	794.3	833.5	845.1	1,094.0	1,227.6	1,348.0
EBITDA	125.9	108.6	134.5	202.3	252.0	280.1
EBITDA adj.	127.4	140.7	149.4	207.3	252.0	280.1
EBIT	76.3	57.0	79.4	114.3	168.0	194.4
EBIT adj.	77.8	89.2	94.3	119.3	168.0	194.4
EBT	70.2	51.4	74.1	114.7	165.3	189.5
Net profit after minorities	56.3	53.1	60.9	92.9	133.9	153.5
Net profit adj.	57.5	65.7	60.9	92.9	133.9	153.5
<b>Balance sheet (CHF mn)</b>						
Non-current assets	38	51	50	48	46	44
thereof goodwill	108	97	87	87	87	87
Current assets	534	590	651	684	805	925
<b>Total assets</b>	<b>1,103</b>	<b>1,169</b>	<b>1,242</b>	<b>1,376</b>	<b>1,521</b>	<b>1,664</b>
Shareholders' equity	423	436	496	582	700	833
<b>Total equity and liabilities</b>	<b>1,103</b>	<b>1,169</b>	<b>1,242</b>	<b>1,376</b>	<b>1,521</b>	<b>1,664</b>
Net debt	326	366	323	377	323	271
<b>Cash flow (CHF mn)</b>						
Cash flow from operations	106.0	65.6	117.2	135.7	179.5	181.2
of which change in working capital	-13.9	-52.6	-37.7	-63.8	-52.3	-56.9
Cash flow from investments	-61.8	-61.8	-68.7	-178.4	-112.2	-110.0
of which investment in fixed assets	61.0	58.9	77.4	75.0	111.2	110.0
<b>Free cash flow</b>	<b>44.2</b>	<b>3.8</b>	<b>48.5</b>	<b>-42.7</b>	<b>67.4</b>	<b>71.2</b>
Dividends paid	-9.8	-11.2	-11.9	-12.7	-14.2	-15.9
Cash flow from financing activities	-37.9	-17.8	-15.9	-12.7	-14.3	14.0
<b>Change in cash position</b>	<b>5.7</b>	<b>-14.4</b>	<b>31.4</b>	<b>-54.1</b>	<b>54.7</b>	<b>52.3</b>

Source: Company data, Baader Helvea Equity Research



## Siegfried

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Research Documents with recommendation changes (rating or target price) published in the twelve months prior to the publication of this Research Document covering the same financial instruments or issuers.

Company	Date	Rating	Currency	Target price	Closing price as of	Analyst	
Siegfried	06-Dec-21	Buy	CHF	1,032.00	792.50	03-Dec-21	Markus Mayer
Siegfried	04-Aug-21	Add	CHF	1,066.00	913.50	03-Aug-21	Markus Mayer
Siegfried	01-Feb-21	Add	CHF	666.00	645.00	29-Jan-21	Bruno Bulic, Ph.D.

10 January 2022

## Sika

Switzerland

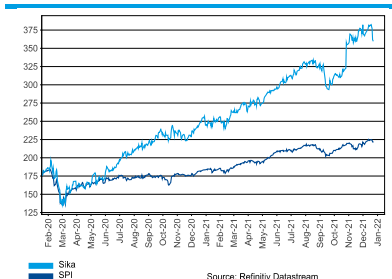
### Building Prod. & Materials

Reuters: SIKA.S Bloomberg: SIKA SE

#### Add

Closing price as of 07-Jan-22	CHF 360.30
<b>Target price</b>	<b>CHF 380.00</b>
High/Low (12M)	CHF 382.30/240.20
Market cap.	CHF mn 51,043
Enterprise value	CHF mn 53,117
Free float	100.0%
Avg. daily turnover	CHF mn 85.12

#### Price relative to Index



Performance (%)	1M	3M	6M
Absolute	-3.7	17.7	16.0
rel. SPI	-5.5	10.2	11.2
rel. STOXX Europe 600	-4.9	11.7	10.2
rel. SXXP Construction	-5.1	9.2	9.6

#### Analyst:

**Markus Mayer**

+49 89 5150 1818

markus.mayer@baaderbank.de

#### Analyst:

**Konstantin Wiechert**

+49 89 5150 1804

konstantin.wiechert@baaderbank.de

## MBCC – Sika’s M&A masterpiece but with Herculean task

■ **Investment case:** In our view, Sika is a high-quality company with a strong management team, a very attractive structural long-term investment story, innovative products and significant long-term upside. High organic growth due to market penetration as well as the consolidation of the construction chemicals market are important aspects of Sika’s investment case. In our view, the MBCC deal looks fantastic on paper but from our experience with BASF construction chemicals (now MBCC), we are critical on the deal. We think MBCC might become Sika’s M&A masterpiece when integrated successfully. However, we see many weaknesses and challenges within MBCC but also outside the group, which could make MBCC the first deal which could not become a major success for Sika. Consequently, the valuation effect of the MBCC deal is less in our model than at most other brokers.

### ■ What to ask the management?

- Do you think the 500bps margin improvement of MBCC between 2019-2021 (under the Lone Star ownership) is sustainable?
- MBCC is known to have restructured several times and that therefore talent has left the group. How do you want to integrate MBCC? Will you use your common approach or will you need a different one at MBCC? Is there a risk of delayed synergies if you would have to replace core positions in MBCC with Sika people?
- Given the high purchase price of MBCC, when is this deal reaching ROCE above WACC? Is MBCC affecting your long-term targets?
- What are refinancing options? Given your high share price, is a capital raise an option?
- Will you remain active in bolt-on M&A as well as larger deals given the huge integration tasks? In which regions and technologies do you still have white spots? M&A pipeline?
- After you have acquired Parex and MBCC, the remaining larger players are RPM, Henkel, GPC and Mapei. Which one would fit best to your portfolio? The Italian MAPEI construction chemicals has a generation change and therefore might come on the block. Would you be interested?
- Based on the underlying construction market growth, what growth do you add due to positive product/regional mix effects (higher-quality portfolio of Sika is growing faster than the market and Sika has a higher emerging market share compared to peers), the growth by innovations and the positive price effect?
- R&D/sales ratio? Split ground vs. customized research?
- When do you expect positive impacts from US infrastructure projects?
- Have you already seen positive effects from the US infrastructure bill of the Biden administration?
- Do you already see negative effects from the private housing issues in China? Is there any effect expected on the Chinese infrastructure projects?

