SWISSQUOTE
MAGAZINE

FINANCE AND TECHNOLOGY UNPACKED

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US ELECTIONS
Stock market scenarios

KOENIG & BAUER
Lausanne's money printing press

WEIGHT LOSS
Anti-obesity drugs tip market scales

DOSSIER

Eastern Europe conquers the markets

15 companies Western investors should watch

→ POLAND → CZECH REPUBLIC → HUNGARY → BULGARIA → CROATIA → ROMANIA → SLOVENIA → SLOVAKIA

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OMEGA

EDITORIAL

So close

When new neighbours arrive, sometimes it's difficult to go to meet them for the first time. We don't want to intrude, and if we're being honest, sometimes we're a bit wary of newcomers. Twenty years ago, in 2004, ten countries – including Poland, Czech Republic, Slovakia, Hungary and Slovenia – joined the European Union (EU), followed a few years later by Bulgaria and Romania (2007), and then Croatia (2013). But old stereotypes die hard. When we think of countries in eastern Europe, it's hard not to think of austere, grey villages with Stalinist architecture. And in terms of the economy, the myth of the "Polish plumber" still lingers in the collective mind.

And yet, all we need to do is open the door, go to Warsaw for example, to see just how much we actually don't know about the country. Poland, for example, has completely transformed itself in recent decades and is rapidly approaching western culture. The Zamosc marketplace (*rynek* in Polish), with its intricate and colourful façades, has become a symbol of Europe, and the skyline, overlooking the Palace of Culture, now is a sign of an economic miracle in the east.

Far from being simply a home to multinational subsidiaries looking for cheap labour, countries from the former Soviet bloc have spent the last two decades crafting national champions that are now exported to the West. Polish video game house CD Projekt, for example, is well-known to gamers worldwide thanks to its saga *The Witcher*. And Polish e-commerce site Allegro is even outpacing Amazon in certain countries (Poland, Czech Republic, Slovakia, Hungary, Croatia and Slovenia). Romanian company UiPath has also become the global leader in automation in just a few years.

However, many investors continue to ignore the financial markets in Eastern Europe, often to their own detriment. As you will read in our features, these countries are home to a stunning concentration of high-quality companies. It's time to put aside our old-fashioned thinking, open the door and set out to meet our new neighbours.

We hope you enjoy reading!

BY MARC BÜRKI,
CEO OF SWISSQUOTE

contents

impressum

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Launched in January by Royal Caribbean, the Icon of the Seas, the world's largest cruise ship, is boosting the cruise operator's results.

HOLIDAYS

Set sail on a joy cruise

Cruises are trending. Around 36 million passengers will board cruise ships in 2024, 14% more compared to 2023. But the industry still struggles to appeal to Generation Z. To change that, cruises now focus on their interests. Royal Caribbean organised a Taylor Swift-themed trip to the Bahamas, with karaoke and fancy dress parties. Nudist cruise specialist Bare Necessities also has the wind in its sails, teaming up with Carnival Cruise and Norwegian Cruise for cruises in Mexico and the Caribbean respectively. Other themed trips centre around Star Trek, wrestling or Emo music. → RCL → CCL → NCLH

RANKING

Top 5 electric battery manufacturers
(based on their shipment market share in 2023)

1. CATL (CHINA) **35.6%**
2. BYD (CHINA) **15.6%**
3. LG ENERGY SOLUTION (SOUTH KOREA) **14.9%**
4. SK ON (SOUTH KOREA) **6.6%**
5. SDI (CHINA) **5.7%**

Source: SNE Research

Five cities with the worst overtourism problem
(based on the number of arrivals per resident in 2023)

1. AMSTERDAM **10.1**
2. PARIS **8**
3. MILAN **6.3**
4. BARCELONA **5.9**
5. KUALA LUMPUR **5.4**

Source: Forbes

"It's really hard [...] to develop a boldly disruptive shoe on Zoom"

Nike CEO **John Donahoe**, blaming remote work for the decline in innovation.

$3.335 trillion

Nvidia's market capitalisation on June 18, up from $360 billion at the beginning of January 2023. This made the US firm the world's most valuable company, before dropping back to third place. This impressive growth comes from strong demand for its computer chips, fuelled by the artificial intelligence boom.

September's update to AirPods 2 transformed them into hearing aids.

HEALTH

Apple-style hearing aid

For Swiss hearing aid specialist Sonova, an unexpected pseudo-competitor has hit the market: Apple. The software update to its AirPods Pro 2 will turn the devices into sound amplifiers, increasing the volume of certain noises, especially conversations, in real time. When the announcement was made, the share price of Zurich-based Sonova plummeted. But analysts reckon that AirPods will not truly be able to replace a professional hearing aid. Their adjustability and the technology behind them will not be enough for people with severe hearing loss. → AAPL → SOON

"The world cannot absorb China's surplus production"

Ursula von der Leyen, president of the European Commission.

THE IMAGE

A Semi ablaze

Firefighters had better get ready for the day when the Semi arrives on our roads. In August, a Tesla electric semi-trailer truck went off the road in California. The problem? Its batteries caught fire. According to an NTSB report published on 12 September, it took almost 200,000 litres of water and the airdrop of a fire retardant to put out the flames. Mass production of the Semi, currently being tested by customers such as Walmart, is scheduled for 2025. → TSLA

"Mark Zuckerberg is really bullying the industry to follow his lead"

Stefano Maffulli, head of the Open Source Initiative, criticising Meta's refusal to provide open-source large language models.

$240 billion

Amount of bilateral trade between Russia and China in 2023, an increase of two-thirds compared to 2021. This cooperation has been driven by Chinese demand for Russian oil and Moscow's efforts to escape Western sanctions by finding new trading partners.

ENVIRONMENT

CO_2 under water

CO_2 storage in the North Sea has been under discussion for years but is finally about to become a reality. Partners in the Northern Lights project – Equinor from Norway, Shell from the UK and TotalEnergies from France – have begun operating an initial site off the Norwegian coast with the capacity to store up to 1.5 million tonnes of CO_2 per year. Based on demand, it will subsequently be expanded to store 5 million tonnes per year over 25 years. On the other side of the sea, the British company Ineos is heading up Project Greensand, which plans to store 400,000 tonnes of CO_2 per year – building up to 8 million tonnes by 2030 – in Danish waters, in a reservoir 1,800 metres below the seabed. The pilot project is complete, and the site is set to be commissioned by the end of 2025 or early 2026.

The Northern Lights CO_2 storage project in Norway.

APPS

Dry spell for Tinder & co.

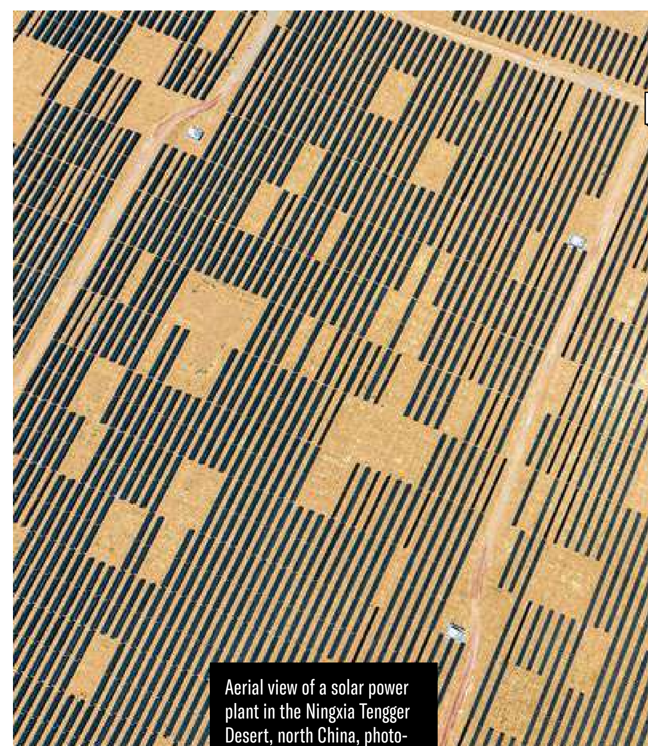
Are dating apps falling out of favour? Last year, they were downloaded 237 million times, down from 287 million in 2020. The number of people using them at least once a month has dropped by 11% since 2021. Revenues from Bumble and Match Group, which includes Tinder and Hinge, are suffering from anaemic growth. Users have fallen out of love with the apps due to frustration, complaining that they are bombarded with unsolicited messages and find it difficult to sift through the thousands of online profiles. These grievances are mainly from women, who represent only 16% of Tinder users. The fear of getting scammed has also increased. The only apps faring decently are those focused on niche demographics, such as Archer (gays), Stir (single parents) or BLK and Chispa (ethnic minorities). → MTCH

Skidata payment terminals in a car park in Dortmund, Germany.

IT

Radical refocusing at Kudelski

Swiss firm Kudelski is planning to shed its subsidiary Skidata, which provides access solutions for ski resorts, car parks, airports and stadiums. Acquired in 2001, the company will be sold to the Swedish firm Assa Abloy, in a deal that sets the enterprise value at €340 million. The sale, expected to be finalised by the end of the year, will enable the Vaud-based group to refocus on its digital security technologies for media, Internet of Things and cybersecurity. The proceeds will be used to repay a 146 million Swiss franc bond that matured in September of this year. However, the divestment will have a significant impact on the Swiss company. Skidata's annual revenue of 326 million Swiss francs represented around half of Kudelski's total revenues. → KUD



Aerial view of a solar power plant in the Ningxia Tengger Desert, north China, photographed on 5 August, 2024.

ENERGY

Surplus solar panels

China dominates solar panel manufacturing. The country's production capacity reached 861 gigawatts last year, or 80% of global output, thanks to years of government subsidies. But that is twice the market's absorption capacity, which has driven down the price of solar panels. This is not good news for Chinese manufacturers. The share prices of Longi, Trina Solar and JinkoSolar have plummeted, and Longi is about to lay off 5% of its workforce. Another manufacturer, Lingda, has withdrawn from plans to build a $1.3 billion plant. Bankruptcies are expected across the industry.

THE QUESTION

What impact will the Fed's interest rate cuts have on commodity prices?

"When the central bank lowers its key interest rate, this generally tends to push up the price of raw materials. For non-renewable resources such as oil, a low interest rate stimulates the economy, leading to an increase in demand for fossil fuels, which pushes up their price. In anticipation of this rise, producers often reduce supply to the market, further exacerbating this tension. In addition, falling interest rates reduce the cost of storing raw materials, whether they are agricultural products or mineral resources. This is an incentive to build up stocks, thereby limiting the quantities available on the market and increasing pressure on prices. However, it is important not to overlook the many other factors that influence commodity prices. For example, the slowdown in the Chinese economy has recently had a dampening effect. Similarly, if the United States were to enter a recession, this could lead to a fall in commodity prices."

Jeffrey Frankel, professor at the Harvard Kennedy School and expert on growth and capital formation.

“Being a developer in 2025 may be different than what it was in 2020. Most developers will no longer be coding”

Matt Garman, CEO of Amazon Web Services, referring to the changes introduced as artificial intelligence takes over.

THE IPO

Bhavish Aggarwal, CEO and founder of Ola Electric, photographed on 29 July, 2024, in Mumbai, just before the company's IPO.

Ola Electric: a boom in green scooters

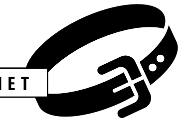
With India's congested, potholed roads, it's no surprise that electric scooters would gain popularity. In the first eight months of the year, 850,000 were sold in the country, with an expected 13 million by 2028. Ola Electric is one of the companies benefiting from this trend. After bringing its first scooter to market in December 2021, the Bangalore-based group made its market debut in Mumbai, raising over $730 million for an enterprise value of around $4.8 billion. Ola Electric intends to use the proceeds from the IPO to reduce its debt and finance the expansion of its electric battery gigafactory. In 2025, it will launch electric motorcycles. However, the company is not yet profitable and loses $573 on each scooter sold. Additionally, it will have to face competition from domestic rivals such as TVS Motor and Bajaj Auto, which also want their share of this lucrative market. → 544225

A passenger waits for his flight to Brazil on Friday 19 July 2024 at Zurich airport. Due to a global computer outage, most flights were delayed or cancelled.

AIR TRAVEL

Zurich: among the worst airports in Europe

Zurich airport has been ranked by Flightright as one of Europe's worst performers in terms of delays and cancellations. Over this year's summer, 2.37% of flights were cancelled and 40% were delayed by more than 15 minutes. That track record makes it the fourth worst airport on the continent. This poor performance was due in no small part to the numerous airspace restrictions caused by the war in Ukraine, strikes and ground staff shortages. → FHZN



DIET

The ultimate anti-obesity pill

Roche's $2.7 billion acquisition of Carmot Therapeutics at the end of 2023 gave the Basel-based pharma giant access to three promising drugs for the development of semaglutide-based treatments. One of these is an injectable treatment that has already demonstrated its efficacy, with subjects achieving an average weight loss of 18.8% over 24 weeks in a Phase I clinical trial. But the Swiss group's ultimate goal would be to develop a once-daily weight-loss pill. An initial trial, however, produced disappointing results. Participants reported gastric problems and an abnormally high heart rate. Further trials are planned for 2025. The Danish group Novo Nordisk is also working on developing an oral therapy.

→ ROG → NOVO

The latest version of Fujifilm's X100VI model has been out of stock since it hit the market in February.

PHOTOGRAPHY

Cameras have not given up their fight

The advent of smartphones dealt a near-fatal blow to inexpensive cameras. Their sales have plunged 93% since 2011, and about 90% of pictures are now taken with a phone. However, quality cameras have been spared. The latest version of Fujifilm's X100VI has been sold out since its launch in February. At Canon, the world's No. 1 camera manufacturer, the imaging business unit reported record sales of 861.6 billion yen (5.1 billion Swiss francs) in 2023, up 7.2%. Meanwhile, Nikon plans to release more high-end cameras. Smartphones have created a new generation of amateur photographers. Old-fashioned cameras have also become objects of prestige, likened to fashion accessories. → 4901 → 4797 → 1470

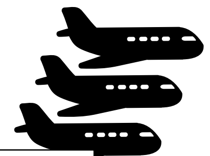
$147 billion

Amount that Americans spent on their pets last year. Expenditure increased by 11% per year between 2019 and 2023 and is expected to reach $260 billion by 2030, as estimated by Morgan Stanley. This sum now exceeds the amounts allocated to childcare.

“Coming in late with another one of the orals or injectable GLPs, [or] GIPs, we think is not a prudent approach for us as a company”

Novartis CEO **Vas Narasimhan**, in reference to new anti-obesity treatments.

scans



AVIATION

Pressure on Boeing and Airbus

At current production rates, it will take Boeing and Airbus 12 years to meet their orders for 14,750 aircraft. And demand just keeps growing. The situation is setting competitors aflight, in their hopes of breaking up the duopoly of the two aircraft manufacturers. Brazilian company Embraer, whose regional jets carry between 37 and 130 passengers, has increased its production capacity. Meanwhile, Chinese firm Comac delivered its first aircraft this summer – C919s with a capacity of around 160 seats – to the airlines Air China and China Southern, while China Eastern Airlines received its seventh C919 jet in the past year. → EMBR3 → CHKIF

€ 27,990

Price of the new Renault 5, a 100% electric vehicle that should enable the French automaker to compete with low-cost Chinese imports. The EU's new tariffs on carmakers from China will give it an extra edge.

$33 billion

Amount spent by Indian tourists abroad in 2023, three times more than in 2010. McKinsey forecasts say that Indian nationals could make 80 million international trips by 2040, putting India in close running with China. The most popular destinations are Southeast Asia and the Gulf States.

BUST

A photograph taken during the Burning Man festival, in 2024.

Summer festivals got the blues

The biggest festivals typically sell out within hours once tickets go on sale. But this year, several summer mega-events struggled to attract festival goers. Burning Man, held in Nevada's Black Rock Desert, and Coachella, in California, still had tickets available just a few weeks before the events got started. The ever-increasing prices charged – tickets for Coachella range from $499 to $1,269 – dashed the enthusiasm of many fans. At a broader level, live performances have become the main source of revenue for artists since the collapse of physical album sales, and the entire industry seems to have overestimated demand. Music acts such as the Black Keys, Helmet and Jennifer Lopez have had to cancel their tours due to disappointing ticket sales.

