

Swiss convictions

Recommended since 14.08.2015

24.05.2022



Country CH	Market capitalization (bn) CHF 2.8	Perf. since reco. (%)
Sector Financial Services	Free float 35.6%	VZ Holding AG 47.1
Factset VZN-CH	Closing price CHF 71.80	Market 25.9
ISIN CH0528751586	ESG Risk score* #N/A #N/A	

Profile

VZ Holding is a financial services provider offering services including retirement planning, wealth management advice, asset management for individual clients, insurance and corporate pension fund management. The company was founded in 1992 by Matthias Reinhart (who still has a 61% stake) and is headquartered in Zurich.

Strengths/opportunities

- Favourable population growth (over-50s).
- Defensive business model based on conservative positioning.
- Very strong balance sheet and very high solvency (CET1 > 25%).

Weaknesses/threats

- Dividend policy not very generous (but helps finance growth).
- Low free float: leftover from founder's majority shareholding.

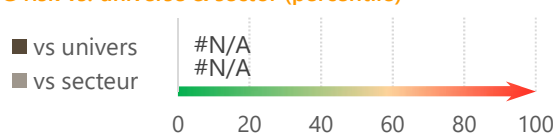
Investment case

- VZ offers a defensive play in a more unstable environment thanks to its low sensitivity to interest rates and lack of exposure to credit risk. Three quarters of its revenue is from more recurrent management fees.
- The group has more than CHF 39bn under management and continues to grow at a sustained pace (10-15% a year). Assets under management grew 24% YoY in 2021 thanks to very strong net inflows of CHF 4.8bn (up 14% annualised).
- VZ will continue to benefit from an ageing population seeking high-quality advice in various areas (retirement savings, independent portfolio management, mortgages, etc.).
- Furthermore, unlike many other Swiss financial firms, VZ faces no major headwinds in respect of regulation or uncertainty linked to private banking secrecy.
- Gradual growth in the wealth management client base offers cross-selling potential.
- For 2022, management expects "demand to remain strong. If the economy and stock markets normalise, revenues and profits should continue to grow at the same rate."

Valuation

VZ is currently trading 10% below its 5-year average on the basis of 23e earnings. This is not excessive and is consistent with an ROE that is 40% > the sector average.

ESG risk vs. universe & sector (percentile)*



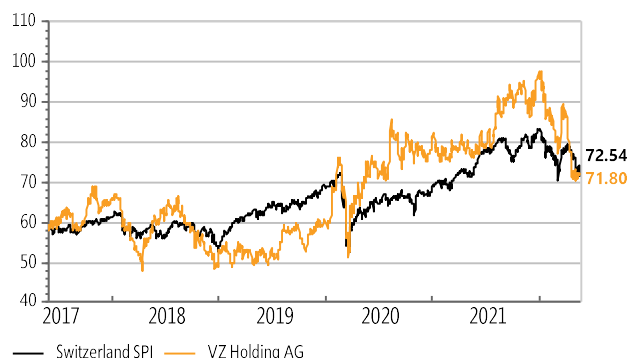
CHF	12/2021	2022e	2023e
Sales revenue (mio)	392	#N/A	#N/A
Sales growth	18.0%	#N/A	#N/A
EBIT adjusted (mio)	#N/A	#N/A	#N/A
% of sales	#N/A	#N/A	#N/A
Net income (mio)	143	157	165
Net income growth	21.6%	10.0%	5.0%
CET1	31.3%	31.3%	31.0%
ROE	20.2%	20.1%	19.9%
Dividend yield	2.2%	2.5%	2.7%
PE	27.0x	18.2x	16.7x
P/BV	5.5x	3.7x	3.3x

Factset estimates

ESG - risks and key points

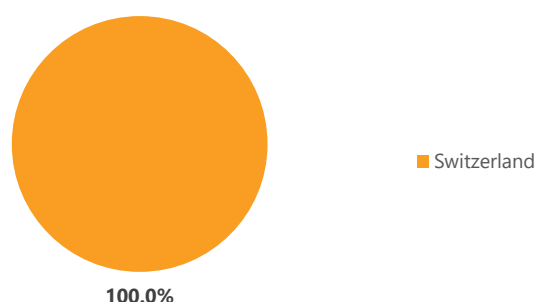
- VZ has not been involved in any particular controversies in relation to ESG issues – a good thing, too, since management has adopted a minimalist approach to such issues, falling short of GRI reporting standards.
- Management of data privacy and security is below the industry average.
- VZ has a committee responsible for governance but nothing at all for environmental and social issues.

5-year performance vs SPI



Source: FactSet

Sales breakdown - 12/2021



Glossary

Satellite

From 2015, B&Cie separates its investment recommendations into Core Holdings (higher organic growth potential, high free cash flow, ROCE in excess of the cost of capital and balance sheet efficiency throughout the cycle) and Satellite Recommendations, which do not meet the above criteria but are likely to outperform in the short-to-medium term.

ESG Risk Score

At B&Cie, we take particular care to ensure that the companies in which we recommend investing are sustainable. Accordingly, our selection process takes account of risks relating to environmental, social and governance (ESG) issues. This approach is underpinned by research from Sustainalytics, the global leader in ESG and corporate governance analysis, whose methodology aims to identify major controversies and risks and assess a company's ESG risks relative to both its sector and the investment universe as a whole. The corresponding score is expressed as a percentile: the lower the overall risk score, the lower the risk within the investment universe.

b-Digital, b-Transition & b-Well

Over and above the conventional geographical and sectoral approaches to asset management, at B&Cie we believe the world of tomorrow is being shaped by structural trends. We have identified three main megatrends: ongoing digital globalisation of the economy; economic transition, particularly in the energy sector; and the quest for wellness. We believe selecting and investing in companies that play an active role in these transformations should lead to more resilient portfolios that generate higher long-term returns. Our investment recommendations in the digital globalisation space are labelled "b-Digital", those in the economic transition space "b-Transition" and those in the wellness space "b-Well". A given recommendation may fall under more than one theme, in which case it will carry the relevant matching labels.

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