#### Key financials

CHF mn	2020	2021E	2022E	2023E	CAGR (%)
Sales	7,877.5	9,106.7	9,929.7	10,720.8	10.8
EBIT adj.	1,130.5	1,376.7	1,669.0	1,888.4	18.7
EPS adj. (CHF)	5.82	7.18	8.80	10.01	19.8

#### Valuation ratios

x	2020	2021E	2022E	2023E
EV/Sales	3.9	5.0	5.3	4.9
EV/EBIT adj.	27.3	32.9	31.8	27.7
P/E adj.	33.6	41.8	40.9	36.0

Source: Company data, Baader Helvea Equity Research

Sika

Key data

FY 31 Dec.	2018	2019	2020	2021E	2022E	2023E
<b>Share data</b>						
EPS reported (CHF)	4.69	5.30	5.82	7.18	8.80	10.01
<b>EPS adjusted (CHF)</b>	<b>4.69</b>	<b>5.30</b>	<b>5.82</b>	<b>7.18</b>	<b>8.80</b>	<b>10.01</b>
Dividend (CHF)	2.02	2.30	2.50	3.09	3.78	4.31
Book value (CHF)	11.51	22.28	23.18	26.57	30.67	35.69
Free cash flow (CHF)	0.27	-5.05	7.90	7.12	9.60	10.91
Avg. no. of shares (mn)	145.6	141.9	141.7	141.7	141.7	141.7
Market cap. (avg./current; CHF mn)	18,666.9	21,424.2	27,720.9	42,533.0	51,042.5	51,042.5
Enterprise value (CHF mn)	21,077.4	25,192.7	30,907.9	45,271.0	53,116.8	52,311.7
<b>Valuation</b>						
<b>P/E adj. (x)</b>	<b>27.3</b>	<b>28.5</b>	<b>33.6</b>	<b>41.8</b>	<b>40.9</b>	<b>36.0</b>
P/BV (x)	11.1	6.8	8.4	11.3	11.7	10.1
FCF/EV (%)	0.2	-2.8	3.6	2.2	2.6	3.0
FCF yield (%) (FCF/Mcap.)	0.2	-3.3	4.0	2.4	2.7	3.0
Dividend yield (%)	1.6	1.5	1.3	1.0	1.0	1.2
EV/Sales (x)	3.0	3.1	3.9	5.0	5.3	4.9
EV/EBITDA adj. (x)	18.3	18.2	20.6	26.2	25.6	22.5
EV/EBIT adj. (x)	22.3	23.9	27.3	32.9	31.8	27.7
EV/CE (x)	4.9	3.3	4.3	6.2	7.4	7.3
ROCE/WACC adj. (x)	4.4	2.8	3.2	3.8	4.6	5.2
<b>Key company data</b>						
Sales growth (%)	13.4	14.4	-2.9	15.6	9.0	8.0
EBITDA adj. growth (%)	7.6	20.7	7.9	15.5	20.2	11.7
EBITDA adj. margin (%)	16.2	17.1	19.0	19.0	20.9	21.7
<b>EBIT adj. margin (%)</b>	<b>13.3</b>	<b>13.0</b>	<b>14.4</b>	<b>15.1</b>	<b>16.8</b>	<b>17.6</b>
Net adj. margin (%)	9.6	9.3	10.5	11.2	12.6	13.2
Free cash flow margin (%)	0.5	-8.8	14.2	11.1	13.7	14.4
Payout ratio (%)	43.1	43.4	43.0	43.0	42.9	43.0
Gearing (%) (net debt/equity)	126.1	107.9	87.1	64.3	40.6	19.1
Net debt/EBITDA (x)	1.8	2.5	1.9	1.4	0.8	0.4
Equity ratio (x) (equity/total assets)	26.3	31.8	33.6	35.8	38.5	41.6
Capital employed (CHF mn)	4,304.1	7,613.1	7,207.0	7,261.7	7,217.5	7,161.4
ROCE adj. (%)	27.0	16.8	19.2	23.2	28.3	32.3
<b>Income statement (CHF mn)</b>						
Turnover	7,085.4	8,109.0	7,877.5	9,106.7	9,929.7	10,720.8
EBITDA	1,149.9	1,387.4	1,497.6	1,730.0	2,078.8	2,321.2
EBITDA adj.	1,149.9	1,387.4	1,497.6	1,730.0	2,078.8	2,321.2
EBIT	945.9	1,054.9	1,130.5	1,376.7	1,669.0	1,888.4
EBIT adj.	945.9	1,054.9	1,130.5	1,376.7	1,669.0	1,888.4
EBT	892.9	966.6	1,060.4	1,313.7	1,609.7	1,832.7
Net profit after minorities	682.9	751.9	824.5	1,017.5	1,246.9	1,419.6
Net profit adj.	682.9	751.9	824.5	1,017.5	1,246.9	1,419.6
<b>Balance sheet (CHF mn)</b>						
Non-current assets	2,914	6,142	5,877	5,767	5,615	5,456
thereof goodwill	1,223	3,140	3,089	3,109	3,129	3,149
Current assets	3,468	3,803	3,917	4,758	5,659	6,691
<b>Total assets</b>	<b>6,382</b>	<b>9,945</b>	<b>9,794</b>	<b>10,525</b>	<b>11,274</b>	<b>12,147</b>
Shareholders' equity	1,675	3,161	3,288	3,764	4,345	5,056
<b>Total equity and liabilities</b>	<b>6,382</b>	<b>9,945</b>	<b>9,794</b>	<b>10,525</b>	<b>11,274</b>	<b>12,147</b>
Net debt	2,112	3,412	2,865	2,422	1,764	965
<b>Cash flow (CHF mn)</b>						
Cash flow from operations	744.0	1,213.9	1,373.4	1,217.0	1,580.5	1,781.0
of which change in working capital	-203.1	-81.4	141.7	-165.1	-108.0	-102.4
Cash flow from investments	-705.2	-1,930.9	-253.1	-207.9	-221.1	-235.2
of which investment in fixed assets	-230.2	-3,055.2	-254.1	-207.9	-221.1	-235.2
<b>Free cash flow</b>	<b>38.8</b>	<b>-717.0</b>	<b>1,120.3</b>	<b>1,009.1</b>	<b>1,359.4</b>	<b>1,545.8</b>
Dividends paid	-281.7	-293.6	-326.3	-354.2	-437.5	-536.2
Cash flow from financing activities	-149.6	827.6	-769.0	-586.9	-617.0	-699.3
<b>Change in cash position</b>	<b>-124.2</b>	<b>81.1</b>	<b>323.6</b>	<b>440.5</b>	<b>658.1</b>	<b>799.4</b>

Source: Company data, Baader Helvea Equity Research

Sika

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**Baader Bank AG, Weihenstephaner Strasse 4, 85716 Unterschleissheim, Germany**  
**Baader Helvea AG, Talstrasse 9, 8001 Zurich, Switzerland**  
**Baader Helvea Limited, 5 Royal Exchange Buildings, London EC3V 3NL, United Kingdom**

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Research Documents with recommendation changes (rating or target price) published in the twelve months prior to the publication of this Research Document covering the same financial instruments or issuers.

Company	Date	Rating	Currency	Target price	Closing price as of	Analyst
Sika	01-Dec-21	Add	CHF	380.00	360.70 30-Nov-21	Markus Mayer
Sika	26-Jul-21	Add	CHF	340.00	320.20 23-Jul-21	Markus Mayer
Sika	05-Jul-21	Add	CHF	323.00	303.30 02-Jul-21	Markus Mayer
Sika	14-Apr-21	Add	CHF	288.00	265.10 13-Apr-21	Markus Mayer
Sika	01-Feb-21	Add	CHF	259.00	242.40 29-Jan-21	Markus Mayer

## New adjusted RoE target of 10-12%

### Our investment view

Swiss Life Group is a Swiss-based insurance group which specialises in life insurance. Its core markets are Switzerland, France and Germany. The market has not really been in favour of life insurance business because of the concerns about low interest rate levels. However, Switzerland's life insurance market is running well, despite decades of low interest rate levels. Switzerland is by far the most important country unit for Swiss Life. The ageing population in Europe and empty government pockets are strong arguments in the long run. Swiss Life has been expanding its third-party real-estate asset management business for some years. One focus of the equity story is the group's continuing growth in fee and commission income, driven by the expansion in third-party asset management, other third-party services and the advisory business (e.g. Swiss Life Select). Swiss Life aims to increase its fee results significantly by the end of 2024 to CHF850-900m. Further acquisitions in the Asset Management business seem possible. Net new money inflow for third-party AuM has been strong. Swiss Life reported good H1 21 figures. The (adjusted) RoE of 11.3% for H1 21 was above the ambition of a range of 8-10%. Swiss Life did not release an estimated COVID-19 impact figure for FY2020 or H1 21. It said that the savings result is its most impacted profit source so far due to the high capital market dependency. It has seen no or no major impact so far on other income statement items. Swiss Life released its new "Swiss Life 2024" Group-wide programme in November 2021. Important targets for the years 2022 to 2024 are: an adjusted return on equity of 10-12% ("Swiss Life 2021": 8-10%), a dividend payout ratio of over 60% from 2022 onwards ("Swiss Life 2021": 50-60%) and a CHF1bn share buy-back programme from December 2021 to May 2023.