"Our costs are too high, our margins too low"

Pat Gelsinger, Intel's CEO, justifying 15,000 redundancies made as part of a cost savings plan.

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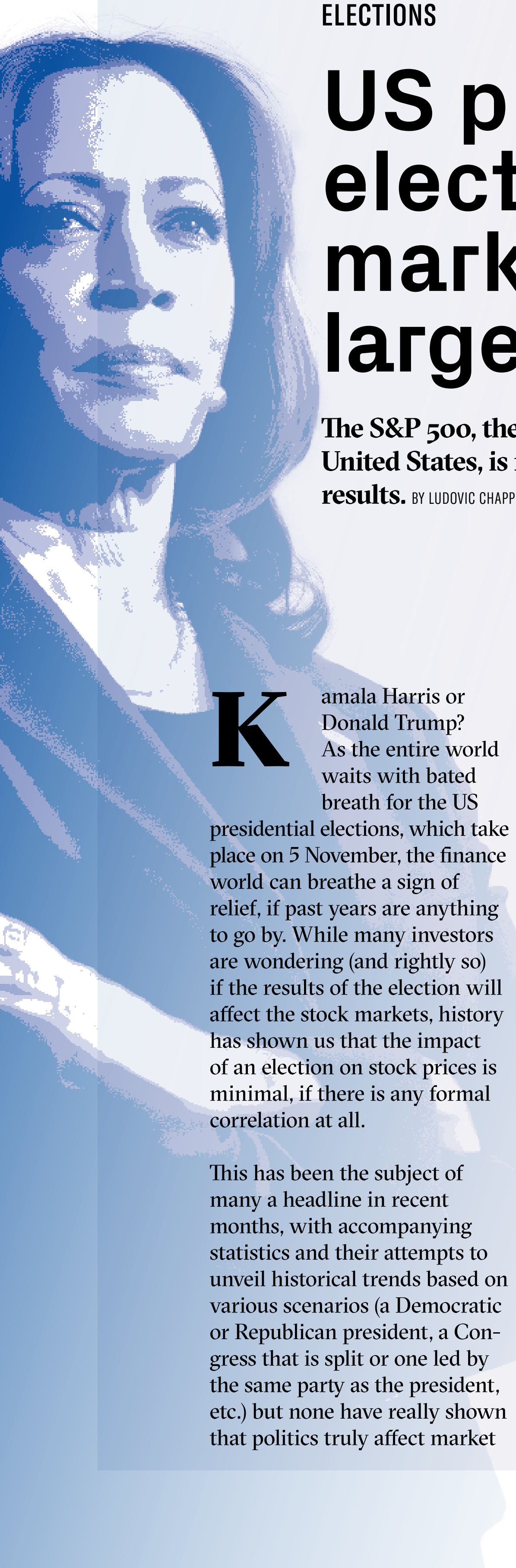


ELECTIONS

US presidential elections: the markets are largely indifferent

The S&P 500, the main stock index in the United States, is not often affected by election results. BY LUDOVIC CHAPPEX

Kamala Harris or Donald Trump? As the entire world waits with bated breath for the US presidential elections, which take place on 5 November, the finance world can breathe a sign of relief, if past years are anything to go by. While many investors are wondering (and rightly so) if the results of the election will affect the stock markets, history has shown us that the impact of an election on stock prices is minimal, if there is any formal correlation at all.

This has been the subject of many a headline in recent months, with accompanying statistics and their attempts to unveil historical trends based on various scenarios (a Democratic or Republican president, a Congress that is split or one led by the same party as the president, etc.) but none have really shown that politics truly affect market performance. Peter Garnry, chief investment strategist at Saxo Bank, is honest in his article published on the bank's website: "Based on this analysis, the strongest conclusion is that we haven't had enough elections to conclude anything definitively."

Stocks perform equally well under Republican presidents as they do Democratic presidents

But many studies do offer some insight. A report from the financial services firm Edwards Jones Investments states that economic fundamentals and factors such as inflation, growth and US Federal Reserve (Fed) policy dictate market performance much more than electoral cycles. As the graphic opposite shows, over the last 40 years, there has only been one instance where the S&P 500 index, the barometer of global finance, has been in the red 12 months after a US presidential election. That was in the year 2000, at the peak of the dot-com bubble. The other noticeable drop due to external economic factors was the sub-prime mortgage crisis in 2008. The table also shows that the initial market reactions immediately after an election are often misleading. In six of the last ten elections, stock prices have dropped the day after the election, but quickly recover.

Based on the time periods studied, some statistics lead us to believe that markets are a bit higher in a Democratic presidency. But teams from Edwards Jones Investments disagree. Going far back in history, they state that stocks perform equally well under Republican (R) presidents as they do Democratic (D) presidents. The highest performing returns occurred during the presidencies of Roosevelt (D), Eisenhower (R), Reagan (R) and Clinton (D).

During Trump's presidency, clean energy outperformed traditional energies by 43%

A similar observation can be seen in the two most recent presidencies. Despite the significant policy differences between the Trump and Biden administrations, the stock market returns were nearly identical. The S&P 500 brought in 14% per year after dividends under each president, even though they both experienced bear markets (one due to the pandemic, the other due to aggressive rate hikes from the Fed).

Experts from US Bank, one of the largest banks in the United States, took the analysis even further, also examining the composition of Congress under each presidency since 1948. Statistics show that positive yields are just marginally higher when Congress and the White House are not controlled by the same political party, but the numbers are too small to establish any sort of causal relationship. The authors of the study also believe that economic trends, and not electoral results, are what drive market performance in a significant way.

Even more incongruous and ironic is that political support for certain industrial sectors sometimes leads to disconcerting stock market results, as highlighted by reports from Edward Jones Investments and US Bank. As Trump favoured fossil fuels and Biden supported green energies, investors instinctively chose to overweight these two sectors in turn. But it was a wasted effort... During Trump's presidency, clean energy outperformed traditional energies by 43% per year, and during the Biden presidency, traditional energies have thus far outpaced clean energies by 53% per year.

Historically, it seems therefore quite difficult for investors to develop strategies based on the political orientations of American leaders. One approach could be to anticipate the repercussions on specific markets, even though exchanges around the world tend to align with the S&P 500. A study from investment firm Franklin Templeton anticipates a much more difficult environment for emerging markets under a Trump presidency in terms of long-term growth, whereas a Kamala Harris victory would be a return to the status quo, particularly in terms of customs taxes.

Traders are more likely than long-term investors to be ready for battle. Anxiety and uncertainty tend to ramp up as we approach the US presidential elections, but also in the immediate wake of the election, causing market volatility. And in the event of an incredibly close race, which would lead to delays in declaring a winner, speculators will have a field day until a final result is reached.

The S&P 500 after elections

This table shows the yields of the S&P 500 index for election years 1984–2020.

Electoral year	1 day after	1 month after	3 months after	6 months after	1 year after
1984	-0.7%	-4.5%	5.8%	5.7%	19.3%
1988	-0.7%	0.5%	7.6%	11.8%	27.2%
1992	-0.7%	2.4%	5.4%	4.8%	13.4%
1996	1.5%	4.2%	10.2%	13.8%	34.5%
2000	-1.6%	-6.2%	-5.4%	-11.5%	-21.0%
2004	1.1%	5.3%	4.5%	2.3%	9.4%
2008	-5.3%	-16%	-17.9%	-12.7%	6.9%
2012	-2.4%	-1.0%	4.7%	13.0%	26.8%
2016	1.1%	5.0%	7.2%	12.1%	23.7%
2020	2.2%	6.4%	12.0%	11.5%	24.1%
Mean	**-0.5%**	**-0.4%**	**3.4%**	**5.1%**	**16.4%**
Median	**-0.7%**	**1.4%**	**5.6%**	**8.6%**	**21.5%**

SOURCE: MORNINGSTAR DIRECT EDWARD JONES

STOCK EXCHANGE

"There was no public ESG benchmark for Swiss real estate"

The PRESS index, launched by HEC Lausanne Faculty of Business and Economics, bridges a gap for investors. It is the first public ESG index that evaluates publicly-listed Swiss real estate funds. BY BERTRAND BEAUTÉ

At a time when everyone is talking about ESG, something was missing from the Swiss real estate sector: a public index that evaluates publicly-listed real estate funds based on ESG criteria. The Center for Risk Management at HEC Lausanne (UNIL) has now fixed that with the PRESS Index. Fabio Alessandrini, professor at HEC Lausanne and the project lead, explains the goals of the index. We spoke to him to hear more...

Why did you decide to create an index for publicly listed Swiss real estate funds based on ESG criteria?

The goal was to provide information to investors so that they could make decisions based not only on the financial performance of real estate funds, but also their impact on the environment. While in many sectors international companies such as MSCI have developed indices, there was nothing comprehensive in Switzerland for real estate, since this sector is very local and not extremely interesting to large companies. Some Swiss banks have their own tools, of course, but they are only for internal use and don't include all the funds. And if you only look at a few funds and not all, you don't have a true picture of the entire market.

"We decided to take a more moderate, weighted approach"

So we developed PRESS scores, where every six months we give an ESG score to more than 100 Swiss real estate investment vehicles. The first ranking was published in December 2023 and the second was in June 2024. Based on these scores, we developed the PRESS index, where public companies are weighted based on their ESG score. The first quartile (the top 25% highest ranked funds) is weighted double, the second quartile is weighted by 50%, the third is reduced by 50%, and the last is divided by two.

Why didn't you decide to exclude the less ethical funds?

We could have taken a more radical approach by eliminating the lowest ranked 10 or 20 publicly-listed real estate funds. But the risk would be that the performance of our index would be too far from the rest of the market, which could scare away some institutional investors. So we decided to take a more moderate, weighted approach.

How did funds react when they found out about your ranking and index?

We received feedback from funds that questioned our methodology, but also from investors that were very happy to finally have a tool like this. Overall, the discussions were very positive and certain funds even helped us improve our tools. We can always discuss the methodology, but the advantage of our tool is that it is based on analysis of public data, such as the list of managed buildings, energy intensity and noise pollution. Each fund is evaluated against the exact same criteria and with a completely transparent methodology. ◢

REPORT

A banknote printing press in Lausanne

The majority of banknotes in circulation around the world has been printed thanks to Swiss technologies developed by Koenig & Bauer Banknote Solutions (K&B BNS) in Lausanne. BY BERTRAND BEAUTÉ / PHOTOS: NICOLAS RIGHETTI

“Counterfeit banknotes are very rare in Switzerland,” according to the Swiss Federal Police Office (Fedpol) on its website. In 2023, only 4,082 fake notes were found in the entire country. Why? “The level of security of Swiss banknotes is very high. They are almost impossible to fake,” said Eric Boissonnas proudly, CEO of Koenig & Bauer Banknote Solutions. The man we met on a sunny morning in September knows what he's talking about. Lausanne-based company Koenig & Bauer Banknote Solutions (formerly De La Rue Giori), acquired in 2001 by German group Koenig & Bauer (see inset on p. 26), is the world's leader in banknote printing solutions. “Most cash in circulation around the world was produced in one way or another using our technologies,” said Boissonnas. “Only two →

countries, Japan and Algeria, don't use our equipment at all.”

“Currently, 165 billion banknotes are printed each year around the world”
Eric Boissonnas, CEO of Koenig & Bauer Banknote Solutions

From the outside, the home of Koenig & Bauer Banknote Solutions seems rather nondescript. Despite the very present security systems, the building doesn't look like Fort Knox. Who would think that in this very building, near the Blécherette airport in Lausanne, is where money printing machines are made? And yet, behind the windows of the conference room are several machines down below. One particularly impressive machine is more than a dozen metres long, by at least four metres high. “That's the Aktina, the newest generation of our printing machines,” said Boissonnas, as we stared in wonder. “It took us five years to make it.”

We'll come back to the Aktina, of course. But in that moment we had one burning question: in a time where transactions are becoming increasingly digital, will cash disappear and thus banknote printing machines as well? “More than 40% of the global population does not have a bank account and they pay exclusively in cash,” said Boissonnas. “We're expecting demand to remain stable in the coming years, with reduced demand in industrialised countries, but compensated by developing countries where growing populations and GDP are increasing demand. Currently, 165 billion banknotes are printed each year around the world, which averages out to about 20 notes per year per person.”

That's because cash doesn't last forever. “A paper banknote has a lifespan of 10 to several months, whereas a polymer option such as pounds sterling lasts two to three times longer,” said Darren Dimech, production manager at Koenig & Bauer Banknote Solutions who showed us around the facility. Each year, older banknotes need to be replaced.

And that's where Koenig & Bauer Banknote Solutions comes in, with 550 employees around the world including 150 in Lausanne. It manufactures the banknote printing machines and all associated products (design software, printing plates, quality control, etc.). “We are capable of producing banknotes from start to finish, including design, printing, and the final assembly on a pallet,” said Dimech.

A K&B employee takes a banknote sheet out of the Aktina, K&B BNS's brand new printing machine.
↓

Eric Boissonnas, CEO of K&B BNS, examines banknote specimens at the company's headquarters in Lausanne.
↘

The company's Lausanne facility we visited is home to product development, banknote design, and printing plate manufacturing, as well as sales, logistics and marketing. In Germany, the Würzburg and Bielefeld facilities are in charge of engineering, coin manufacturing, inspection systems and after-sales services, while the machine assembly and after-sales services are handled at the Mödling location in Austria. Clients of K&B BNS are primarily banknote printers (there are approximately 60 in the world), which in rare cases could be private companies such as Orell Füssli in Switzerland, but for the most part are government agencies (central banks, ministries of finance, ministries of the interior or industry). “In order for it to be profitable for a country →

↑ Employees making final adjustments to the Aktina. Clients have not yet received this new banknote printing machine model.

to have its own banknote printing system, the country needs to have more than 30 million residents," said CEO Boissonnas. In countries with fewer residents, it is easier to delegate this task to a third party that works for several countries, as is the case in Switzerland with Orell Füssli." With its two printing lines, the Bank of France, for example, prints euros but also other currencies for approximately 20 countries.

Across all brands, approximately 800 banknote printing machines are currently in use around the world. While most come from K&B BNS, others are produced by Japanese company Komori, the Swiss group's main competitor, as well as CBPM in China for its own use. At Koenig & Bauer Banknote Solutions, 60% of revenue comes from the sale of new machines and 40% comes from services. "Clients purchase new machines when they have reached end of life, if they no longer produce at the same level as expected, or if they cannot integrate new security elements," said the CEO.