### What to ask the management?

- Swiss Re announced in December 2021 that it has agreed to sell its life insurance subsidiary Elips Life AG ("elipsLife") to Swiss Life International in H1 22. But no deal figures were released. What impact on your figures do you expect from this acquisition and what are your targets?
- Acquisitions are an option to increase your market share in core countries. What are the conditions for an acquisition?
- What impact from the negative yield environment do you expect mid-term on your life business and your earnings? Do you see a different impact in the specific countries (EU and Switzerland) you are active in?
- How satisfied are you with your German subsidiary? What do you expect from your German subsidiary in the coming years?
- Swiss Life continues to be active in the real estate segment. What is the group's view on the market place? Where do you see growth limits for your third-party asset management business?
- Does your digitalisation and acquisition strategy differentiate you from your peers? Do you see competitive advantages for Swiss Life?
- ESG and sustainability are currently a big theme for most asset manager and financial companies. Have you established an ESG policy for Swiss Life and what are your targets?

<b>Add</b>	<b>Upside: 5.02%</b>
Target Price (6 months)	CHF 622
Share Price	CHF 592
Market Cap. CHFM	17,713
Price Momentum	<b>STRONG</b>
Extremes 12Months	389 ▶ 592
Sustainability score	5.8 /10
Credit Risk	→
Fundamental Strength	6 /10
Bloomberg	SLHN SW Equity
Reuters	SLHN.S



Analyst : Dieter HEIN

### Equity Sales [EquitySales@baaderbank.de](mailto:EquitySales@baaderbank.de)

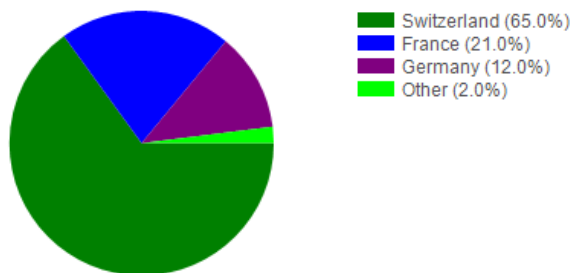
Frankfurt	+49 69 1388 1357
London	+44 20 7054 7100
Munich	+49 89 5150 1850
Zurich	+41 43 388 9200
New York	+1 212 935 5150

PERF	1w	1m	3m	12m
Swiss Life Holding	5.97%	8.06%	23.2%	43.7%
Insurance	4.66%	6.81%	11.6%	25.3%
STOXX 600	-0.32%	1.86%	6.04%	19.0%

Sector Opinion	<b>Underweight</b>
Strongest upside	Scor
Worst potential	Storebrand

Last updated: 07/12/2021	12/20A	12/21E	12/22E	12/23E
Adjusted P/E (x)	11.2	11.4	12.9	11.7
Dividend yield (%)	5.55	4.86	4.56	5.06
P/Book (x)	0.75	0.87	1.06	1.03
Adjusted Eps (CHF)	33.7	41.4	45.8	50.6
Growth in EPS (%)	-10.1	22.7	10.7	10.5
Dividend (CHF)	21.0	23.0	27.0	30.0
Revenues (CHFm)	21,719	21,330	22,040	22,500
Operating profit (CHFm)	1,372	1,691	1,744	1,867
Attributable net profit (CHFm)	1,046	1,276	1,319	1,416
ROE (after tax) (%)	6.59	7.90	8.30	8.91
Embedded Value per share ...	415	490	474	509
Gearing (%)	-28.2	-14.3	-11.7	-23.1

## Sales by Geography



## Consolidated P&L Accounts

		12/20A	12/21E	12/22E
Net Insurance related income	CHFM	19,936	19,350	19,950
Operating revenues	CHFM	21,719	21,330	22,040
Staff costs	CHFM	-1,070	-1,119	-1,121
Combined ratio (non life insurance)	%			
Gross Operating Profit	CHFM	1,813	2,111	2,174
Underlying operating profit	CHFM	1,372	1,691	1,744
<b>Operating profit</b>	<b>CHFM</b>	<b>1,342</b>	<b>1,663</b>	<b>1,714</b>
Corporate tax	CHFM	-300	-390	-400
Attributable net profit	CHFM	1,046	1,276	1,319
<b>Adjusted attributable net profit</b>	<b>CHFM</b>	<b>1,076</b>	<b>1,304</b>	<b>1,349</b>

## Cashflow Statement

		12/20A	12/21E	12/22E
Adjusted EBIT	CHFM	1,813	2,111	2,174
Cash Incr. (Decr.)	CHFM	464	600	400
Net investments in shares	CHFM			
Total investment flows	CHFM	-31.0	100	80.0
Dividends (parent company)	CHFM	-636	-654	-713
Interest expenses relating to LT fundi...	CHFM	0.00	0.00	0.00
New shareholders' equity	CHFM	-43.0	-400	-600
Change in gross debt	CHFM			
Total financial flows	CHFM	-728	-904	-1,213
Change in net debt position	CHFM	-382	717	441

## Per Share Data

		12/20A	12/21E	12/22E
No of shares net of treas. stock	Mio	33.0	30.0	28.9
Number of diluted shares (average)	Mio	31.9	31.5	29.5
benchmark EPS	CHF	33.7	41.4	45.8
Restated NAV per share	CHF			
Net dividend per share	CHF	21.0	23.0	27.0

## Valuation Summary

Benchmarks	Value	Weight	Largest comparables
Embedded value	CHF 541	40%	Legal & General Gr...
P/E	CHF 663	20%	Zurich Insurance G...
NAV/SOTP per share	CHF 598	15%	Storebrand
Dividend Yield	CHF 728	15%	Allianz
P/Book	CHF 744	10%	Generali
TARGET PRICE	CHF 622	100%	

## Balance Sheet

		12/20A	12/21E	12/22E
Investments related to Insur. Activities	CHFM	150,625	154,000	158,000
Total assets	CHFM	237,538	238,370	242,265
Ordinary shareholders' equity	CHFM	16,745	16,280	16,207
Of which unrealised capital gains	CHFM	5,500	5,000	4,700
Preference shares	CHFM	425	425	425
Minority interests	CHFM	93.0	93.0	94.0
Subordinated Debt	CHFM			
Provisions for pensions	CHFM	1,993	973	1,000
Liabilities arising from Insur. Activities	CHFM	170,681	175,000	179,900
Net debt (cash)	CHFM	-4,540	-125	-3,675
Total liabilities and shareholders' equity	CHFM	237,538	238,370	242,265
Average net debt (cash)	CHFM	-4,730	-2,333	-1,900

## Solvency & Risks Ratios

		12/20A	12/21E	12/22E
Solvency margin (given by group)	CHFM	16,200	16,400	16,600
<b>ROE (after tax)</b>	%	<b>6.59</b>	<b>7.90</b>	<b>8.30</b>
<b>RoEmb.V</b>	%	<b>8.15</b>	<b>8.45</b>	<b>9.67</b>
Gross gearing (at book value)	%	-28.2	-14.3	-11.7
Total debt gross/market cap	%	26.6	23.8	20.0

## Valuation Ratios

		12/20A	12/21E	12/22E
<b>Reference P/E (benchmark)</b>	x	<b>11.2</b>	<b>11.4</b>	<b>12.9</b>
<b>P/Book</b>	x	<b>0.75</b>	<b>0.87</b>	<b>1.06</b>
<b>Dividend yield</b>	%	<b>5.55</b>	<b>4.86</b>	<b>4.56</b>

## Embedded Value

		12/20A	12/21E	12/22E
Life Embedded Value	CHFM	11,800	12,930	11,950
Non life Embedded Value	CHFM	1,400	2,500	2,000
<b>Total Embedded value</b>	<b>CHFM</b>	<b>13,200</b>	<b>15,430</b>	<b>13,950</b>

Analyst : Dieter Hein, Changes to Forecasts : 07/12/2021.

10 January 2022

## Swiss Prime Site

Switzerland

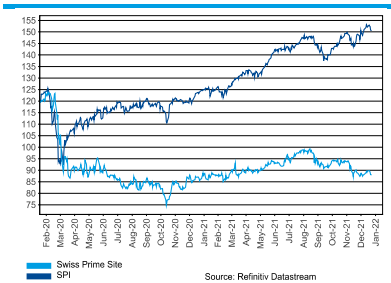
### Real Estate

Reuters: SPSN.S Bloomberg: SPSN SE

### Reduce

Closing price as of 07-Jan-22	CHF 88.05
<b>Target price</b>	<b>CHF 97.00</b>
High/Low (12M)	CHF 99.30/85.10
Market cap.	CHF mn 6,689
Enterprise value	CHF mn 11,982
Free float	100.0%
Avg. daily turnover	CHF mn 9.27

### Price relative to Index



Performance (%)	1M	3M	6M
Absolute	-1.3	-4.6	-6.8
rel. SPI	-3.2	-12.1	-11.6
rel. STOXX Europe 600	-2.6	-10.6	-12.6
rel. SXXP Real Estate	0.9	-9.5	-8.1

### Analyst:

Andreas von Arx

+41 43 388 9257

avonarx@helvea.com

## A complex organizational setup makes it a difficult pitch

■ **Investment case:** Compared to the pure, yielding-focused PSP model (and its superior geographic portfolio setup), Swiss Prime Site's investment case is less appealing to us. The relatively high exposure to hotel-gastronomy-hospitality retail of around 30% (target ~25%) remains a drag on sentiment and provides a relatively higher negative revaluation risk in our view – also as structural issues in retail remain (affecting Jelmolli operations) and the recovery in (city) hotels and gastronomy is expected to be slow.

Extra complexity in the business model would demand, in our view, from the company an extra level of clarity on strategy, targets and accounting traceability in company communications. Regarding these aspects, the company has not attempted to become best-in-class (yet), which makes it difficult to convince international investors to consider the case in our view.

On the current share price of approx. CHF 90, Swiss Prime Site trades at a discount to the last reported adj. NAV (1H21 CHF 95.1). If we assume Swiss Prime Site's adjacent businesses (Jelmoli, Wincasa, Asset Management) have roughly a single-digit CHF per share value and subtract this from the current share price, then Swiss Prime Site's underlying real estate business trades on a roughly 10% discount versus its adjusted NAV; this is a tad less but similar to PSP. Given we regard PSP's portfolio as superior, we consider Swiss Prime Site's valuation to be a tad less attractive. Taking the same approach, in 2014 and 2015, we see Swiss Prime Site trading the last time at a double-digit discount vs. its adj. NAV (corrected for the adjacent operations). From a historical perspective – on current external valuation levels – we see limited downside and it seems investors anticipate a return to a more normal interest rate environment.

With around CHF 90, the absolute share price level is back to levels seen in April 2020, i.e. before the anticipated strong 1H results led to a share price increase to levels of CHF 100. Ever since, the share price has corrected both in 1) anticipation of changes of monetary policies of central banks and 2) the increases in 10-year Swiss bond interest rates (+10bps) in Switzerland since mid-2021. Be reminded that the sensitivities of the external valuers is at approx. 30% portfolio fair value correction for a 1% interest change. However, the actual change in portfolio values since 2014 amounted to rather approx. 10% in our view: Besides interest rates, also the transactional market is a key input for the external values.

In 2H21, we would see the actual transactional evidence as supportive for real estate companies, also in the commercial segment. This is also evident in the disposal transactions of the listed Swiss real estate companies. Given the (still) strong demand from an asset allocation perspective, there is significant demand for prime location commercial properties. In their pre-Christmas trading update, Swiss real estate company Piazza pointed to strong revaluations for FY21 driven by continued favorable discount rates also in 2H21. Given Piazza's external valuer is Wüest Partner, we would expect similar developments at the likes of PSP, Swiss Prime Site and HIAG. Consequently, we would anticipate favorable revaluations for FY21 (potentially ahead of expectations). In 1H21, this led to a favorable (temporary) rerating of the Swiss real estate sector.

Looking at numbers post FY reporting and looking at the underlying market developments (i.e. according to SNB statistics), we note that rents for office and retail space yoy show a negative trend for the first nine months of 2021. Also, companies expect potentially higher underlying vacancy rates, especially in non-prime locations. This points to potential negative revaluation pressure in 2022, in our view. Therefore when considering a 12-month perspective, we continue to take a cautious stance on the sector.

### What to ask the management?

- Could you provide an update on what you see in transaction market prices?
- How do you see the medium-term impact of the "more home office" trend?
- Could you provide an update on your development projects?

### Key financials

CHF mn	2020	2021E	2022E	2023E	CAGR (%)
Net income	610.5	551.6	317.0	292.6	-21.7
FFOps (CHF)	5.64	3.81	3.92	3.90	-11.6
NAVps (CHF)	95.42	100.53	101.24	101.46	2.1

### Valuation ratios

%	2020	2021E	2022E	2023E
NAV prem./discount	-2.7	-9.0	-13.0	-13.2
FFO yield	6.1	4.2	4.5	4.4
Dividend yield	3.6	3.8	4.1	4.2