"Switzerland is a small country, we don't print that many banknotes, which increases the price of each batch"

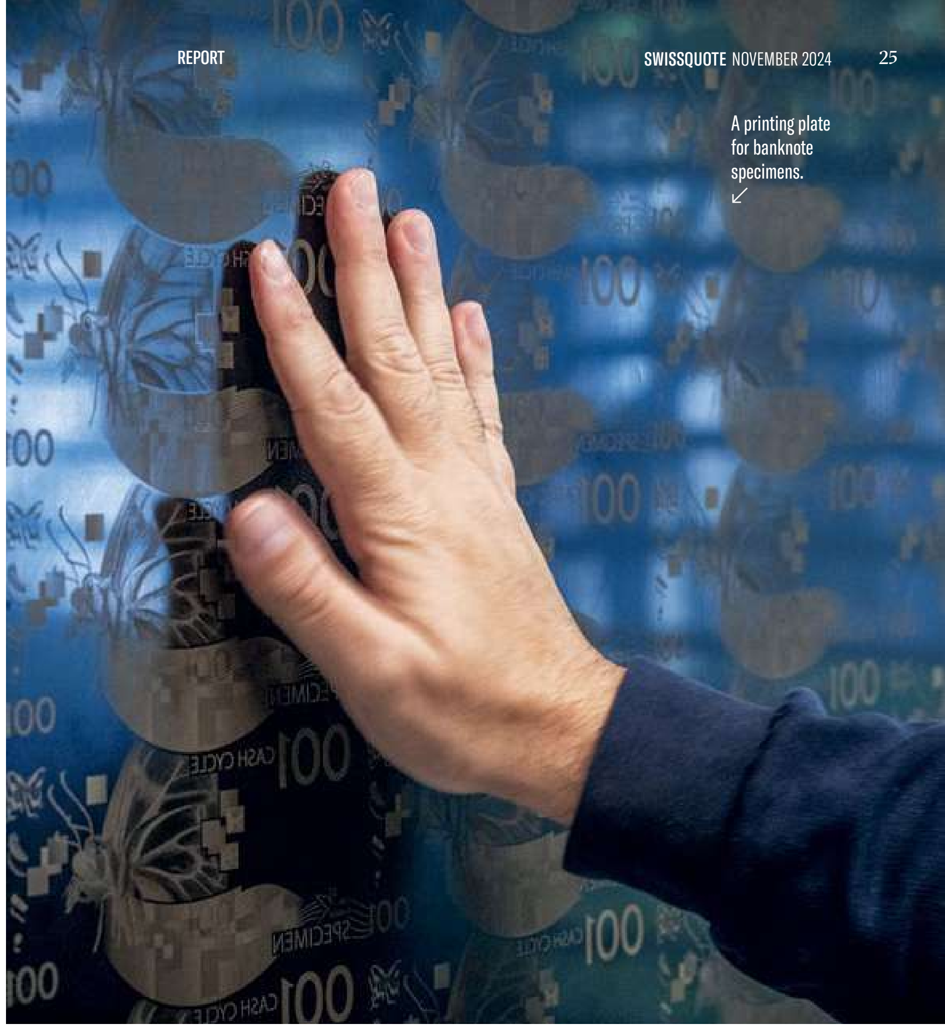
Eric Boissonnas, CEO of Koenig & Bauer Banknote Solutions

In the conference room, Boissonnas shows us an example that is used solely to demonstrate all of the security elements that are possible to include in a banknote. He expertly explains filigrees, raised portions, colour-changing inks and kinegrams (security holograms). "To integrate all of these elements, it takes up to eight printing processes to produce a banknote similar to a Swiss banknote," said Boissonnas. The first printing is to add colour. Then subsequent printings can add desired symbols or seals, raised portions, and numbers. The last machine cuts and packages the finished products. The inks used are primarily from Switzerland, and some are produced by Sicpa in Prilly (Vaud).

"Today, counterfeit notes are no longer a big problem in developed countries," said Boissonnas. But of course, not every banknote contains every level of security. The simplest notes only take four rounds of printing, which also has an impact on the price.

"The simplest notes cost approximately 20 Swiss francs for 1,000 notes and the most complicated notes cost up to 900 Swiss francs for 1,000 notes," said Boissonnas. "Euros, for example, cost around 50 Swiss francs for 1,000 notes." What about Swiss francs? They cost around 400 francs for 1,000 notes. The significant difference between the two currencies is due to the increased security features in Swiss francs, but also quantity. "Since Switzerland is a small country, we don't print that many banknotes, which increases the price of each batch."

In the workshop, Koenig & Bauer Banknote Solutions employees huddle around the Aktina, expertly manipulating its newest features. This new machine, which was presented to K&B BNS clients in June 2024, is only one of two. The first is here, and the second is in Germany. No clients have received this machine yet. "Compared to →



A printing plate for banknote specimens. ↙

Cash used less and less in Europe

Cash is only a tiny subset of total money that's available. In the eurozone, for example, only 9% of money exists in physical form (notes and coins). The rest, 91%, is in a digital format. And this percentage is climbing ever closer to 100% digital, particularly since the pandemic. "The COVID crisis forced the money industry to reinvent itself," said Eric Boissonnas, CEO of Koenig & Bauer Banknote Solutions. The various lockdowns led to increased purchases online and fewer transactions with cash. As a result, the amount of cash in circulation is lower in Western countries. In 2023, the amount of cash in circulation in Switzerland was 519 million, or a total value of 76 billion Swiss francs. But this number has been going down since 2021.

As cash becomes less widely used, it also becomes less accessible with fewer ATMs, as they are no longer profitable. While the number of ATMs in Switzerland increased between 2005 and 2020, going from 5,500 to more than 7,000, there have been fewer and fewer ever since. In July 2024, SNB counted 6,329 ATMs in Switzerland. This trend could very well continue: according to SIX, which manages ATMs for Swiss banks, two-thirds of all cash points could disappear in this country, as maintenance costs are high – more than 30,000 Swiss francs per year – and usage is low. While the most frequently used ATMs in Switzerland handle up to 180,000 transactions per year, most of the cash points are only used less than 30,000 times per year. This is happening in most industrialised countries. "People are having a hard time getting cash," said Eric Boissonnas. "Particularly in the UK, where there are fewer and fewer ATMs. The cash industry is working on an alternative to ATMs." In Switzerland, for example, Zurich-based fintech Sonect developed an app that can be used for cash withdrawal from 2,300 shops, including Migros. The app, which has been available in Switzerland since 2018, is now conquering other markets in France, Spain and Germany.

its predecessors, the Aktina stands out because it is customisable," said Dimech, the production manager at Koenig & Bauer Banknote Solutions. "Banknote printers can add or subtract modules to fit their specific needs." The Aktina can also combine several printing processes, such as Simultaneous Offset (printing on both sides) and seriography, as well as digital printing in the future. The customisable nature of the machine means that other updates can also be implemented during operations.

"In Europe, only 20% of banknotes in circulation are used to make transactions"

Eric Boissonnas, CEO of Koenig & Bauer Banknote Solutions

This technological marvel houses other innovations as well. "Production speed and efficiency has increased, and production costs have decreased," said Boissonnas. "We also focused on improving the environmental impact, with notably a new ink system for another printing machine that reduces the amount of ink used." With this new generation of machine – the previous version was from the 1990s – K&B BNS has its sights set on maintaining its position as global leader of banknote printing and reminds us all that, contrary to popular belief, cash is not disappearing.

"In Europe, only 20% of banknotes in circulation are used to make transactions," said Boissonnas. "Most banknotes (50%) are kept at home, as a safety precaution. This reflex of keeping cash at home increases every time there is a crisis or period of uncertainty." In other words, the current times are particularly conducive to hiding cash under the mattress. ◢

ANALYST OPINION

Packaging giant

For German group Koenig & Bauer, listed on the Frankfurt exchange, printing cash is only a tiny fraction of their business. In 2023, the printing machine manufacturer generated €1.3 billion in revenue, of which €413.7 million came from the "Special" division that includes Koenig & Bauer Banknote Solutions, but also other specific printing activities. Most of the company's revenue comes from sales of printing machines used in the packaging industry. For 2024, Koenig & Bauer expects approximately €1.3 billion in revenue like in 2023, despite an uncertain environment. Most analysts recommend purchasing shares, expecting Koenig & Bauer shares to rebound, after losing 30% of their value since the start of the year. → SKB.DE

The K&B BNS presentation booklet shows all the security innovations that have been introduced in the banknote specimens produced by the company.
↓

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DOSSIER

Growth from Eastern Europe

The countries of Eastern Europe, which have joined the European Union in successive waves over the last 20 years, have experienced phenomenal growth. We take a closer look at this economic miracle. BY BERTRAND BEAUTÉ

It was 20 years ago. In 2004, 10 countries – including Poland, Czechia, Slovakia, Hungary and Slovenia – joined the European Union (EU). These forerunners from the East were followed a few years later by Bulgaria and Romania (2007), then Croatia (2013). At the time, for all these countries, becoming part of the EU meant catching up economically. For example, between 2004 and 2022, Poland's gross domestic product (GDP) per capita increased by a factor of 2.7 (170%), while France and Germany only grew by 30% and 45% respectively over the →

same period. And Warsaw is no special case: GDP per capita multiplied by 2.4 in Czechia (Czech Republic). Then there is Slovenia, sometimes called "the Switzerland of the Balkans". The country's GDP per capita now exceeds that of Portugal and Spain (see infographic on p. 33).

While EU membership has played a key role in this growth, it is not the only reason. "The economic boom in Eastern Europe did not begin with EU integration," says Johannes Feist, CEO of Mikro Kapital Management. "From 1990 onwards, the collapse of the Soviet Union gave these countries the opportunity to transition to a market economy, adopting free-market measures that fuelled their growth." Christopher Howarth, investment manager in the European Equity Team at Baillie Gifford, shares this view. "Poland left the Soviet Union in 1990 and has since enjoyed 34 years of practically uninterrupted growth, which is quite remarkable." Poland, an exception compared with Western countries, did not experience a single year of recession until the COVID pandemic. Its economy continued to grow, even through the 2008-2009 euro financial crisis.

Eastern European countries are not merely the manufacturing hubs of foreign corporations. They now have their own industry leaders

From the 1990s onwards, privatisation and price liberalisation helped Eastern European countries to boost their growth, but EU integration fast-tracked that development. "EU funding allocated to new Member States to reduce disparities between nations has gone into developing their infrastructure, improving their road and rail transport network, and enhancing their education system," Howarth adds. Poland has received the largest amount in subsidies from Brussels, i.e., more than €250 billion since 2004.

→ An image from *Cyberpunk 2077*, developed by Polish video games publisher CD Projekt. Listed on the Warsaw Stock Exchange, the company has enjoyed worldwide success with its *The Witcher* saga. Like most of the video game industry, CD Projekt is nevertheless going through a difficult period.

© CD PROJEKT

On top of EU integration, foreign companies have also been pouring investment into these countries. One tell-tale example is the takeover of Romanian automaker Dacia by its French counterpart Renault in 1999. And Western companies' interest in Eastern Europe has not waned over the years. This is still true today, with investment from foreign companies accounting for 36% of Polish GDP in 2023. For instance, Intel announced in June 2023 that it would invest up to $4.6 billion to build a semiconductor assembly and test facility near Wrocław in Poland. However, this investment was frozen in September 2024 for two years due to the tech giant's current difficulties. Chinese giant CATL is spending €7.3 billion to build Europe's largest EV battery factory near Debrecen in Hungary, while in August 2023 German defence giant Rheinmetall opened a factory to produce Lynx infantry fighting vehicles in Zalaegerszeg, also in Hungary.

"To attract foreign firms, Eastern European countries benefit from a well-educated population, as well as lower labour costs," Howarth says. Low wages in former Eastern Bloc countries were a key factor in their economic development after the fall of the Berlin Wall, and this is still the case today, although this advantage is gradually dwindling as their economies move closer to Western standards. The minimum wage in Poland, now at 4,300 złotys (about €1,000), remains much lower than in France (€1,766.92) but is higher than in Portugal (€956.67) and almost equal to that in Spain (€1,323).

This trend could ultimately detract from the appeal of Eastern Europe. In a study published in November 2023, the IÉSEG School of Management reports that the rise in labour costs in Eastern European countries "has been much higher than that of the entire eurozone" since 2015. Between the first quarter of 2015 and the second quarter of 2023, the increase was 67% in Bulgaria, 62% in Czechia, 46% in Romania, 38% in Slovakia, 34% in Slovenia, 25% in Poland and 19% in Hungary, compared with just 16% in the eurozone. As a result, "For multinationals, Eastern European countries are becoming less and less attractive," IÉSEG writes.

But Eastern European countries are not merely the manufacturing hubs of foreign corporations. They now have their own industry leaders that have made a name for themselves in the rest of the world, such as cybersecurity expert Avast Software (Czechia), video game developer CD Projekt (Poland) and automation leader UiPath (Romania). These local companies have enjoyed a major advantage to fuel their growth: access to the European market. "Joining the European Union has given Eastern European countries access to the largest single market in the world, with no trade barriers," says Johannes Feist of Mikro Kapital Management. "For small countries like Slovakia, the narrow domestic market was no longer a problem from that point forward." Being geographically close to Germany, the Old Continent's economic powerhouse, many Eastern European countries have latched on to Germany's industrial fabric and piggybacked on its growth. Europe's largest economy absorbs more than 25% of Polish exports.

"Growth in these countries will remain above the EU average for at least the next five years"
Johannes Feist, CEO of Mikro Kapital Management

However, as shown in this issue's feature report (see company profiles on p. 38 to 53), Western investors are relatively unfamiliar with most of the listed companies from Eastern Europe. But they are missing out. "Investors in the West don't pay attention to Eastern markets, and that's a shame," says Christopher Howarth of →

Baillie Gifford. “Countries like Poland have an impressive concentration of attractive companies. I would encourage investors to take an interest.” Johannes Feist agrees. “I don’t think it’s too late for investors to take an interest in the Eastern European markets. Growth in these countries will remain above the EU average for at least the next five years.” That is because they still have some catching up to do. Poland’s GDP per capita, for example, remains below the EU average (€30,100) compared to €37,600 in 2023).

But be advised: indices in Eastern European countries have flaunted higher returns than their Western counterparts in recent years, yet they are also more volatile. The MSCI Poland Index, which includes the largest capitalisations on the Warsaw Stock Exchange, lost 26.76% of its value in 2022, before rising by 49.45% in 2023. That is an emotional rollercoaster for informed investors. By way of comparison, the MSCI Euro Index, which covers the 10 most developed European countries, lost 11.07% in 2022, before bouncing back by 21.87% in 2023.

Furthermore, some dark clouds have gathered over the economies of Eastern Europe in recent months. Germany, the main partner of the former Soviet republics that have joined the EU, is currently ensnared in an economic crisis due to sluggish growth and falling industrial output. Another negative point common to all of Eastern Europe is demographics. Despite the influx of Ukrainian refugees, the population is steadily declining, while the unemployment rate is already at an all-time low (e.g., below 3% in Poland at end-2023). As a result, tensions are growing on labour markets and in turn fuelling inflation.

The geographical proximity of these countries to Russia has also become a problem since war broke out in Ukraine. “Eastern European countries, especially Poland, are investing massively in defence, rather than in other more productive areas such as health and education,” says Mikro Kapital Management’s Johannes Feist. Lastly, the economies of the Eastern European countries remain highly carbon-intensive and dependent on Russian oil and gas. However Feist is not worried. “Nobody can predict what is going to happen in Ukraine,” the analyst reminds us. “But so far, Eastern European countries have held up.”

Politics of discord

“The integration of Eastern Europe is a success story,” says Johannes Feist, CEO of Mikro Kapital Management. But this did not always channel through into politics. Hungary is led by Viktor Orbán, a fierce opponent of the European Union. This has led to explosive relations between Budapest and Brussels, and, in retaliation the EU has threatened on several occasions to freeze the structural funds earmarked for Hungary. In Slovakia, Prime Minister Robert Fico is known for his pro-Russian views. While he was in office, he was committed to blocking Ukraine’s application to join NATO. This could also disrupt relations with the rest of Europe.

New neighbours

The Eastern European countries that have joined the EU in the last 20 years have experienced tremendous growth, driven by an economy that is mainly oriented towards the other nations of the Old Continent. But their GDP is still below the European average.

	GDP per capita	Unemployment rate (2023)	Population (2024)	Entry into the EU
POLAND	€ 30,100	2.8%	36,620,970	1 May 2004
CZECHIA	€ 34,200	2.6%	10,900,555	1 May 2004
SLOVAKIA	€ 27,400	5.8%	5,424,687	1 May 2004
HUNGARY	€ 28,700	4.1%	9,584,627	1 May 2004
SLOVENIA	€ 34,400	3.7%	2,123,949	1 May 2004
BULGARIA	€ 24,200	4.3%	6,445,481	1 January 2007
ROMANIA	€ 30,000	5.6%	19,064,409	1 January 2007
CROATIA	€ 28,700	6.1%	3,861,967	1 January 2013
EU AVERAGE	€ 37,600	6.1%		

SOURCE: EUROSTAT

"More and more local companies are creating wealth"

Since 2004 and the Eastern enlargement of the European Union, several countries have been in an economic golden age. Marcin Piątkowski, professor at Poland's Kozminski University, analyses this tremendous transformation.