Source: Company data, Baader Helvea Equity Research

Swiss Prime Site

Key data

FY 31 Dec.	2018	2019	2020	2021E	2022E	2023E
<b>Share data</b>						
EPS adjusted (CHF)	3.95	4.14	6.27	4.46	4.08	3.93
Indirect investment result (CHF)	0.32	3.86	1.77	2.80	0.09	-0.08
EPS reported (CHF)	4.27	8.00	8.04	7.26	4.17	3.85
<b>FFOps (CHF)</b>	<b>3.54</b>	<b>3.71</b>	<b>5.64</b>	<b>3.81</b>	<b>3.92</b>	<b>3.90</b>
Dividend (CHF)	3.80	3.80	3.35	3.50	3.60	3.70
Book value (CHF)	67.74	71.87	80.13	84.02	84.70	84.95
<b>NAV adj. (CHF)</b>	<b>87.14</b>	<b>86.32</b>	<b>95.42</b>	<b>100.53</b>	<b>101.24</b>	<b>101.46</b>
Number of shares (outstanding; mn)	75.9	75.9	75.9	76.0	76.0	76.0
Share price (avg./current; CHF)	87.13	91.05	92.88	91.47	88.05	88.05
Market cap. (avg./current; CHF mn)	6,327.2	6,915.0	7,551.5	6,764.7	6,688.7	6,688.7
Enterprise value (CHF mn)	11,218.6	12,122.1	12,572.5	11,853.3	11,982.2	12,073.8
<b>Valuation</b>						
P/E adj. (x)	22.1	22.0	14.8	20.5	21.6	22.4
<b>FFO yield (%)</b>	<b>4.1</b>	<b>4.1</b>	<b>6.1</b>	<b>4.2</b>	<b>4.5</b>	<b>4.4</b>
Dividend yield (%)	4.4	4.2	3.6	3.8	4.1	4.2
Implied yield (EBITDA/EV) (%)	3.9	3.7	3.0	3.7	3.5	3.3
<b>P/NAV (x)</b>	<b>1.00</b>	<b>1.05</b>	<b>0.97</b>	<b>0.91</b>	<b>0.87</b>	<b>0.87</b>
P/BV (x)	1.29	1.27	1.16	1.09	1.04	1.04
ROCE/WACC (x)	1.08	1.01	1.27	0.87	0.90	0.88
(EV/CE)/(ROCE/WACC) (x)	0.84	0.93	0.74	0.97	0.94	0.97
<b>Key company data</b>						
Rental income growth (%)	2.0	1.6	-12.8	1.1	0.6	-1.3
EBITDA growth (%)	3.1	3.8	-17.3	18.3	-5.9	-2.6
<b>FFO growth (%)</b>	<b>-6.8</b>	<b>9.5</b>	<b>51.7</b>	<b>-36.9</b>	<b>2.9</b>	<b>-0.4</b>
FFO per share growth (%)	-11.7	4.8	52.0	-32.4	2.9	-0.5
DPS growth (%)	0.0	0.0	-11.8	4.5	2.9	2.8
EBITDA margin adj. (%)	90.2	92.2	87.4	102.4	95.7	94.5
ROE recurring (%)	0.0	0.0	0.0	0.0	0.0	0.0
Net gearing (%)	95.1	95.4	82.5	79.7	82.3	83.5
<b>Net loan-to-value (%)</b>	<b>46.1</b>	<b>46.5</b>	<b>46.9</b>	<b>47.6</b>	<b>46.6</b>	<b>0.0</b>
Equity ratio (%)	43.9	44.4	47.8	48.3	47.8	47.5
Interest cover (x)	5.7	6.0	5.6	5.5	5.5	0.0
<b>Income statement (CHF mn)</b>						
Total revenues	1,473.7	1,404.8	869.8	965.0	971.3	919.9
Gross rental income	479.4	486.9	424.7	429.2	431.9	426.2
Net rental income	344.8	347.9	353.0	373.3	375.8	371.1
EBITDA	432.5	448.9	371.3	439.4	413.4	402.7
EBIT	477.5	627.3	557.1	725.3	405.7	376.2
EBT	404.0	559.5	703.5	680.3	360.3	328.8
EBT adjusted	336.5	356.1	500.1	376.8	350.4	337.7
Net profit after minorities	310.3	607.6	610.5	551.6	317.0	292.6
<b>Funds from operations (FFO)</b>	<b>275.9</b>	<b>302.1</b>	<b>458.2</b>	<b>289.2</b>	<b>297.7</b>	<b>296.5</b>
<b>Balance sheet (CHF mn)</b>						
Investment property	10,544	11,030	11,342	11,280	11,139	11,804
Non-current assets	11,299	11,831	12,213	12,645	12,879	12,963
Cash and equivalents	185	174	143	176	168	170
Current assets	410	470	513	570	586	613
<b>Total assets</b>	<b>11,709</b>	<b>12,301</b>	<b>12,726</b>	<b>13,215</b>	<b>13,466</b>	<b>13,576</b>
Equity	5,145	5,459	6,086	6,383	6,434	6,453
Interest bearing debt	5,076	5,381	5,164	5,265	5,462	5,555
<b>Total equity and liabilities</b>	<b>11,709</b>	<b>12,301</b>	<b>12,726</b>	<b>13,215</b>	<b>13,466</b>	<b>13,576</b>
Net debt	4,891	5,207	5,021	5,089	5,294	5,385
<b>Cash flow (CHF mn)</b>						
Cash flow from operating activities	262.9	338.1	234.7	298.1	300.1	288.9
Cash flow from investing activities	-498.1	-341.0	233.8	-111.3	-239.1	-107.0
Free cash flow	-235.3	-2.9	468.5	186.8	61.0	181.9
Dividend paid	-271.6	-288.6	-288.7	-254.5	-265.9	-273.5
Cash flow from financing activities	260.7	-8.5	-498.9	-153.8	-69.3	-179.7
Changes in cash position	25.4	-11.5	-30.3	33.0	-8.3	2.2

Source: Company data, Baader Helvea Equity Research



## Swiss Prime Site

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Research Documents with recommendation changes (rating or target price) published in the twelve months prior to the publication of this Research Document covering the same financial instruments or issuers.

Company	Date	Rating	Currency	Target price	Closing price as of	Analyst	
Swiss Prime Site	03-Sep-21	Reduce	CHF	97.00	98.50	02-Sep-21	Andreas von Arx
Swiss Prime Site	10-Aug-21	Reduce	CHF	95.00	98.40	09-Aug-21	Andreas von Arx
Swiss Prime Site	02-Mar-21	Reduce	CHF	85.00	86.25	01-Mar-21	Andreas von Arx

10 January 2022

## VAT Group

Switzerland

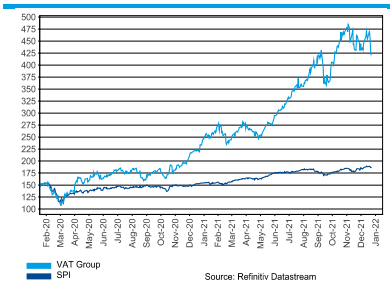
### Capital Goods

Reuters: VACN.S Bloomberg: VACN SE

### Add

Closing price as of 07-Jan-22	CHF 421.40
<b>Target price</b>	<b>CHF 440.00</b>
High/Low (12M)	CHF 484.20/223.00
Market cap.	CHF mn 12,638
Enterprise value	CHF mn 12,704
Free float	100.0%
Avg. daily turnover	CHF mn 38.03

### Price relative to Index



Performance (%)	1M	3M	6M
Absolute	-8.6	14.5	32.1
rel. SMI	-10.4	7.0	27.3
rel. STOXX Europe 600	-9.8	8.5	26.3
rel. SXXP Industrials	-9.8	7.9	25.8

### Analyst:

**Emrah Basic, CFA**

+41 43 388 9250

ebasic@helvea.com

## Strong position in semi industry with solid outlook comes with premium valuation (yet justified)

■ **Investment case:** VAT is the undisputed leader in the global vacuum valve market given its superior growth, profitability and cash flow/return profile and sharp strategic profile. In a long-term perspective, the growth prospects for VAT remain intact and upbeat due to VAT's unrivalled competitive positioning (8x bigger than No. 2, further share gains) and VAT's vacuum valves benefiting disproportionately from the continuous increase of the vacuum intensity in chip manufacturing. The current outlook remains very positive: **1)** Semiconductor market outlook remains positive for 4Q and well into 2022, **2)** order activity expected to remain at a high level, **3)** 4Q net sales expected at CHF 240-250mn, **4)** full-year net sales forecast at CHF 885-895mn, **5)** full-year EBITDA margin expected to be above half-year level of 33.9% (Baader Helvea (E) FY21E 35.4%), **6)** net income substantially above 2020 level, **7)** full-year capital expenditure expected to be around CHF 40mn, and **8)** record full-year free cash flow as EBITDA growth more than offsets working capital requirements.