BY BLANDINE GUIGNIER

In fields ranging from pharmaceuticals to logistics, listed companies from the former Eastern bloc – such as Gedeon Richter, Krka and InPost – are now acquiring companies in Western Europe and the United States. Their goal is to become international champions in their industry. Who would have imagined this 20 years ago, when five Central European nations from the former Communist bloc joined the European Union? Renowned Polish economist, professor at Kozminski University and author of *Europe's Growth Champion: Insights from the Economic Rise of Poland*, Marcin Piątkowski explains the amazing transition of these economies and the challenges that lie ahead.

Twenty years since the countries' accession to the EU, how have the economies of Poland, Hungary, Czechia (the Czech Republic), Slovakia and Slovenia evolved?

The last two decades have been a golden age for each of these countries. Their economies have grown at a very rapid pace, converging with those of Western Europe. Nations such as Poland have more than doubled their per capita income and achieved some of the highest GDP growth rates in the EU. On average, Czechs and Slovenes are now richer than Spaniards. All five of these nations are expected reach Italy's GDP per capita within five to 10 years. Unemployment levels have also registered an unprecedented drop, currently with very low rates of between 2.7% and 5.3%, compared with 10% to 20% in the early 2000s. The case of Central and Eastern Europe shows that countries can become richer by being open and non-protectionist, and by attracting foreign direct investment (FDI). This is an interesting model for developing countries. It diverges from the model of Asian tigers such as Singapore, Taiwan and South Korea, whose growth has largely been based on domestic industries, with protectionist measures and direct state funding.

Has economic growth been as strong in Romania and Bulgaria, which joined the EU in 2007, and in Croatia, which joined in 2013?

Yes, all three countries have performed well since joining the European Union. It's no surprise that the EU is described →

From Warsaw to Harvard

Marcin Piątkowski is a professor at Warsaw's Kozminski University, ranked internationally as the top business school in Central and Eastern Europe. Previously, he was Chief Economist at PKO Bank Polski, Poland's largest bank, and worked with the European Department of the International Monetary Fund (IMF). He also served as an advisor to Poland's Deputy Premier and Minister of Finance. He has been a visiting scholar at Harvard University, London Business School and the OECD Development Centre. Marcin Piątkowski is also the author of *Europe's Growth Champion: Insights from the Economic Rise of Poland*, an award-winning book published in English by Oxford University Press in 2018.

as a "convergence machine", taking in poor countries and making them rich. Romania's GDP per capita has risen over 80% since joining in 2007, and Bulgaria's GDP has increased by a similar rate. Croatia's growth, which stagnated for most of the last three decades, also picked up after accession.

"Successful local companies are active in markets that will shape the future, such as e-commerce, AI and digitalisation"

What were the main drivers in this economic miracle?

A whole range of factors were at work, but one phenomenon, amplified by EU membership, was really crucial in my opinion. These countries have adopted institutions that had already made Western Europe a success. By this I mean secure property rights, democracy, free markets, the rule of law, institutional independence, meritocracy in public services, freedom of the press and so on. The other driving force behind this success is human capital. First, countries in the region have a highly educated population. For example, more than 40% of people in Poland between the ages of 25 and 43 have a university degree, compared with only one-third in Germany. Second, this workforce is half as expensive as in Western Europe. And third, these countries have not made macroeconomic mistakes. They have applied a stable economic policy, with no major crises, except for the eurozone crisis and the pandemic, but these were not of their doing.

And what about the role of European Cohesion Funds and EU subsidies?

EU subsidies were obviously useful, as they went into building infrastructure: universities, roads, railways, metro systems, universities, etc. However, even if you take high estimates, this funding represents a small share of GDP and does not fully explain this tremendous growth. In Poland, the aid has contributed an average of half a percentage point of growth since accession. That is significant, but not enough to explain why Poland's growth has been around 2 percentage points higher than in Western Europe.

Generally speaking, Eastern nations have obviously been happy to receive the funding, but it has created a win-win situation for the West as well. Millions of jobs have been created, and the market has expanded for the EU as a whole. As one example of this, German exports to Poland exceeded those to Italy.

How has this transformed the region's stock markets? Which ones are currently the most dynamic?

Let's take the Polish equity market as an example. It's the largest in Central and Eastern Europe. Its total capitalisation (around €400 billion in August 2024) exceeds that of the Vienna Stock Exchange (around €150 billion). Although in a more limited way than FDI, the Warsaw Stock Exchange has contributed to the strong economic development of the last 20 to 30 years. Formerly state-owned firms have been privatised or partially privatised and gone public with IPOs, as have companies created after the Communist era. However, in recent years, despite the presence of more prosperous and sophisticated companies in the country, the number of new IPOs has remained low. Some companies have opted not to be traded publicly, while others have decided to list in Amsterdam rather than their home country. They were probably seeking more attractive conditions and locations where they could be sure of access to available capital.

You mention some prosperous and sophisticated companies in the region. Which sectors do they primarily operate in?

The region's economy is based on a dual structure. On one hand, much of the growth is driven by FDI, with investments in growth sectors such as electric mobility and batteries. For example, Hungary and Poland are the main European countries to receive investment from Asia (China, South Korea) in these areas. On the other hand, successful local companies are active in markets that will shape the future, such as e-commerce, AI and digitalisation. These companies were founded in the 1990s or 2000s and are not "lagging" behind their Western counterparts in these emerging sectors.

Some of the most interesting cases are InPost (European parcel management giant), Allegro (Amazon's European competitor) and CD Projekt (video game designer). Then there are more traditional industries such as food processing. You have Maspex, the regional food champion, which could eventually go public and become the Central and Eastern European equivalent of Nestlé.

"The success of companies in the region has largely been through imitation rather than innovation"

With three economies classified by the IMF as "advanced" (Slovenia, Slovakia and Czechia) and two as "emerging" (Poland and Hungary), what are the main challenges ahead?

I don't think the IMF classification is credible in this case, because for example Poland, which is now richer than Portugal or Greece, is no longer an "emerging" economy. In any case, I'm not too worried about the future of these countries. Their economies have become more competitive through the factors mentioned above (institutions, human capital, stable economic policy) and will continue to grow at a rapid pace for at least another decade. Recent events, such as the conflict in Ukraine or changes in supply chains, have not adversely affected the region. Taking Poland as an example, FDI doubled between 2019 and 2023 to reach $28.7 billion. This shows that Central and Eastern Europe is poised to be a winner in this new global geopolitical layout.

That said, we must overcome three major challenges. First, accumulated capital stock per capita is still well below those of Western countries, despite all the infrastructure that has been built. This means that both public and private investment must remain high for at least another decade, especially in the energy transition. Second, the success of companies in the region has largely been through imitation rather than innovation, by harnessing technologies, concepts and capital from the West. These companies now need to develop more of their own brands and ideas if they are to maintain their position once the economies of Eastern Europe have caught up with those of the West. Third, birth rates have fallen in these countries and, despite the arrival of Ukrainian refugees, the situation is critical. Poland, for example, could lose six million workers by 2050. We'll need to welcome more foreigners, ideally a young workforce that meets the needs of the economy.

Could the rise of populism in the region, particularly in Slovakia and Hungary, adversely affect economic policies and the investment environment?

I share concerns about the rule of law, respect for democracy and the anti-European shift. However, it's worth noting that these countries, especially Hungary, are doing rather well economically. Even Viktor Orbán understands that growth plays an important part in his legitimacy.

Are the growing strength of China and the diversification of global supply chains making Eastern Europe less attractive as an FDI destination?

I think the region remains a safe place for Western capital, with no risk of expropriation, mistreatment of employees, etc. The highly skilled workforce, which costs less than in other countries around the world, will continue to attract investors. ◢

15 companies Western investors should watch

HUNGARY

Eastern Europe is thriving with little-known nuggets. Here's our selection.

BY BLANDINE GUIGNIER AND JULIE ZAUGG

Wizz Air
Climbing fast

This low-cost airline defies its Western competitors.

Unlimited flights for just €599 a year? That is the bold offer launched by Hungarian carrier Wizz Air this summer. Although its impact on revenues is believed to be "marginal" by Concorde analyst Gábor Bukta, the programme demonstrates the aggressive expansion strategy of the airline.

After being founded in 2003, Wizz Air first grew fast in Eastern Europe – in particular Hungary, Poland, Romania and Ukraine – before significantly expanding its fleet and adding new destinations in Western Europe. Much of this latter growth took place during the pandemic, when its competitors were on the defensive.

Listed on the London Stock Exchange since 2015, the carrier now serves nearly 200 destinations in 53 countries. "As an ultra low-cost airline, Wizz Air derives most of its revenues not from ticket sales but from the additional services it sells, such as extra baggage and in-flight catering," says Yi Zhong, an analyst with AlphaValue.

For financial year 2023-2024, Wizz Air's revenue surged 30.2% to almost €5.1 billion, with a net profit of €366 million. Passenger numbers also rose 21.4% to 62 million. This momentum is expected to continue. The company reported a record number of bookings in the summer of 2024, despite a period marked by reduced capacity. Wizz Air forecasts profits of between €500 million and €600 million for the next financial year.

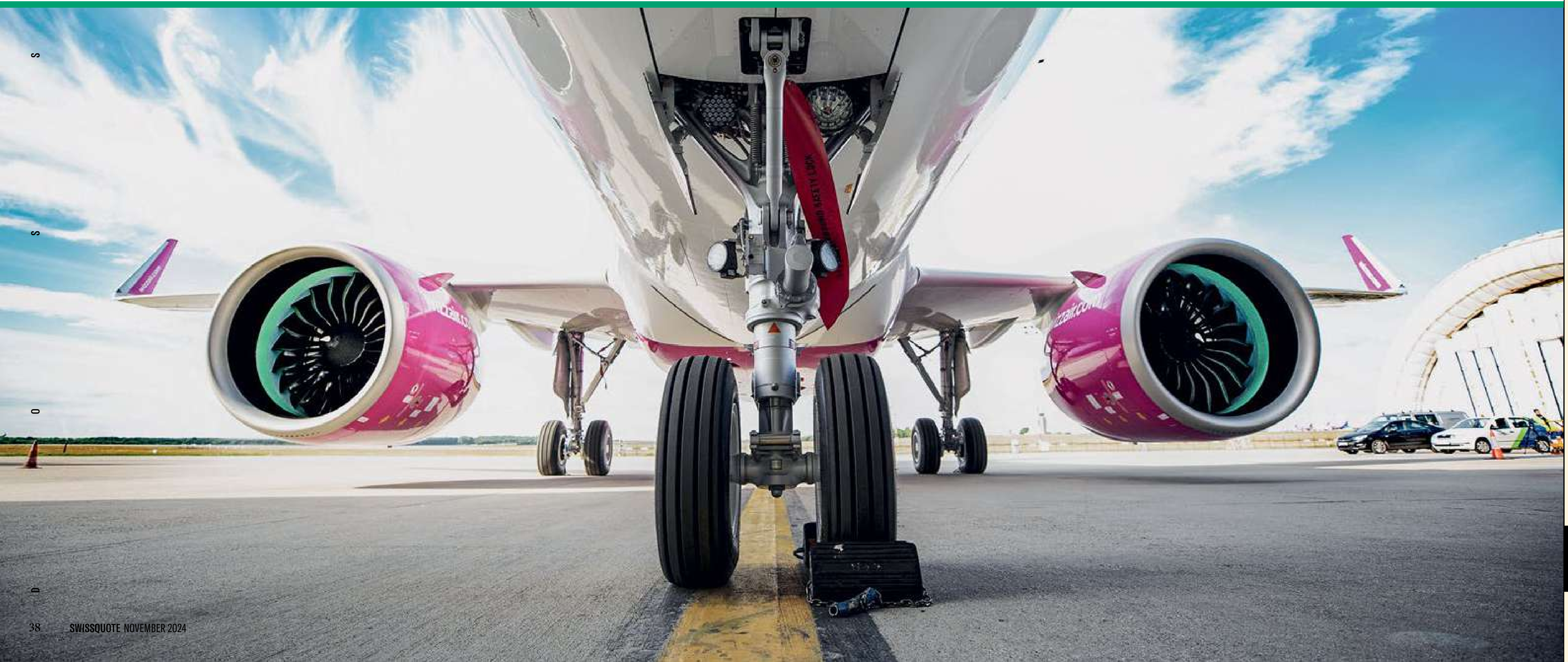
For financial year 2023-2024, passenger numbers rose 21.4%

However, the company faces a number of challenges. "The war in Ukraine has severely impacted Wizz Air's revenue, and the airline has had to abandon several routes in Eastern Europe," Yi Zhong points out. Making matters worse, problems with the Pratt & Whitney geared turbofan engines on its Airbus A320neo aircraft have grounded 20% of its fleet, forcing the company to lease eight additional aircraft. Gábor Bukta estimates that this will cost around €100 million this year.

Wizz Air is also facing stiff competition from Ryanair in Eastern Europe. "The two carriers are engaged in an all-out price war," Gábor Bukta says. He cites the example of Albania, where the simultaneous arrival of the two airlines in late 2023 led to 15% to 25% reductions in average ticket prices.

Wizz Air is now looking eastward to secure future growth. "It has ordered a large fleet of A321XLRs, an aircraft capable of covering medium-haul flights," Yi Zhong says. The new fleet will operate out of the airline's Abu Dhabi hub to serve southern and eastern Asia. In the spring of 2024, Wizz Air announced the opening of routes to India with tickets priced at less than €200. "Unlike traditional carriers, which operate these flights with double-aisle aircraft, the A321XLR is a single-aisle plane, which makes it more economical to operate," the analyst explains.

Despite the company's high debt, Gábor Bukta maintains his buy recommendation. He believes that the challenges it faces are already factored into the current share price, which he deems undervalued.



© WIZZ AIR

An Airbus A320neo operated by Wizz Air. ↓

FOUNDED: 2003 **HEADQUARTERS:** BUDAPEST, HUNGARY **2024 REVENUE (FINANCIAL YEAR ENDING 31 MARCH):** €5.1 BN **EMPLOYEES:** OVER 8,000 → WIZZ.L

POLAND

Allegro
Resistance to Amazon

Allegro, Poland's e-commerce leader, has managed to hold its own against American giants.

In the 2000s, Allegro pulled off a show of strength in Poland by outperforming eBay, the US competitor that had inspired it. The company managed to rally the country's network of SMEs to sell their goods on its marketplace. On the back of this success, Allegro grew dramatically, to the point that in 2020, amid the pandemic, the firm went public on the Warsaw Stock Exchange. The stock rapidly took off to top the Polish WIG30 index, and the unicorn's valuation surged from $11 billion to $19 billion in a single day.