■ Our Add rating is based upon: **1)** The ongoing strong market demand, **2)** VAT's ability to grow faster than the market, **3)** solid business execution by management, **4)** strong balance sheet, and **5)** high margins (EBITDA ~35%). Contrarian investors are (likely) better off showing patience for a next possible downturn in the semiconductor market. As downside risk to our positive investment scenario, we would like to flag: **1)** Increased geopolitical tensions (especially US-China regarding Taiwan) and **2)** (suddenly) increasing interest rates.

### What to ask the management?

- What is your current business model and how has VAT changed, for instance, over the past 5-10 years? What drove the decision to go pure play, focused on high-end vacuum valves?
- Comment on the major steps you are taking to achieve your 2025 targets of CHF 1.1bn sales and 30-35% EBITDA margin over the cycle. What are the major risks which could threaten VAT to achieve these targets?
- What are the largest risks for an investor?
- Where are we in the current investment cycle for semiconductors and what can we expect on the profitability side in 2022?
- How are the discussions you currently have with your three largest customers (roughly 40% of your total sales)?
- What are the biggest challenges you currently face?
- VAT is superior in terms of product spectrum (broader), size (largest player) and technology (best performance). What do you expect from other market participants and why do you think VAT can further increase its market share?
- Please explain VAT's positioning within the value chain of the vacuum/process industry.
- Your products (isolation valves, transfer and control valves) are high-tech and complex. Using one of your products, can you explain its key characteristics, complexity in production (barriers to entry?), product life cycle and how your customers benefit from your products (vs. peers)?

### Key financials

CHF mn	2020	2021E	2022E	2023E	CAGR (%)
Sales	692.4	893.0	1,043.2	1,131.9	17.8
EBIT adj.	176.3	265.4	317.1	347.6	25.4
EPS adj. (CHF)	4.45	6.86	8.26	9.09	26.9

### Valuation ratios

x	2020	2021E	2022E	2023E
EV/Sales	7.5	13.6	12.2	11.2
EV/EBIT adj.	29.3	45.9	40.1	36.4
P/E adj.	37.6	58.7	51.0	46.4

Source: Company data, Baader Helvea Equity Research

VAT Group

Key data

FY 31 Dec.	2018	2019	2020	2021E	2022E	2023E
<b>Share data</b>						
EPS reported (CHF)	4.53	2.50	4.45	6.86	8.26	9.09
<b>EPS adjusted (CHF)</b>	<b>4.53</b>	<b>2.50</b>	<b>4.45</b>	<b>6.86</b>	<b>8.26</b>	<b>9.09</b>
Dividend (CHF)	4.00	4.00	4.50	6.15	7.26	8.71
Book value (CHF)	18.82	17.46	18.52	20.88	22.98	24.81
Free cash flow (CHF)	4.11	4.57	4.86	6.15	7.26	8.71
Avg. no. of shares (mn)	30.0	30.0	30.0	30.0	30.0	30.0
Market cap. (avg./current; CHF mn)	3,900.9	3,612.6	5,017.1	12,086.0	12,637.8	12,637.8
Enterprise value (CHF mn)	4,086.3	3,795.6	5,168.4	12,186.5	12,703.8	12,659.2
<b>Valuation</b>						
<b>P/E adj. (x)</b>	<b>28.7</b>	<b>48.2</b>	<b>37.6</b>	<b>58.7</b>	<b>51.0</b>	<b>46.4</b>
P/BV (x)	6.9	6.9	9.0	19.3	18.3	17.0
FCF/EV (%)	3.0	3.6	2.8	1.5	1.7	2.1
FCF yield (%) (FCF/Mcap.)	3.2	3.8	2.9	1.5	1.7	2.1
Dividend yield (%)	3.1	3.3	2.7	1.5	1.7	2.1
EV/Sales (x)	5.9	6.7	7.5	13.6	12.2	11.2
EV/EBITDA adj. (x)	19.0	24.6	23.8	39.5	35.0	32.1
EV/EBIT adj. (x)	22.7	35.2	29.3	45.9	40.1	36.4
EV/CE (x)	4.7	4.5	6.0	13.4	13.3	12.8
ROCE/WACC adj. (x)	2.6	1.6	2.6	3.6	4.0	4.2
<b>Key company data</b>						
Sales growth (%)	0.8	-18.3	21.4	29.0	16.8	8.5
EBITDA adj. growth (%)	0.1	-28.4	41.0	42.0	17.6	8.9
EBITDA adj. margin (%)	30.8	27.0	31.4	34.5	34.8	34.9
<b>EBIT adj. margin (%)</b>	<b>25.7</b>	<b>18.9</b>	<b>25.5</b>	<b>29.7</b>	<b>30.4</b>	<b>30.7</b>
Net adj. margin (%)	19.4	13.1	19.3	23.0	23.7	24.1
Free cash flow margin (%)	17.7	24.0	21.1	20.7	20.9	23.1
Payout ratio (%)	88.3	160.3	101.1	89.7	87.9	95.8
Gearing (%) (net debt/equity)	26.2	27.6	23.1	12.4	6.2	-0.3
Net debt/EBITDA (x)	0.7	0.9	0.6	0.3	0.1	0.0
Equity ratio (x) (equity/total assets)	58.3	53.8	55.4	57.0	58.4	59.6
Capital employed (CHF mn)	868.7	846.3	866.6	906.7	956.3	988.4
ROCE adj. (%)	18.5	11.3	18.6	25.8	28.9	30.5
<b>Income statement (CHF mn)</b>						
Turnover	698.1	570.4	692.4	893.0	1,043.2	1,131.9
EBITDA	215.2	154.0	217.2	308.4	362.6	394.7
EBITDA adj.	215.2	154.0	217.2	308.4	362.6	394.7
EBIT	179.8	107.7	176.3	265.4	317.1	347.6
EBIT adj.	179.8	107.7	176.3	265.4	317.1	347.6
EBT	166.6	99.0	160.7	250.2	302.0	332.5
Net profit after minorities	135.8	74.8	133.5	205.7	247.7	272.7
Net profit adj.	135.8	74.8	133.5	205.7	247.7	272.7
<b>Balance sheet (CHF mn)</b>						
Non-current assets	687	673	655	654	661	659
thereof goodwill	0	0	0	0	0	0
Current assets	281	300	346	444	520	590
<b>Total assets</b>	<b>968</b>	<b>973</b>	<b>1,002</b>	<b>1,098</b>	<b>1,181</b>	<b>1,249</b>
Shareholders' equity	564	523	555	626	689	744
<b>Total equity and liabilities</b>	<b>968</b>	<b>973</b>	<b>1,002</b>	<b>1,098</b>	<b>1,181</b>	<b>1,249</b>
Net debt	148	144	128	77	43	-2
<b>Cash flow (CHF mn)</b>						
Cash flow from operations	171.1	154.8	171.6	226.5	269.9	306.4
of which change in working capital	-13.3	25.0	-18.4	-22.2	-23.2	-13.5
Cash flow from investments	-47.8	-17.9	-25.8	-42.0	-52.2	-45.3
of which investment in fixed assets	-48.2	-18.1	-25.9	-42.0	-52.2	-45.3
<b>Free cash flow</b>	<b>123.2</b>	<b>137.0</b>	<b>145.8</b>	<b>184.5</b>	<b>217.8</b>	<b>261.1</b>
Dividends paid	-119.8	-119.9	-119.9	-135.0	-184.5	-217.8
Cash flow from financing activities	-116.4	-108.1	-116.9	-133.5	-183.0	-216.3
<b>Change in cash position</b>	<b>6.4</b>	<b>27.9</b>	<b>26.8</b>	<b>51.0</b>	<b>34.8</b>	<b>44.8</b>

Source: Company data, Baader Helvea Equity Research

## VAT Group

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Research Documents with recommendation changes (rating or target price) published in the twelve months prior to the publication of this Research Document covering the same financial instruments or issuers.

Company	Date	Rating	Currency	Target price	Closing price as of	Analyst	
VAT Group	15-Oct-21	Add	CHF	440.00	403.00	14-Oct-21	Rolf Renders
VAT Group	11-Oct-21	Add	CHF	400.00	363.80	08-Oct-21	Rolf Renders
VAT Group	18-Mar-21	Add	CHF	260.00	251.80	17-Mar-21	Jorg Schirmacher, CFA

## Target RoE is above 14%

### Our investment view

Zurich Financial Services Group is one of the top five global insurers. Zurich considers itself to be second in market share worldwide in the non-life business, behind Allianz. The number of retail customers was 52.2m at the end of June 2021. However, in terms of gross written premiums (GWP), it is in fourth position. The ranking difference depends on the somewhat strange construction of Zurich's US business. Farmers is Zurich Group's main market brand for personal insurance in the US, providing homeowner, auto and life insurance, with more than 20 million policies. The insurance business belongs to Farmers Exchanges, which is managed by Zurich although not owned. The special construction of the US business should deliver Zurich a stable pre-tax profit contribution from Farmers Management Services, despite the vulnerability of the US market. Zurich announced in December 2020 that its subsidiary Farmers Group (FGI) and Farmers Exchanges have agreed to acquire MetLife's US property and casualty business for \$3.9bn which was completed in April 2021. The backbone of Zurich is its non-life insurance (Property & Casualty) business which contributes around 50% to group profits in normal years. Zurich has been the most profitable insurance company in our universe for years. It released at its investors day in November 2019 new targets for the period 2020 to 2022. Zurich is targeting to generate a ROE in excess of 14% (old 12% for 2017/19) on business operating profit after tax (BOPAT ROE) and an organic growth of EPS of at least 5% per annum for FY2020 to FY2022. Other targets for this period are a cumulative cash remittance in excess of \$11.5bn (old above \$9.5bn) at the holding, a Z-ECN (Zurich Economic Capital Model) range between 100% and 120% (unchanged). The dividend policy based on sustainable earnings growth targeting a payout of around 75% is unchanged. Zurich released strong H1 21 figures which were supported by lower COVID-19 burdens of \$73m in H1 21 compared to \$686m for H1 20. Zurich confirmed its 2022 targets.

### What to ask the management?

- Zurich's subsidiary Farmers Group (FGI) and Farmers Exchanges acquired MetLife's US property and casualty business to strengthen the US business of Farmers Exchanges. Can you elaborate a little bit more on the business logic of the acquisition, your targets and the benefits for Zurich?
- M&A was always an important element for Zurich to increase volume in target countries. What are the conditions for an acquisition? What are the conditions for a sale? How important are distribution agreements in the future?
- What are your expectations and outlook regarding the COVID-19 impact on the insurance sector and, specifically, Zurich for FY2021 and coming years? What challenges and opportunities do you see in your international retail markets?
- What challenges and opportunities do you see in your industrial lines business? What pricing trends is Zurich observing in the industrial lines business? Where do you see further restructuring needs?
- More and more listed financial companies are currently updating their ESG policies regarding the challenges of climate change. You did as well. What is the view of Zurich on this trend? Do you intend to update your ESG policy regarding climate change and standards further?

<b>Add</b>	<b>Upside: 8.22%</b>
Target Price (6 months)	CHF 455
Share Price	CHF 420
Market Cap. CHFM	63,193
Price Momentum	<b>GOOD</b>
Extremes 12Months	339 ▶ 420
Sustainability score	7.1 /10
Credit Risk	→
Fundamental Strength	8 /10
Bloomberg	ZURN SW Equity
Reuters	ZURN.S



Analyst : Dieter HEIN

### Equity Sales [EquitySales@baaderbank.de](mailto:EquitySales@baaderbank.de)

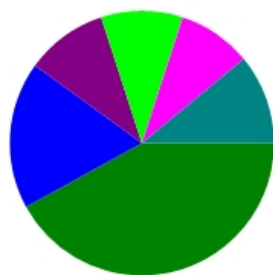
Frankfurt	+49 69 1388 1357
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New York	+1 212 935 5150

PERF	1w	1m	3m	12m
Zurich Insurance Group	4.90%	7.09%	9.01%	14.0%
Insurance	4.66%	6.81%	11.6%	25.3%
STOXX 600	-0.32%	1.86%	6.04%	19.0%

Sector Opinion	<b>Underweight</b>
Strongest upside	Score
Worst potential	Storebrand

Last updated: 22/09/2021	12/20A	12/21E	12/22E	12/23E
Adjusted P/E (x)	11.9	12.3	12.2	11.0
Dividend yield (%)	5.91	5.45	5.48	5.95
P/Book (x)	1.40	1.56	1.60	1.53
Adjusted Eps (\$)	30.3	34.4	37.6	41.6
Growth in EPS (%)	-6.87	13.6	9.19	10.7
Dividend (CHF)	20.0	21.0	23.0	25.0
Revenues (\$M)	58,983	61,500	63,430	65,050
Operating profit (\$M)	6,077	7,088	7,724	8,486
Attributable net profit (\$M)	3,834	4,415	4,922	5,481
ROE (after tax) (%)	12.4	13.1	13.6	14.2
Embedded Value per share ...	242	271	238	248
Gearing (%)	8.87	19.6	21.4	11.0

## Sales by Geography



Americas (42.0%)
Europe (18.0%)
Germany (10.0%)
UK (10.0%)
Switzerland (9.0%)
Other (11.0%)