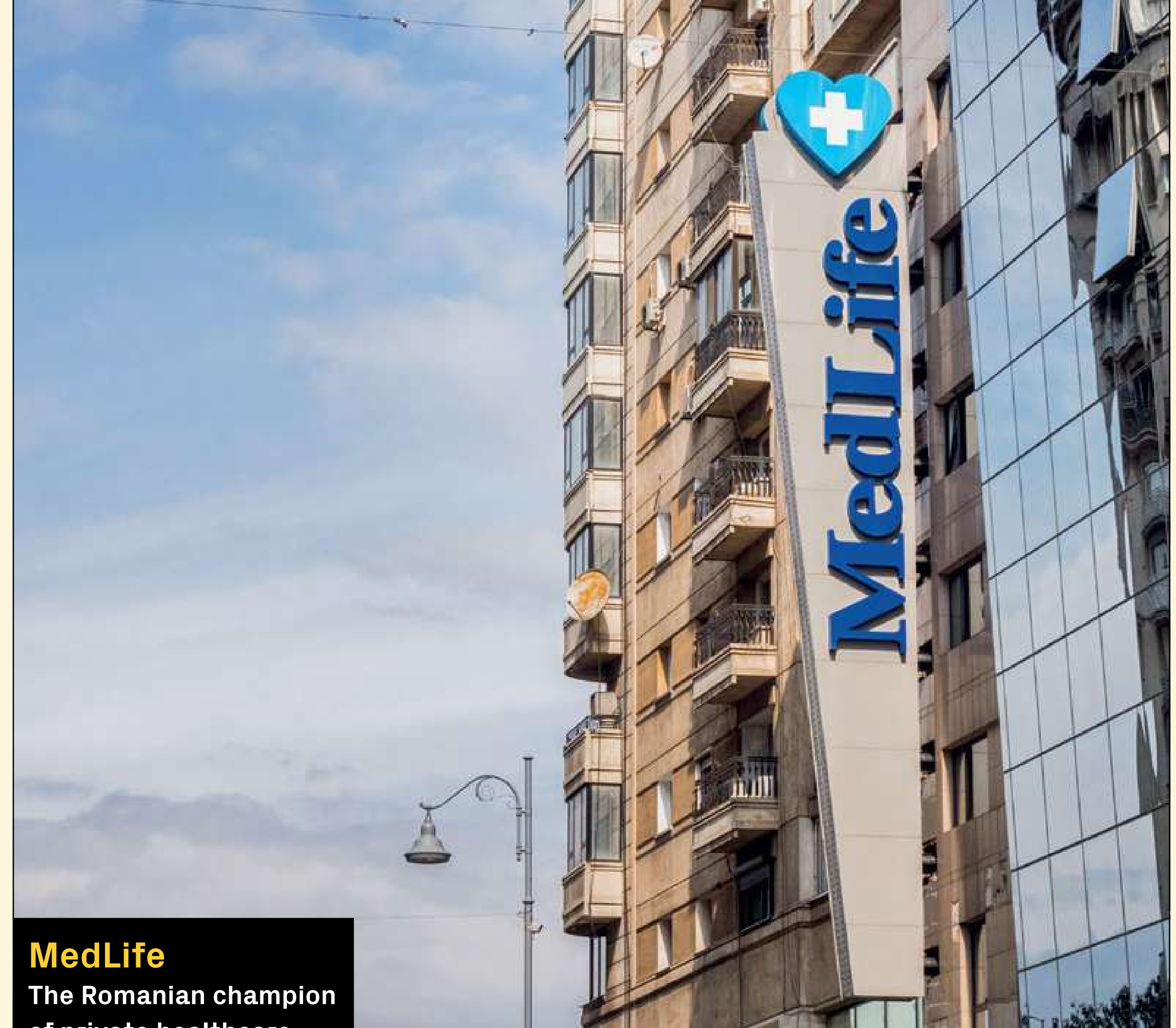
In 2022, the firm extended its influence outside Poland

In 2021, a new challenge arose with the arrival of another US giant, Amazon, on the Polish market. After the announcement, Allegro's shares dipped temporarily. Yet, three years on, the company is holding up well. Its market share in Poland remains stable at around 45%, according to Morningstar analyst Sean Dunlop. In late September, he wrote, "We continue to view Allegro's current price as an attractive entry point for investors seeking high-quality exposure to e-commerce."

In addition to its online marketplace, Allegro is diversifying into related sectors: advertising, delivery and online payments, thus bolstering its ecosystem. In 2022, the firm extended its influence outside Poland with the acquisitions of Slovakian logistics operator WeDo and Czech online retailer Mall Group. With these acquisition, Allegro extended its presence in the Czech Republic, Slovakia, Hungary, Slovenia and Croatia, increasing its reach by 39.7% to 19.6 million active buyers in 2023.

FOUNDED: 1999 **HEADQUARTERS:** POZNAŃ, POLAND **2023 REVENUE:** PLN 58.4 BN (CHF 12.77 BN) **EMPLOYEES:** 7,000 → ALE:WSE

Allegro CEO Roy Perticucci at a press conference in Prague on 31 July 2023 to mark the company's entry into the Czech market. ↓



↑ A MedLife clinic in Victory Square (Bucharest's city centre).

MedLife
The Romanian champion of private healthcare

Recognised for its excellence and innovative spirit, the group is looking to expand into other countries.

MedLife is the brainchild of Romanian paediatrician Mihaela Cristescu. In response to the inadequacies of the public health system, she founded a network of private clinics in 1996. By offering attractive salaries, she managed to recruit the country's top doctors, even convincing some expatriates practising in Germany and Switzerland to return to work as physicians in Romania. It also launched an acquisition strategy, buying up medical practices and absorbing dozens of competitors.

Listed on the Bucharest Stock Exchange since 2016, MedLife is now the largest private healthcare provider in Romania

Another key component of its success has been through selling services to large corporations in the form of medical packages that are included as benefits for their employees. Listed on the Bucharest Stock Exchange since 2016, MedLife is now the largest private healthcare provider in Romania, with a network of 230 clinics, 17 hospitals, 4 maternity centres, 34 laboratories, 23 pharmacies and 18 dental clinics.

The company is now targeting international markets. A first clinic opened in Hungary, and the group plans to open more operations in Bulgaria, Serbia and Moldova. In Romania, MedLife has recently invested in oncology and mental health services, as well as in innovative projects such as drone transport of medical samples and the purchase of three surgical robots.

Despite high debt levels, most analysts recommend buying the stock, pointing to the group's solid fundamentals.

FOUNDED: 1996 **HEADQUARTERS:** BUCHAREST, ROMANIA **2023 REVENUE:** €453 M **EMPLOYEES:** 1,800 → ROM

ROMANIA

POLAND

LPP
The Zara of Eastern Europe

The group owns several clothing brands, including the highly trendy Sinsay, and already operates in almost 30 countries.

A ruffled floral dress for €15, a pair of black ankle boots for €30 or a navy blue striped blazer for €18. The cuts are simple, the style on trend, but not overstated. In Eastern Europe, the brand Sinsay enjoys a reputation comparable to that of H&M or Zara. It belongs to LPP, a group founded in Gdańsk in 1991. In the late 1990s, LPP began developing its own brands, such as Reserved and Cropp, and opened stores under these banners. In 2008, the group added House and Mohito to its portfolio by buying out a competitor. Sinsay rounded out the offering in 2013.

Today, LPP operates 2,275 stores in 27 countries as well as e-commerce platforms, giving it access to some 40 markets. For its financial year to end-January, the group posted 9.3% growth, for revenue of 17.4 billion złotys (3.8 billion Swiss francs).

↑ A concept store for Sinsay, LPP's flagship brand.

"Most of this growth came from the Sinsay brand, which targets a young audience with low-priced products," says Janusz Pieta, an analyst at mBank. Inspired by the model of fast-fashion pioneers such as Zara, "Sinsay watches market trends and quickly transforms them into affordable products," says Sylwia Jaskiewicz, an analyst at DM BOŚ.

LPP plans to substantially increase its number of stores over the next few years, which Janusz Pieta labels an "aggressive expansion strategy". By 2026, the group hopes to operate 4,755 outlets, of which 3,248 will come under Sinsay.

© LPP

Hindenburg Research published a report accusing LPP of continuing to operate secretly in Russia

Discreet operations in Russia

However, to meet those targets, LPP will have to overcome a significant obstacle. In early 2024, the US group Hindenburg Research published a report accusing LPP of continuing to operate secretly in Russia, despite the company's announced withdrawal from the country when the war broke out in Ukraine.

In June 2022, LPP said it had sold its Russian division, which accounted for a quarter of its sales, to a Dubai-based entity called Far East Services, presented as a Chinese consortium, for about $382 million. Hindenburg alleges that this entity is merely a shell, created the day before the announcement. The report also claims that former LPP stores in Moscow and St. Petersburg continue to sell its products, shipping them via Kazakhstan.

LPP's share price plummeted 36% upon release of the report. "The situation has caused it to lose credibility with investors," Sylwia Jaskiewicz says. Eager to restore its image, the Polish firm is now focusing on other markets, particularly in Central and Southern Europe, setting Romania, Greece and Italy in its sights.

Despite these challenges, Sylwia Jaskiewicz believes the company's fundamentals remain healthy and maintains a buy recommendation. She also highlights the substantial savings achieved in the e-commerce segment.

FOUNDED: 1991 **HEADQUARTERS:** GDAŃSK, POLAND
2023 REVENUE: PLN 17.4 BN (CHF 3.8 BN)
EMPLOYEES: 43,000 → LPP

CZECH REPUBLIC

Komerční Banka
The everyday bank for Czechs

The renowned financial institution is fine-tuning its digital offering to strengthen its position on the local market.

The third-largest bank in the Czech Republic, Komerční Banka has built a solid reputation as a specialist in retail banking and financial services for small businesses. Sixty percent owned by Société Générale, it has 1.7 million customers and customer deposits of over CZK 1 trillion. In 2020, the bank adopted an ambitious strategy to reduce the number of branches and transition to digital services by 2025.

Financial products are already popular among Czechs

This transformation aims not only to reduce costs, but also to increase revenue by selling more financial products, especially via its mobile app. These instruments are already popular among Czechs who want to maximise returns on their savings amid today's low interest rates. In 2023, the volume of assets invested by Komerční Banka in mutual funds, pension funds and life insurance rose 16%. Deposits grew by 9.7% and loans by 5.5%.

Most analysts have issued a buy recommendation, considering the bank's fundamentals to be strong. The total capital ratio, which measures a bank's reserves built up to guard against losses, reached 18.8%, well above the 8% legally required in the Czech Republic. Another plus for shareholders is the dividend of 82.66 Czech koruna per share, with an average yield of 11.4% over the last five years (between 5.97% and 15.3%).

FOUNDED: 1990 **HEADQUARTERS:** PRAGUE, CZECH REPUBLIC
REVENUE: CZK 36.2 BN (CHF 1.34 BN) **EMPLOYEES:** 7,563 → KONN

HUNGARY

Alteo
Energy transition on the move

Hungary's pioneer of green solutions has solid foundations for further growth.

The flagship of Hungary's energy sector, Alteo has made a name for itself in the energy transition field. The company has a diversified portfolio of assets, including solar and wind plants, as well as hydroelectric and biogas facilities. In 2023, it set up a virtual power plant integrating almost exclusively renewable sources – a first in Hungary. This innovation enables centralised and optimised coordination of several green energy production units, thereby enhancing grid flexibility.

Despite the fall in energy prices in 2023, the Hungarian company managed to hold its own

At the same time, Alteo is expanding its activities, notably through subsidiaries specialising in waste management and the supply of charging equipment for electric vehicles.

Despite the fall in energy prices in 2023, the Hungarian company managed to hold its own. In the first half of 2024, its consolidated EBITDA was down by 25% and its net profit by 50% compared with the first half of 2023, but this was due to an extraordinary 2022.

↑ Alteo operates the Gibárt hydroelectric power station, which has been in operation for more than 100 years and has been declared a historical monument.

At the beginning of September 2024, the company still had a liquidity cushion of 10.6 billion forints after the June dividend payments, allowing it to comfortably cover its short-term obligations.

For now, Alteo remains a small-scale player still highly exposed to the Hungarian market, but with green energy gaining ground in the European energy mix, the company is well positioned to capture a share of this growth, thanks in particular to its leadership in integrated energy solutions. A stock to watch.

FOUNDED: 2008 **HEADQUARTERS:** BUDAPEST, HUNGARY
2023 REVENUE: HUF 96 BN (CHF 225 M)
EMPLOYEES: 454 → ALTEO

POLAND

InPost
24/7 parcel delivery and shipping

Through its network of automated lockers and service points, the company has built itself into a leading parcel delivery player in Europe.

The explosive growth of online retail has brought with it a tough challenge for delivery companies: "last mile" logistics. Active in this sector for 25 years, InPost has been innovative in its positioning. Initially specialising in leaflet distribution, the company evolved towards standard deliveries before introducing a major innovation in 2009: self-service lockers, open 24/7, where users could send and receive parcels. These first lockers propelled the company to success. By 2020, InPost had more than 10,000 lockers across Poland.

InPost went public in January, 2021 raising €2.8 billion

Taking advantage of the boom in online retail during the pandemic, InPost went public in January 2021, a few months after another Polish giant Allegro, raising €2.8 billion. That same year, the acquisition of Mondial Relay (a former 3 Suisses subsidiary) gave it a foothold in France, Benelux and the Iberian Peninsula. Expansion continued with new operations in Italy and the UK. Today, InPost manages some 35,500 automated lockers and over 30,500 collection points in nine countries, making it one of Europe's most extensive networks.

This international strategy is paying off. In its Q2 2024 report, published in September, InPost exceeded expectations with parcel volume of more than 264.4 million, representing growth of 20% in Poland and 29% in other markets. Most analysts recommend buying shares.

FOUNDED: 1990 **HEADQUARTERS:** KRAKOW, POLAND
2023 REVENUE: PLN 8,843.7 M (CHF 1.94 BN)
EMPLOYEES: 5,000 → INPST

Rafal Brzoska, CEO of InPost, at a press conference announcing that the company would now be the strategic sponsor of Poland's national football team. ↓

HUNGARY

4IG
Hungary's telecoms giant

In just a few years, the group has become a key player in the region.

4iG has grown, within the space of a few years, from a medium-sized Hungarian company to a diversified group with 8,000 employees.

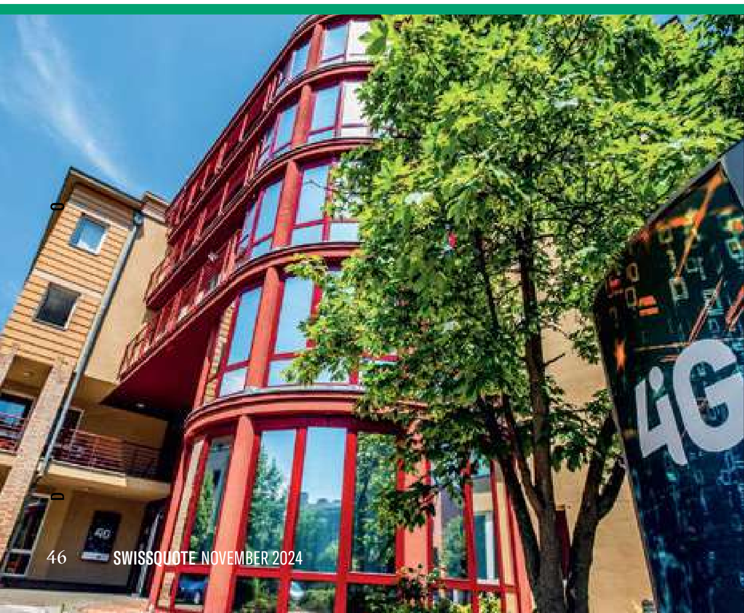
The company's net revenue increased almost 50-fold

The transformation began in 2017, when the company was purchased by Lőrinc Mészáros, Hungary's richest man and a close ally of President Viktor Orbán, before continuing under the leadership of Gellért Jásza, the current CEO. Between 2018 and 2024, the company's net revenue increased almost 50-fold, reaching 328.4 billion forints (approximately 783 million Swiss francs) in the first half of 2024. At the same time, the share price on the Budapest Stock Exchange increased tenfold, to 770 forints (1.84 Swiss francs).

Today, 4iG is an established leader in the Hungarian telecommunications market, mainly through strategic acquisitions such as Vodafone Hungary, the country's second-largest mobile provider, along with the local subsidiary of Romanian internet provider Digi and Invitec, a company specialising in data centres, fibre optics and IT solutions. Internationally, 4iG expanded its presence in Albania and Montenegro with the acquisition of ONE. The group has also diversified, forging a partnership with German conglomerate Rheinmetall in the defence industry and acquiring a stake in Israeli satellite company Spacecom.

According to Nora Nagy, an analyst with Erste Group, its restructuring into three distinct entities – telecommunications, infrastructure and information technology – and consolidation of space and defence operations into an independent entity are logical steps that should enable 4iG to create more value for its shareholders.

FOUNDED: 1990 **HEADQUARTERS:** BUDAPEST, HUNGARY
2023 REVENUE: HUF 594.51 BN (CHF 1.4 BN)
EMPLOYEES: 8,000 → BUD:4IG



← 4iG's head office in Budapest.

ROMANIA

UiPath
The world leader in automation

Founded in Bucharest, UiPath offers solutions used by companies around the world.

Serving companies of all sizes and in all sectors, from multinationals to local businesses, including banks, private hospitals and railway operators, UiPath has become a leader in robotic process automation (RPA). UiPath's platform integrates easily with existing enterprise software, such as customer relationship management (CRM) systems and enterprise resource planning (ERP) packages, to automate repetitive tasks that used to be performed manually by employees. This includes both front-office and back-office operations that improve the efficiency of an organisation.

"Advances in AI over the past two years have significantly enhanced the performance of the UiPath platform"
Scott Berg, analyst at Needham & Company

With the recent integration of artificial intelligence technologies, UiPath users continue to improve their productivity. "Advances in AI over the past two years have significantly enhanced the performance of the UiPath platform," says Scott Berg, an analyst at Needham & Company. In his view, few companies can match UiPath. It now holds over 35% of the global RPA market, which the consulting firm Gartner estimated to be worth $3.2 billion in 2023. This puts the company ahead of well-known competitors such as Automation Anywhere (9.7%), Blue Prism (8.7%) and even Microsoft (3.3%).

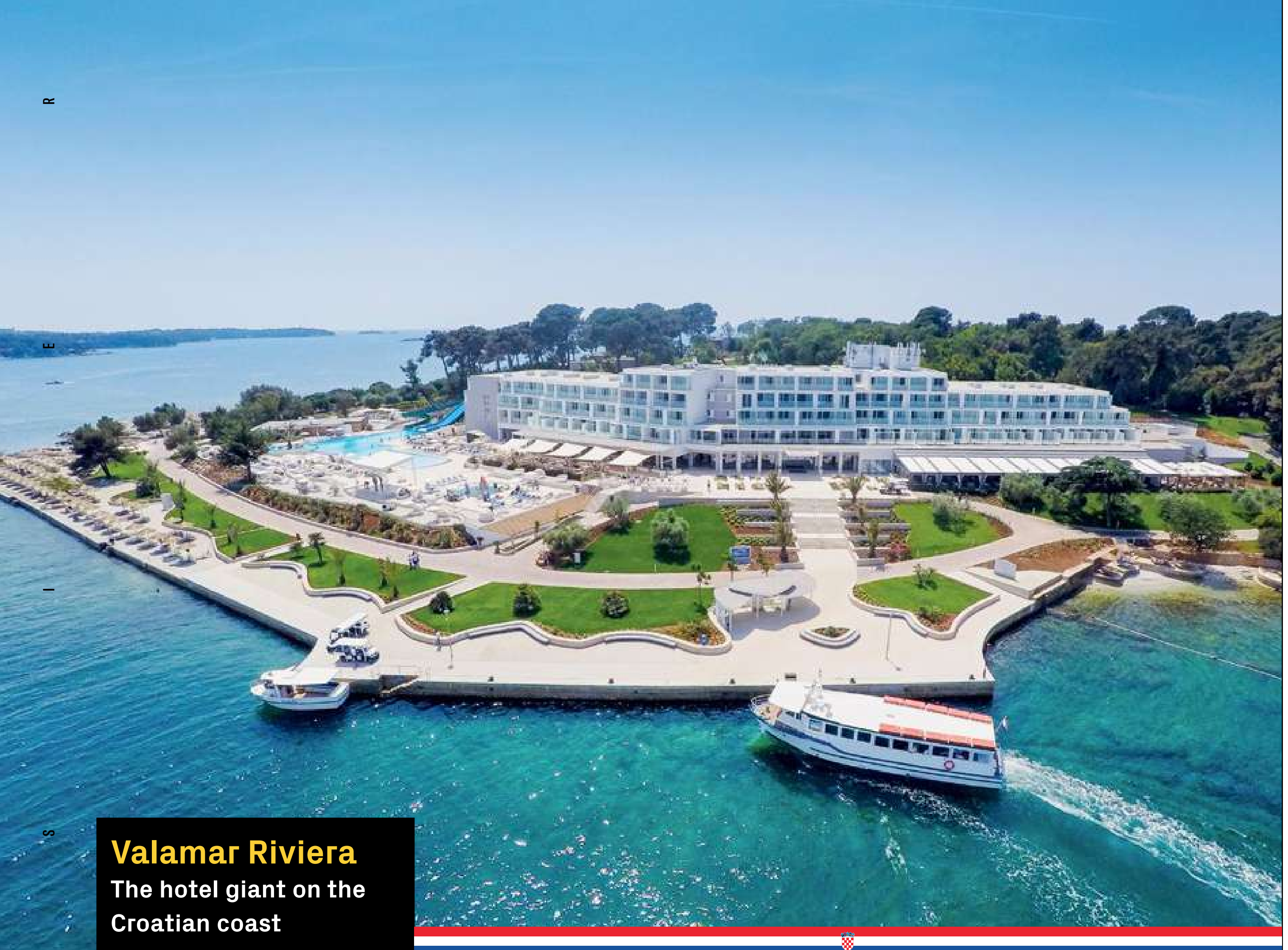
The fact that this company, founded in Bucharest in 2005, has managed to outperform such tech giants is remarkable. Its first automation product, launched in 2013, quickly gained ground. In 2021, when it went public in New York, UiPath raised $1.34 billion, and its valuation shot up to $35.8 billion.

As for its investment outlook, Scott Berg issued a "hold" recommendation, pointing to the company's strong performance while expecting even stronger earnings. "I'd like to see one or two quarters of continuous growth before I recommend buying shares," he says. The company faces two major challenges: the transition to cloud-based services and the restructuring of its marketing model under the leadership of co-founder and CEO Daniel Dines, who has returned to oversee the transformation. The effects of these changes should be visible in the coming months. For the second quarter of its 2025 financial year, UiPath reported revenue of $316 million, up 10% on the previous year.

↑ Daniel Dines, co-founder and CEO of UiPath, on stage at the Web Summit 2021 in Lisbon.

© 4IG / BRUNO DE CARVALHO, ALAMY

FOUNDED: 2005 **HEADQUARTERS:** NEW YORK, USA
2024 REVENUE (FINANCIAL YEAR): $1.31 BILLION
EMPLOYEES: 4,000 → PATH



Valamar Riviera
The hotel giant on the Croatian coast

This group is capitalising on the region's boom in tourism, while investing heavily to improve its infrastructure.

In recent years, Croatia has blossomed into one of the most popular destinations on the Mediterranean. This popularity has directly benefited Valamar Riviera, the country's largest hotel group. Valamar Riviera has a portfolio of 37 hotels and 15 campsites, representing a total of 20,898 accommodation units, mainly on the Istrian peninsula, the islands of Krk, Rab and Hvar, and in the Dubrovnik region of southern Croatia. The Group also operates three hotels in nearby country Austria. This expansive network can welcome up to 58,000 guests a day.

In 2023, the number of overnight stays rose by just 2%, but revenue jumped by 14.4%

To augment its margins, the Croatian company is stepping up investment in upgrading and improving its infrastructure. It plans to invest €450 million by 2026 to finance projects such as the construction of a five-star hotel on the Istrian peninsula and a 4/5-star resort on the island of Rab. Valamar Riviera has also teamed up with E.ON to set up solar power plants at its hotels and campsites. One establishment in Istria is already powered entirely by renewable energy.

↑ Aerial view of Isabella Valamar Collection Island Resort. The resort is located on the green island of Sveti Nikola, five minutes by boat from the old town of Poreč in Istria.

This strategy is starting to pay off. In 2023, the number of overnight stays rose by just 2%, but revenue jumped by 14.4%. The average price per night also rose by 13.5%, to €119. The group is targeting operating profits of €150 million by 2026, up from €109 million in 2023. Most analysts have issued a buy recommendation, mainly drawn by the €0.22 per share dividend, offering a 4.7% yield.

FOUNDED: 1953 **HEADQUARTERS:** POREČ, CROATIA
2023 REVENUE: €375 M **EMPLOYEES:** 3,300 → RIVP

CROATIA

HUNGARY

Gedeon Richter
The pharma queen of women's health

This Hungarian company shines in a number of fields, primarily thanks to its massive investment in R&D.

Founded in 1901 by Hungarian chemical pioneer Gedeon Richter, the company now operates in some 50 countries, from Latin America to Australia, and from Western Europe to China. Its success stems from its refusal to limit itself to the production of generics in the post-Communist era. The company invested heavily in R&D, building Central Europe's first R&D centre, and made acquisitions in various Western countries to produce original medicines.

Women's healthcare generates one-third of its pharmaceutical sales, amounting to 256 billion forints in 2023, about 700 million Swiss francs

Today Gedeon Richter employs 11,600 people, and women's healthcare is one of its pillars. This sector generates one-third of its pharmaceutical sales, amounting to 256 billion forints in 2023, about 700 million Swiss francs (up 12% from 2022). Gedeon Richter has been manufacturing contraceptive pills since 1966 and recently acquired assets from the Belgian company Mithra, which is active in a range of contraceptive methods. But its portfolio extends beyond birth control to include treatments for infertility, endometriosis and cervical cancer.

The central nervous system is another key area of expertise for the group. Its proprietary antipsychotic prescribed for schizophrenia, a blockbuster in the United States, drove growth in the segment to 41% between 2022 and 2023 to 206 billion forints (around 560 million Swiss francs). In addition to cardiovascular and over-the-counter products, Gedeon Richter focuses on biosimilars, another area that sets the company apart. It has recently opened a manufacturing site in Germany within its subsidiary Helm to triple its biosimilar production capacity. Most analysts recommend buying shares.

Two Gedeon Richter employees at work in one of the group's many laboratories. ↓

FOUNDED: 1901 **HEADQUARTERS:** BUDAPEST, HUNGARY
2023 REVENUE: HUF 805.158 BN (CHF 1.9 BN)
EMPLOYEES: 11,600 → RICHTER

Sopharma

The Bulgarian ogre of generics

Sopharma continues to expand its customer base thanks to an integrated manufacturing and distribution strategy.

"Sopharma's main strength lies in its complete vertical integration in Bulgaria, from production to drug distribution to sales", says Tatiana Puncheva-Vassileva, an analyst at Elana Trading. In the space of just 20 years, it has transformed from a state-owned producer of generic drugs to an integrated company listed on the Sofia Stock Exchange. Today, it is the country's second-largest market capitalisation, with a valuation of over 1 billion Bulgarian leva (BGN), around 500 million Swiss francs.

The export-focused company generates around 60% of its revenue in former Soviet Union states, namely Russia, Belarus and Ukraine

In both drug manufacturing and R&D, Sopharma concentrates its efforts on generics: of the 200 products in its catalogue, only 15 are original drugs and 12 are herbal medicines. The bulk of production takes place in Bulgaria, through nine factories, with a small proportion produced in Ukraine. The group will also soon be manufacturing in Serbia, where it is in the process of acquiring pharmaceuticals manufacturer Pharmanova. The export-focused company generates around 60% of its revenue in former Soviet Union states, namely Russia, Belarus and Ukraine. On the domestic market, Sopharma has a 7% share of the pharmaceuticals market by volume and 2% by value.

Sopharma's distribution division is also one of the group's pillars, positioned third on the Bulgarian market. Most of its sales are made via the Sopharmacy pharmacy chain, which operates on a franchise model, and via hospitals. The wholesaler has over a quarter of the market share in the latter channel, making it Bulgaria's leading player in this field. Sopharma appears to be replicating its integrated business model in Serbia. In addition to buying manufacturer Pharmanova, it acquired Serbian distributor Lekovit in 2019.

An old advert extolling the virtues of an insect repellent. ↓

© SOPHARMA / SHUTTERSTOCK

In the consumer drugs and cosmetics segment, the Sopharmacy chain has grown from 60 pharmacies in 2019 to over 220 in 2024. "Given the nature of the market, with its high sales and low margins, scale is the most important factor in generating cash flow," says Tatiana Puncheva-Vassileva of Elana Trading. "Achieving scale requires significant investment in the acquisition of new pharmacies. And Sopharma Trading has been doing so aggressively over the past three years. We expect Sopharma Trading's growth in pharmaceuticals to be driven by M&A for the next five years."

In January of this year, Sopharma approved the largest half-year dividend ever paid out on the Bulgarian Stock Exchange, i.e. 109 million leva, with a yield of 12.7%. Elana Trading subsequently issued a buy recommendation on the stock. "There is of course a risk of geopolitical turbulence in these key export markets, and we need to keep an eye on sales in this sector, where margins are falling and labour costs are rising, but this is a great company to watch."

FOUNDED: 1933 **HEADQUARTERS:** SOFIA, BULGARIA **2023 REVENUE:** BGN 1.874 BN (CHF 887.3 M) **EMPLOYEES:** 1,750 → SFA

Digi Communications headquarters in Bucharest. →

Digi Communications

Conquering the West

This Romania-based provider of internet and mobile telephony services has successfully conquered the Spanish and Portuguese markets.

"Aggressive pricing and a quality network" are how Erste Group analyst Nora Nagy describes Digi Communications' winning strategy. In its home country of Romania, Digi has a market share of around 70% in broadband Internet and pay TV, and 24% in mobile telephony (up from 15% four years ago).

Its positioning in Spain is promising. Between 2018 and 2023, it increased its market share on mobile networks from 1% to 8%

A few years ago, the company suffered a setback in Hungary. "It has learnt the lessons of this failure and is now better prepared to enter other foreign markets." For example, its positioning in Spain is promising. Between 2018 and 2023, it increased its market share on mobile networks from 1% to 8%. In addition, it has recently renewed its partnership with Telefonica for network use, and some experts forecast that it will reach 20% market share within one to three years.

Its outlook is also strong in Portugal, where the group has built its own network (5G and fibre optics) and is set to acquire the country's fourth-largest operator, as well as in Belgium, where it has secured an agreement to provide mobile telephony, internet and digital television. "Historically, Digi has not offered high dividends. But, thanks to the partial sale of its Spanish fibre optic network for €750 million, and by meeting targets abroad, it has achieved a good balance between financial leverage and growth. Our recommendation to investors last January was hold, and this could change for the better," Nora Nagy says. Between January and June 2024, revenue reached €918.1 million, up 13.4% year-on-year.

FOUNDED: 1993 **HEADQUARTERS:** BUCHAREST, ROMANIA **2023 REVENUE:** €1.690 M **EMPLOYEES:** 22,000 → DIGI

POLAND

KGHM
A copper giant

The group benefits from strong copper demand, which is essential in green energy and new technologies.

Formerly state-owned, KGHM is now one of the world's leading copper producers, with estimated reserves totalling 40 million tonnes. The group is fully benefiting from flourishing demand for the red metal, a key component in power grids, electric vehicles and wind turbines.

Poland, where KGHM operates three mines, accounts for 80% of its total production. "These deposits are geologically complex, as miners have to dig up to 1 km underground to reach them," says Jakub Szkopek, an Erste Group analyst. "However, they have a relatively high copper content of around 1.3%. That said, global demand for copper is expected to grow by 2% to 3% a year, and shortages could appear as early as 2026."

Outside Poland, the company operates the Sierra Gorda mine in Chile, with a deposit of 1.3 billion tonnes of ores rich in copper, gold and molybdenum

In addition to its mining activities, KGHM, which was privatised in 1991, operates three smelters and refineries that produce semi-finished products. Outside Poland, the company operates the Sierra Gorda mine in Chile, with a deposit of 1.3 billion tonnes of ores rich in copper, gold and molybdenum. The group also owns mines in the United States and Canada, where it produces copper, gold, nickel and silver.

However, KGHM's goals for expansion are hampered by environmental concerns, especially in Poland. This situation has forced the group to invest heavily in green technologies, such as wind power and mini-nuclear reactors, to decarbonise its operations. Most analysts recommend holding shares.

FOUNDED: 1961 **HEADQUARTERS:** LUBIN, POLAND
2023 REVENUE: €7.26 BN **EMPLOYEES:** 34,000 → KGH

A KGHM copper smelter and refinery in Głogów, southwest Poland. ↓

Krka
Slovenia's generics leader

Active in more than 70 countries, the group has grown into a key player in its market.

With 70 years of experience, Krka is no newcomer to European pharmaceutical production. Like Gedeon Richter, the Slovenian group went public in the mid-1990s. However, unlike its Hungarian neighbour, Krka focuses on generics. That has not kept the company from investing since the 1980s in a sales network that extends beyond Central Europe. As a result, it now operates in more than 70 countries and enjoys a strong position in responding to calls for tender.