## Consolidated P&L Accounts

		12/20A	12/21E	12/22E
Net Insurance related income	\$M	58,026	60,200	62,230
Operating revenues	\$M	58,983	61,500	63,430
Staff costs	\$M	-6,306	-6,754	-7,044
Combined ratio (non life insurance)	%	98.0	97.0	97.0
Gross Operating Profit	\$M	6,288	7,246	7,886
Underlying operating profit	\$M	6,077	7,088	7,724
<b>Operating profit</b>	<b>\$M</b>	<b>5,377</b>	<b>6,338</b>	<b>7,014</b>
Corporate tax	\$M	-1,323	-1,670	-1,830
Attributable net profit	\$M	3,834	4,415	4,922
<b>Adjusted attributable net profit</b>	<b>\$M</b>	<b>4,534</b>	<b>5,165</b>	<b>5,632</b>

## Cashflow Statement

		12/20A	12/21E	12/22E
Adjusted EBIT	\$M	6,288	7,246	7,886
Cash Incr. (Decr.)	\$M	136	-1,600	-1,600
Net investments in shares	\$M			
Total investment flows	\$M	-496	-550	-500
Dividends (parent company)	\$M	-3,080	-3,199	-3,160
Interest expenses relating to LT fundi...	\$M	0.00	0.00	0.00
New shareholders' equity	\$M	-214		
Change in gross debt	\$M			
Total financial flows	\$M	-2,672	-3,499	-3,360
Change in net debt position	\$M	3,199	327	696

## Per Share Data

		12/20A	12/21E	12/22E
No of shares net of treas. stock	Mio	148	149	149
Number of diluted shares (average)	Mio	150	150	150
benchmark EPS	\$	30.3	34.4	37.6
Restated NAV per share	\$			
Net dividend per share	CHF	20.0	21.0	23.0

## Valuation Summary

Benchmarks	Value	Weight	Largest comparables
Embedded value	CHF 419	40%	● Generali
P/E	CHF 482	20%	● Sampo
NAV/SOTP per share	CHF 460	15%	● Allianz
Dividend Yield	CHF 553	15%	● AXA
P/Book	CHF 387	10%	
TARGET PRICE	CHF 455	100%	

## Balance Sheet

		12/20A	12/21E	12/22E
Investments related to Insur. Activities	\$M	345,456	341,000	345,300
Total assets	\$M	439,299	426,600	434,100
Ordinary shareholders' equity	\$M	38,278	40,517	42,583
Of which unrealised capital gains	\$M	5,701	5,000	4,400
Preference shares	\$M			
Minority interests	\$M	1,568	1,580	1,600
Subordinated Debt	\$M	13,776	18,000	13,500
Provisions for pensions	\$M	2,170	-3,977	-3,983
Liabilities arising from Insur. Activities	\$M	257,913	251,100	255,000
Net debt (cash)	\$M	2,670	13,200	5,000
Total liabilities and shareholders' equity	\$M	439,299	426,600	434,100
Average net debt (cash)	\$M	3,395	7,935	9,100

## Solvency & Risks Ratios

		12/20A	12/21E	12/22E
Solvency margin (given by group)	\$M	46,300	47,000	48,000
<b>ROE (after tax)</b>	%	<b>12.4</b>	<b>13.1</b>	<b>13.6</b>
<b>RoEmb.V</b>	%	<b>12.6</b>	<b>12.8</b>	<b>15.8</b>
Gross gearing (at book value)	%	8.87	19.6	21.4
Total debt gross/market cap	%	25.8	28.6	19.8

## Valuation Ratios

		12/20A	12/21E	12/22E
<b>Reference P/E (benchmark)</b>	x	<b>11.9</b>	<b>12.3</b>	<b>12.2</b>
<b>P/Book</b>	x	<b>1.40</b>	<b>1.56</b>	<b>1.60</b>
<b>Dividend yield</b>	%	<b>5.91</b>	<b>5.45</b>	<b>5.48</b>

## Embedded Value

		12/20A	12/21E	12/22E
Life Embedded Value	\$M	22,900	22,340	21,570
Non life Embedded Value	\$M	13,000	18,000	14,000
<b>Total Embedded value</b>	<b>\$M</b>	<b>35,900</b>	<b>40,340</b>	<b>35,570</b>

Analyst : Dieter Hein, Changes to Forecasts : 22/09/2021.

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**Baader Bank AG, Weihenstephaner Strasse 4, 85716 Unterschleissheim, Germany**

**Baader Helvea AG, Talstrasse 9, 8001 Zurich, Switzerland**

**Baader Helvea Limited, 5 Royal Exchange Buildings, London EC3V 3NL, United Kingdom**

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## Contacts

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### Markus Mayer

Head of Research  
+49 89 5150 1818  
markus.mayer@baaderbank.de

### EQUITY RESEARCH

#### Capital Goods

Capital Goods (Switzerland)	Emrah Basic, CFA	+41 43 388 9250	ebasic@helvea.com
Capital Goods	Christian Obst, CEFA	+49 89 5150 1805	christian.obst@baaderbank.de
Capital Goods (Germany)	Peter Rothenaicher	+49 89 5150 1817	peter.rothenaicher@baaderbank.de

#### Chemicals

Markus Mayer	+49 89 5150 1818	markus.mayer@baaderbank.de
Konstantin Wiechert	+49 89 5150 1804	konstantin.wiechert@baaderbank.de

#### Consumer

Consumer Durables / Food Retail / Non-Food Retail Food & Beverages	Volker Bosse, CEFA Co-Head Equity Research Andreas von Arx Head of Swiss Equity Research	+49 89 5150 1815  +41 43 388 9257	volker.bosse@baaderbank.de  avonarx@helvea.com
--	---	---	--

#### Financial Services

Tim Dawson	+41 43 388 9232	tdawson@helvea.com
Andreas von Arx	+41 43 388 9257	avonarx@helvea.com

#### Metals & Mining

Christian Obst, CEFA	+49 89 5150 1805	christian.obst@baaderbank.de
----------------------	------------------	------------------------------

#### Pharma

Leonildo Delgado, PhD	+41 43 388 9226	ldelgado@helvea.com
-----------------------	-----------------	---------------------

#### Real Estate

Andre Remke, CFA Co-Head Equity Research	+49 89 5150 1816	andre.remke@baaderbank.de
Andreas von Arx	+41 43 388 9257	avonarx@helvea.com

#### Technology

Software / IT Services / Support Services	Knut Woller, CEFA	+49 89 5150 1807	knut.woller@baaderbank.de
---	-------------------	------------------	---------------------------

#### Transport

Christian Obst, CEFA	+49 89 5150 1805	christian.obst@baaderbank.de
----------------------	------------------	------------------------------

### EQUITY STRATEGY

Gerhard Schwarz, CEFA Head of Equity Strategy	+49 89 5150 1812	gerhard.schwarz@baaderbank.de
--	------------------	-------------------------------

### EQUITY SALES

Frankfurt	+49 69 1388 1357
London	+44 20 7054 7100
Munich	+49 89 5150 1850
Zurich	+41 43 388 9200

### DERIVATIVES SALES

Munich	+49 89 5150 1990
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### EQUITY SALES TRADING

Frankfurt	+49 69 1388 1355
London	+44 20 7054 7100
Munich	+49 89 5150 1870
New York	+1 212 935 5150
Zurich	+41 43 388 9200

#### For North American clients:

New York	+1 212 935 5150
----------	-----------------

### PUBLICATION ADDRESSES

**Baader Bank AG**  
**Equity Research**  
Weihenstephaner Strasse 4  
85716 Unterschleissheim, Germany

T +49 89 5150 1810

**Baader Helvea AG**  
**Equity Research**  
Talstrasse 9  
8001 Zurich, Switzerland

T +41 43 388 9250