In addition, Krka is investing in improving its production capacity, which gives it a clear advantage considering the shortage of medicines in Europe. Five of its plants are currently being renovated, with plans to upgrade and create new production lines.

The company increased its sales in the first half of 2024 by more than 7%

The group is also active in research and development to come up with new combinations and dosages for existing generic drugs. The products are proving more efficient for healthcare organisations and patients alike, freeing patients from the burden of taking several pills. These formulations also provide a way for Krka to increase its margins compared with standard generics. As a result of these investments, the company increased its sales in the first half of 2024 by more than 7% (to €985.4 million) and by over 3% in volume year-on-year. Most analysts recommend buying Krka shares.

↑ Krka pharmaceutical ingredients production plant in Krško, Slovenia.

FOUNDED: 1954 **HEADQUARTERS:** NOVO MESTO, SLOVENIA
2023 REVENUE: €1.8 BN **EMPLOYEES:** 13,000
→ KRKG

SLOVENIA

HEALTH

GLP-1: the miracle drug is not all good news on the stock market

The new generation of anti-obesity and anti-diabetic drugs, notably embodied by Ozempic, is wiping out many companies as their products seemingly fall into oblivion. Here is an overview...

BY BERTRAND BEAUTÉ

Oprah Winfrey at the Critics' Choice Movie Awards in Santa Monica, California, in January 2024. The American star admitted in 2023 that her weight loss was the result of taking anti-obesity medication.
↓

It's over between Oprah Winfrey and WeightWatchers. After eight years on the board of the famous diet promoter, the American talk show host announced on 28 February 2024 that she would be stepping down. She found a miracle cure to lose weight. And, spoiler alert, it's not WeightWatchers. In an interview with *People Magazine* in December 2023, the megastar admitted to taking weight-loss medication – those much talked-about GLP-1s that allow users to drop an average 15% to 20% of their weight (see p. 58). "The fact that there's a medically approved prescription for managing weight and staying healthier, in my lifetime, feels like relief, like redemption, like a gift," Oprah explained.

> **"Who's going to want to eat Slim Fast or have a gastric band procedure, when you can take a drug that helps you lose weight almost effortlessly?"**
>
> **Vincent Meunier**, healthcare managing director at Bryan, Garnier & Co.

She is not the only one to abandon WeightWatchers. According to the latest results from WW International (official name of WeightWatchers), published on 1 August, the number of subscribers has →

fallen to 3.8 million, down from 4.1 million a year earlier. So what does that mean? While Oprah Winfrey's life is commonly splayed all over the celebrity press, this time it also hit the financial news. "Diet companies have taken a beating on the stock market, especially due to the tremendous competition in the industry," says Marine Dubrac, co-manager of the Wellness fund at Thematics Asset Management.

The entire agri-food industry is now carefully watching GLP-1, as more widespread adoption could eventually eat away at their sales

In one year (September 2023 to September 2024), WeightWatchers shares lost almost 100% of their value, reducing them to a penny stock. And that is not the end of its woes. In 2024, the company expects an operating loss of up to $180.7 million. "Weight loss products that existed before the advent of anti-obesity drugs have become, for many, poor alternatives," confirms Vincent Meunier, healthcare managing director at Bryan, Garnier & Co. "Who's going to want to eat Slim Fast or have a gastric band procedure, when you can take a drug that helps you lose weight almost effortlessly? Gastric band manufacturers are going through a brutal paradigm shift."

Ross Mathison, investment manager at Baillie Gifford, concurs. "With the emergence of anti-obesity drugs, many companies risk becoming obsolete. The question is how they will transform in response to this new environment." As its world collapses, WeightWatchers is urgently trying to reinvent itself. "With a rapidly changing landscape, we are taking decisive actions to navigate through this environment and completely reimagining how we operate," Sima Sistani, former CEO of WW International, stated. She was replaced by Tara Comonte in August.

In March 2023, the American diet giant announced the $132 million buyout of Sequence – a telehealth platform specialising in clinical weight management that prescribes GLP-1 via virtual doctor consultations. "Obesity is a complex, chronic condition, and, for some, prescription medications can be helpful in addressing the biological components of obesity," the company explained in a news release announcing the acquisition. In December 2023, WeightWatchers launched a nutrition programme for people on GLP-1 treatments.

↑ An advert for Novo Nordisk's anti-obesity drug Wegovy, pictured here in New York in June 2024.

© RICHARD B. LEVINE, ALAMY / KEYSTONE

Another sector hit hard is the food industry. "GLP-1s act as appetite suppressants," Marine Dubrac says. "Studies have shown that patients undergoing treatment can reduce their food intake by an average of 30%, especially by cutting down on snacking, processed foods and sugary drinks, and also tone down their alcohol and tobacco consumption."

"GLP-1 can potentially treat a huge range of diseases"

Marine Dubrac, co-manager of the Wellness fund at Thematics Asset Management

These facts were confirmed by Walmart, the American retail giant. Analysis of its sales data found that shoppers who purchase weight-loss drugs in its pharmacies buy less food in its stores. Just after Walmart's statements, in October 2023, the stocks of several US companies including Mondelez, PepsiCo and Coca-Cola temporarily dipped.

Are these giants, often symbols of junk food, in danger? "People aren't going to start eating better, and the number of obese people in the world will continue to rise," Vincent Meunier believes. However, the entire agri-food industry is now carefully watching GLP-1, as more widespread adoption could eventually eat away at their sales. A study by J.P. Morgan Research published in November 2023 estimates that 30 million Americans – or 9% of the population – will be taking anti-obesity drugs by 2030. "GLP-1s could have a significant impact on food and beverage consumption. The advent of GLP-1 use for appetite suppression has been a key factor in the median larger-cap US food producers underperforming the S&P 500," J.P. Morgan stated in its report.

The only company to have publicly attempted to quantify the impact of GLP-1 on its sales is chocolate and sweets manufacturer Mondelez (Oreo, Toblerone, Milka). In November 2023, the food giant estimated that weight-loss drugs would shrink volumes by 0.5% to 1% over the next decade or so. "All food companies have come to the conclusion that pressure on their non-healthy products will increase," says Richard Speetjens, portfolio manager at Robeco. "They are now trying to adapt."

NESTLÉ REACTS

For example, Coca-Cola has diversified its beverage portfolio to include more low-calorie and →

In September 2024, Novo Nordisk CEO Lars Jorgensen had to testify before the Senate Committee on Health, Education, Labor and Pensions in Washington to explain why Americans were being charged high prices for Ozempic (anti-diabetic) and Wegovy (anti-obesity).
↓

↑ Like Elon Musk, many stars, including Sharon Osbourne, Robbie Williams and Amy Schumer, have admitted to taking anti-obesity medications.

© ETIENNE LAURENT, AFP

sugar-free products. In June, the Swiss giant Nestlé launched www.glp-1nutrition.com, a platform offering GLP-1 patients nutritional advice. Almost exactly one month earlier, it announced the launch of Vital Pursuit, a food brand designed for users of weight-loss medication. "Alongside the democratisation of GLP-1, new food segments will form," says Vincent Meunier of Bryan, Garnier & Co. "Companies will be coming up with new lines, which will probably generate higher margins, to take advantage of this trend."

But things don't end there. Weight-loss and food companies are not the only ones facing competition from GLP-1. Several healthcare companies are also experiencing a rough patch. To fully understand the situation, we need to remember that GLP-1s were originally developed as medications for diabetes to improve glycaemic control. However, the indirect health benefits of these drugs appear to be increasingly widespread. As Meunier sums up, "Excess sugar in the blood is toxic for several organs, such as the brain, eyes, kidneys and heart. GLP-1s can therefore potentially have a beneficial impact on the health of all these organs."

For example, in a clinical trial, Ozempic has been shown to be effective in slowing or reducing the risk of kidney failure in diabetics, a frequent medical complication for these patients. The market verdict was swift: the day after the announcement, on 11 October, 2023, the share price of the world leader in dialysis equipment, Fresenius Medical Care, fell by 18% on the Frankfurt Stock Exchange, while its competitor DaVita lost 17% in New York. Although both companies have since recovered, they are not the only medtech companies to have felt some turbulence. With good reason: "GLP-1 can potentially treat a huge range of diseases," says Marine Dubrac of Thematics Asset Management.

For instance, a study published in *The New England Journal of Medicine* in June 2024 showed that tirzepatide, a GLP-1 initially prescribed for weight loss in treating obesity and type 2 diabetes, reduced sleep apnea, a common condition in overweight patients, by up to 60%. In reaction to the news, shares in sleep apnea treatment specialists such as US companies ResMed and Inspire plunged immediately, losing 12% and 15% respectively over a weekend the following day, before recovering.

"We can therefore assume that companies involved in exercise will benefit from the GLP-1 boom"

Marine Dubrac, co-manager of the Wellness fund at Thematics Asset Management

"The market sometimes tends to overreact," Marine Dubrac says. "Around 40% of people with type 2 diabetes have kidney problems. But even if GLP-1s are prescribed to improve the management of the disease, not all patients will benefit from it tomorrow, nor will dialysis machine manufacturers lose 80% of their sales. There may be a risk for these companies in the long term, but they will probably have time to adapt." Ross Mathison shares this view. "The market can draw hasty, simplistic conclusions. It will take time before we understand the real impact of GLP-1 on other sectors."

WINNERS AND LOSERS

In any case, all experts we consulted agree on one point: there will be losers from GLP-1. Another more unexpected outcome is that it is likely to indirectly benefit companies riding the healthy lifestyle trend. "Alongside weight-loss medication, people are advised to maintain healthy eating habits and physical activity," Dubrac points out. "We can therefore assume that companies producing balanced foods or involved in exercise will benefit from the GLP-1 boom. This phenomenon is amplified by the fact that it is very difficult for obese people to engage in physical activity. But as soon as they lose a little weight, they can get back into exercise, unless there are any contraindications."

GLP-1 intake is also associated with muscle loss. Protein-rich foods such as high-protein yoghurt could benefit from this. Food giants, for example Nestlé, are currently developing ranges to serve this market. Pharmaceutical companies are also moving into the weight-loss support market. In June 2024, the Dutch firm DSM Firmenich told CNBC that it was developing nutritional supplements to offset the effects of weight-loss drugs. Likewise, Swiss company Sandoz plans to launch the first generic diabetes and weight-loss medications as early as 2026 in Canada – when the patents on these drugs expire.

More anecdotally, airlines could also benefit from the rise of anti-obesity drugs, as lighter passengers consume less fuel. According to a Jefferies study published at the end of September, United Airlines would save $80 million a year if the average passenger weight decreased by just 4.5 kg (10 pounds). And that's totally realistic for patients on GLP-1. ◢

The game-changing potential of GLP-1

There seems to be no limit to the commercial success of GLP-1. In early 2023, analysts estimated that these drugs would generate revenue of $50 billion by 2030, compared with around $10 billion in 2020. Since then, forecasts have been significantly revised upwards: For example, Jefferies now estimates that the market will reach $150 billion in 2030, while J.P. Morgan Research foresees $100 billion.

How is that possible? "GLP-1s are not new drugs," says Vincent Meunier, healthcare managing director at Bryan, Garnier & Co. "The very first GLP-1 analogue, exenatide, was brought to market by the US pharma Eli Lilly in 2005 to treat type 2 diabetes." However, GLP-1 analogues did not truly take off until semaglutide hit the market in 2017, developed by Novo Nordisk and branded under the name Ozempic. Approved for the treatment of diabetes, the medication produced an average weight loss in clinical trials of almost 15% after two years. That resulted in it being used in different ways. The arrival of tirzepatide from Eli Lilly further fuelled the interest in these drugs, which induce an average weight loss of around 18%.

Since then, the world has been scrambling to get their hands on these products, and sales forecasts are mind-boggling.

"The popularity of GLP-1 stems from the fact that, until now, there has been no effective way to treat obesity," says Ross Mathison, investment manager at Baillie Gifford, "and that the number of addressable patients is colossal." The WHO estimates that 2.5 billion adults (age 18 and over) were overweight in 2022, of which 890 million were obese. And these figures are likely to explode over the next few years. By 2050, the planet is expected to be home to almost four billion overweight people, and 1.5 billion will be obese. "Currently, only 2% to 3% of obese people take a GLP-1 treatment," says Marine Dubrac, co-manager of the Wellness fund at Thematics Asset Management. "Increasing this figure to 10% would already be huge."

This is a boon for Novo Nordisk (Ozempic and Wegovy) and Eli Lilly (Zepbound), the only two producers of these drugs. "Competition will come, but the edge held by Novo Nordisk and Eli Lilly won't be erased any time soon," Ross Mathison adds. "Both companies are investing heavily to stay on the cutting edge." Novo Nordisk is currently developing an oral version of its drug, expected to launch to market in 2025, to replace the current version only available in injectable form.

But are sales forecasts of over $100 billion by 2030 realistic? "That will depend on a number of factors," Marine Dubrac says. "For the time being, Novo Nordisk and Eli Lilly are unable to meet demand. The two companies will have to dramatically increase their production over the next few years. After that, everything will depend on how much these drugs, which cost $15,000 a year, are reimbursed. At present, they are fairly well covered in the United States for the treatment of obesity, but less so in Europe."

In fact, new markets could drive sales even higher. Recent studies have shown very promising results from the use of these drugs in the treatment of heart failure, prevention of stroke, renal failure, sleep apnea and Alzheimer's disease," says Richard Speetjens, portfolio manager at Robeco. "If these results are confirmed, sales of these drugs could be astronomical."

Stan Smith

A BRAND STORY

From the court to the street

The first leather tennis shoes ever made, Stan Smiths have shattered the boundaries of sport to become Adidas' best-selling sneaker and a fashion icon. BY BLANDINE GUIGNIER

↑ More than 100 million pairs of Stan Smiths have been sold. Here, the current version of the timeless trainer.

© ADIDAS

This past spring, the documentary *Who is Stan Smith?* was released. The American tennis player's biography focused on the main reason for his popularity with the younger generation: the sneakers named after him. "There's something of Stan's personality that's imbued in the shoe," director Danny Lee told CNN at the time. "It's understated. It's elegant. It's stately. And I think that's why it works."

When the shoe came out 60 years ago, it was mainly about bringing sport innovation to the market for Horst Dassler, the son of Adidas' founder. He teamed up with French tennis player Robert Haillet to design a leather shoe, which was more durable than the canvas that was widely used at the time, including by the American company Converse. To allow the foot to "breathe", he added a rubber sole and three perforated lines, reminiscent of the brand's iconic three stripes. The shoes were initially all white, before the green Achilles tendon protection was added at the back. When the French player retired, the manufacturer saw an opportunity to enter the US market. Adidas approached the most famous American player then, who had already won the Davis Cup five times, the US Open in 1971 and Wimbledon in 1972, to strike up a partnership. His face was sketched onto the tongue of the shoe. In 1978, the trainer officially took the name "Stan Smith", forever pairing the athlete and the sportswear powerhouse.

Bringing chic to streetwear

It was not until the late 1970s that the Stan Smith really came off the courts. Stars like David Bowie, taken by its timeless style and the elegance associated with tennis, began wearing them. Imitating the musician, young Brits immediately adopted them. Across the Atlantic, a similar phenomenon took place, and the shoe began to infiltrate the world of hip-hop through rappers, breakdancers and graffiti artists. "Every community embraced that shoe. Hustlers, drug dealers," singer and producer Pharrell Williams says in the documentary released in 2024. On tour with Run DMC in 1987, the Beastie Boys were sporting their Stan Smiths alongside other classic Adidas models.

> "Every community embraced that shoe. Hustlers, drug dealers"
>
> **Pharrell Williams**, singer and producer

After the sales boom in the 1980s, when the Stan Smith hit a record in 1989 with a total of 22 million units sold, the 2013 relaunch of the shoe ushered in a new era of success. Stars of the 2010s, including Brazilian model Gisele Bündchen and Pharrell Williams, fuelled the buzz around the new edition. On the street, the shoe was everywhere, worn by teenagers and 30-year-olds alike. Building on that popularity, the brand went on to sell over 100 million pairs of Stan Smith sneakers by the end of the decade.

KEY DATES

1972
Beginning of the partnership between Adidas and the American player Stan Smith.

1978
The sneaker is officially named after the famous tennis player.

1989
The "Stan Smith" entered the record books with 22 million pairs sold. The 100 million mark was cleared at the end of 2010.

Widespread success of the "Originals"

Over the past few years, other vintage models from the German brand, which it calls "Originals", have met with resounding success. The Samba and Gazelle are back on centre stage. The trend is now shifting towards the Handball Spezial, says Simon Kopp, manager of Titolo's multi-brand sneaker shops in Bern and Zurich. These reissues of classic trainers are also boosting the Frankfurt-listed group's results. "Wholesale grew 17% on a currency-neutral basis," in the second quarter of 2024, Adidas reported in July. "The strong offering of Originals and Football products transformed into double-digit growth in these categories."

Whatever the fashion, Stan Smiths will remain an essential classic, remarks Simon Kopp. "There is no other sneaker with such a timeless design. In fact, more customers are now buying them to round out a smart casual look. For example, the all-white model, with or without the legendary green tongue, is worn by executives with a formal jacket and trousers, while hotel and catering staff might be found wearing the all-black variant." The manager believes that Adidas has taken an astute strategy by offering basic versions of its flagship model for around 80 Swiss francs, and others in limited editions or with higher-end detailing. "Last year, its competitor Nike tried to bring back one of its tennis shoes, the Mac Attack, which honoured legendary player John McEnroe, but failed to generate the enthusiasm it had hoped for among customers. The fact is that the Stan Smith, with its 50-year history and various waves of trendiness, has become a brand in its own right in the Adidas universe. So much so that Stan Smith himself even said, self-mockingly, 'Some people think I'm a shoe'." ◢ → ADS

Neustark
Clean concrete

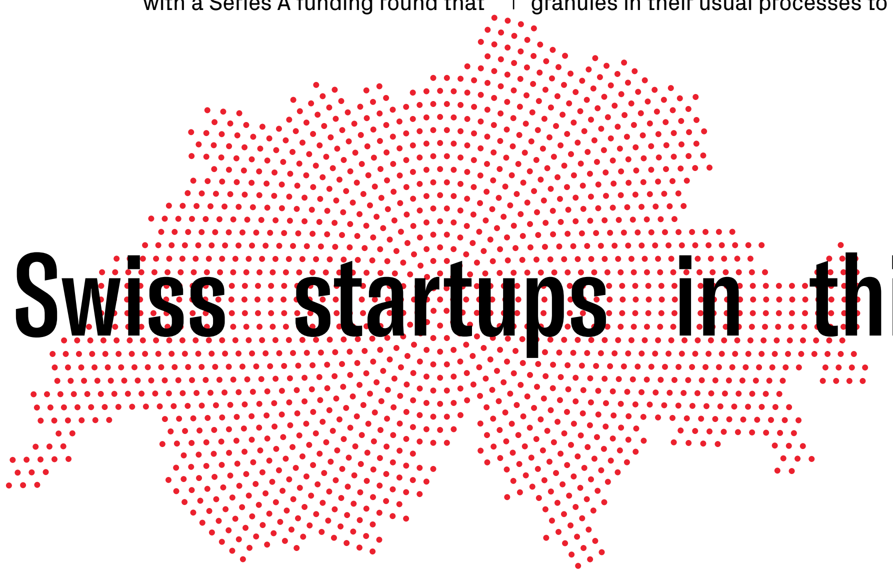
NUMBER OF EMPLOYEES
70

HEAD OFFICE
BERN

FOUNDED
2019

Neustark, based in Bern, has achieved the feat of capturing and liquifying CO_2 in order to store it in recycled concrete used to make construction materials. In the 2024 Sifted 30: Central Europe Leaderboard, a platform backed by the *Financial Times* that ranks the region's fastest-growing startups, the ETH Zurich spin-off came in second. At 270.93%, the company's growth between 2023 and 2024 is indeed impressive, capped off with a Series A funding round that raised 69 million Swiss francs early in the summer.

To remove carbon, Neustark captures and liquifies biogenic CO_2 (bioCO_2) produced during the methanisation process, i.e., the breakdown of organic matter such as food or farming waste. This liquid CO_2 is then transported to concrete producers and recyclers. In Neustark containers, it is mixed into granules recycled from demolished concrete. A mineralisation process transforms the CO_2 into limestone rock, which binds to the recycled granules. The CO_2 is therefore stored permanently. Recyclers can then use the enriched granules in their usual processes to produce recycled concrete or other materials for buildings and roads. More than 40 local recyclers, along with major industry players such as Holcim, have already partnered with the young company. Its first customers include big names, the likes of UBS and Microsoft. "To date, we have deployed our modular facilities at 19 sites, and over 40 others are currently under construction in Switzerland, France, Germany, Austria and Liechtenstein," says Valentin Gutknecht, co-CEO and co-founder of Neustark. "As of the end of the summer, we have already removed 2,500 tonnes of CO_2 from the atmosphere. Our goal is to reach 1 million tonnes per year by 2030."



Swiss startups in this edition

BY GRÉGOIRE NICOLET

DemoSquare
AI to foresee changes in legislation

NUMBER OF EMPLOYEES
5

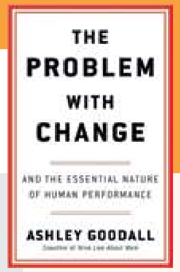
HEAD OFFICE
PRILLY

FOUNDED
2023

The startup first stood out shortly after it was created thanks to its partnership with the newspapers *Le Temps* and *NZZ*, in which it used artificial intelligence to predict the outcome of the federal elections held on 22 October 2023. It was wrong less than 1% of the time. Now the company helps businesses anticipate regulatory changes using an AI-powered platform that collects and aggregates political and regulatory data from Switzerland's federal government and Swiss media. This mass of information represents more than 20 million votes, more than 15,000 parliament members, more than 500,000 legislative documents and more than 40,000 press articles.

DemoSquare's statistical models are based on algorithms from the PhD research carried out by founders Victor Kristof (CEO) and Jérémie Rappaz (CTO) at EPFL. Using their tools, companies can monitor regulatory developments relevant to their business and identify key political stakeholders. The algorithms can also predict the adoption of a new law or the outcome of a vote with 90% to 95% accuracy.

Operating out of the Unlimitrust campus in Prilly (Vaud), DemoSquare has recently raised 1.2 million Swiss francs in pre-seed funding. Since creating the company, DemoSquare's CEO has had its sights set on the European Union, as decisions made in Brussels also impact Swiss firms. "We will use this financing to expand our scope of action. First, we will integrate data from EU institutions and then from French and German authorities, so that we can provide our services beyond Switzerland's borders."



R E A D

The Problem with Change

And the Essential Nature of Human Performance

BY ASHLEY GOODALL
LITTLE, BROWN SPARK, 2024

This book takes a long, hard look at the impacts of change in a professional setting. Author Ashley Goodall believes that the assumption that change is essential to a company's growth and success is both wrong and harmful. In his view, a corporate culture in which everything is constantly redesigned – processes, strategy, roles – has a psychological impact that drains motivation, productivity and performance. But incessant change has become such a normal part of company life that managers do not even notice all the damage it causes. Drawing on more than two decades of experience in human resources (Deloitte and Cisco), Goodall offers solutions, like prioritising employee cohesion and stability, which people need to thrive. But because change is inevitable, the book suggests ways of dealing with it more effectively, at both a personal and a professional level.

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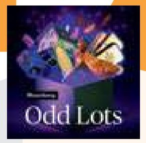
CHF 12.70 DIGITAL COPY



L I S T E N

Odd Lots

Hosted by influential Bloomberg reporters Joe Weisenthal and Tracy Alloway, this podcast focuses on financial markets and the global economy. Each episode dives into a specific topic generally relating to current news and trends. The hosts have a way of demystifying complex issues to bring them within the grasp of everyday people, while providing enough depth for more knowledgeable listeners. The broad range of subjects and expert guests – renowned economists and entrepreneurs – are one of the programme's strengths, as is Weisenthal's and Alloway's blend of humour and insight.

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F O L L O W

TraderLion

@TRADERLION

We break down complex trading topics into actionable education to help you become a more profitable trader.

X (TWITTER) 48 FOLLOWING 162.2K FOLLOWERS

TraderLion is an educational platform on trading that covers a broad range of topics in videos, webinars and online courses. Its very active X account posts several messages a day, including relevant graphics on the latest business news, practical statistics-based tips and helpful quotes.

D O W N L O A D

FitNotes

Gym Workout Log

Better than a sheet of paper

This free fitness app is designed to let you log your workouts (workout plan, repetitions, weights), schedule them on its integrated calendar and track your performance, which can be exported into a basic format (.cvs). The app does not provide any tips on which exercises to do. It is precisely its simplicity, design and free access that have made it so successful (more than a million downloads). Note: the app is only available on Android. The various (paid) iOS iterations are not from the same developer.

GOOGLE PLAY, FREE

ADVERTISING

SAVING PLAN

Invest more freely by purchasing fractions of shares, ETFs and cryptos

Visit our website to learn more and view our selection of shares and ETFs.

swissquote.com/saving-plan

Swissquote has launched Saving Plan, a new option for investors to easily set up long-term savings plans with small regular investments. Arjeta Haskaj, who leads this project, explains.

What is Saving Plan and what are the benefits for Swissquote clients?
Saving Plan is an individual savings plan that allows investors to regularly purchase fractions of shares, ETFs, cryptocurrencies or our thematic portfolios. In this way, investors can have long-term investments in a wide range of assets without spending large amounts of money, and as a result will have a more diversified portfolio. In just a few clicks, clients can set up their saving plan, starting by choosing the amount they would like to invest in recurring intervals, for example weekly or monthly, and the asset they would like to purchase.

This innovative offer meets the growing demand for flexible, affordable investments that can be used to build a diversified portfolio over time, regardless of the initial investment amount. For instance, when purchasing shares, the minimum investment amount is no longer determined by the share price, but rather by how much liquidity the client has. This offer is unique to the market, as it is a combination of fractional trading with many multi-asset investment opportunities.

How does fractional trading actually work?
From a legal perspective, a client who owns fractions of a share holds a fiduciary stake, while Swissquote owns the full share in the name of the client. However, when the amount owned by a client reaches the equivalent of one entire share, we automatically convert the fiduciary stake into a regular share. It's all done within the same account and is completely automated; the client doesn't need to do anything. We're the only bank offering this type of service.

Let's look at an example: a client can set up a regular investment in fractions of Lindt A – which is currently worth more than 100,000 Swiss francs – until they become a shareholder. It's also worth noting that we have reduced transaction fees as much as possible for fractional trading to encourage investing small amounts on a regular basis. Fees start at 3 Swiss francs per trade for all Swiss, US, German and UK assets, as well as for the main ETFs, which is a very advantageous deal.

How can clients activate this option on their platform?
It's very simple. Go to your account preferences, then click the tab "Trade Mask", and activate the "Fractional Trading" option. From there, you can select the "Saving Plan" option for each Trade – assuming the selected product is eligible – and specify the amount and frequency of each trade. ◢

Arjeta Haskaj
Head Product Strategy
Swissquote Bank

AUTO

MERCEDES AMG GT 63

Shooting star

Are you looking for a high-performance grand tourer that is well suited for everyday use? Look no further. The sleekest Mercedes around is here to make your wish come true. BY RAPHAËL LEUBA

MERCEDES-AMG GT 63 4MATIC+ COUPE

ENGINE
8 V-CYLINDER, TWIN-TURBO PETROL, 3,982 CM³

TRANSMISSION
PERMANENT AWD, NINE-SPEED AUTOMATIC

POWER AND TORQUE
430 KW (585 HP) AT 5,500 RPM, 800 NM AT 2,500 RPM

ACCELERATION
3.2 S (0 TO 100 KM/H)

MAXIMUM SPEED
315 KM/H

PRICE
CHF 203,900, TEST CAR WITH OPTIONS CHF 241,036

The galaxy of grand touring sports cars is dotted with illustrious names: Porsche, Maserati, Aston Martin and more. At this level of exclusivity, Mercedes must go all out to rise above the crowd. One way is through its Maybach and AMG sub-brands. In Affalterbach, the AMG HQ prepares and develops the high-performance models from Stuttgart, leaving a little room for craftsmanship. Its flagship is the second-generation GT Coupe (C192), built on the same aluminium platform as the iconic SL roadster. It retains the remarkable design of its predecessor – with its long bonnet, broad shoulders and tapered rear – but with a larger span: 4.73 m(!) long and 1.98 m wide, therefore 18 cm longer and 4 cm wider. No more pretty shark-like snout as seen on the 2010 SLS, now the front is adorned with a gaping, baleen-filled mouth. The large rear spoiler can be raised or the front blade lowered if support is needed.

The AMG GT 63 test version, which tops the GT 55 in the range, promises the ultimate in elegance and performance on the road thanks to its 585 hp twin-turbo V8 engine, all-wheel drive and mechanics that will arouse envy among S-Class owners. Not to mention among owners of rival models, which are not necessarily equipped with matrix headlamps with an active masking system, a projector to show markings and symbols on the road, Active Ride Control suspension with hydraulic active roll stabilization, or magnetic Active Engine Mounts. The hors d'oeuvres menu is just as appetising, featuring ventilated seats with integrated massage (quite a feat on such slim bucket seats), a jam-packed range of telemetry software, a retractable steering column for easy access, a de-icing windscreen and a power liftgate. That last bonus is a testament to the designers' concern for practicality, as they even succeeded in integrating a spacious boot (351 to 675 litres) that can be configured to suit different needs, with the two folding rear seats. In short, the AMG GT is almost as recommendable as the Porsche 911 Carrera 4 GTS and Turbo, which are undoubtedly the targets Mercedes has lined up.

However, Porsche enthusiasts may not appreciate the AMG's sumptuous interior, which is high-quality but a little flashy. Plus, the steering wheel is overloaded with controls, which can be annoying when touched. The seat controls, which are positioned between the buttons on the doors and the menus on the imposing central console, also require patience. Despite all that, the ergonomics are still quite good, especially with the gear selector behind the steering wheel, which frees up the centre console. There's also a thumbwheel for switching easily between driving modes. These options bring obvious differences in feel, in terms of damping and mechanical responsiveness. For example, the way Comfort mode handles rough road surfaces is something of a miracle. The most incisive modes (Sport+ and Race) tantalise with more subversive pleasures. And there's no threat other than being carefree, as the car feels that it can grip onto anything. What balance! A well-hidden Drift programme provides some wiggle room, by cutting power transfer to the front wheels (by up to 50%) and locking the rear differential.

While holding back, we find ourselves forgetting to mute the exhausts at times. Without exceeding road regulations, this full, deep sound is still part of the return on investment. And you can't help but want to go overboard with the Sport mode, as it liberates the steering and the automatic wet-clutch gearbox, which is by default smooth but tame (Comfort). Given the high number of gears (9) and the omnipresent engine power, using the shift paddles and/or manual mode doesn't add much to the driving experience. This is especially true given that the most advanced modes allow you to fully experience the exhilarating upshifts – up to around 7,000 rpm – and the sharp, ultra-fast gear changes. The standard steel brakes are nothing extraordinary, but the carbon-ceramic discs worth 8,700 Swiss francs are designed for intensive use.

Of course, moving a mass of 1.9 tonnes with such performance potential can be felt at the pump, i.e. WLTP consumption of 14.1 litres per 100 km. Not so far-fetched. Expect a minimum of 11 litres on lazy Swiss motorways, and more like 20 litres on mountain passes, with some right-foot gymnastics. For greater fuel efficiency, AMG has produced a rechargeable hybrid 63 S E Performance version, with the same eight-cylinder engine, which goes even faster! Your next wish?◢

T R A V E L

PANAMA CITY

COASTAL CULTURE

Long known as a financial hub, Panama's capital also boasts a vibrant history, enriched by its many influences. Why not explore Casco Viejo as long as you're passing through?

BY BLANDINE GUIGNIER

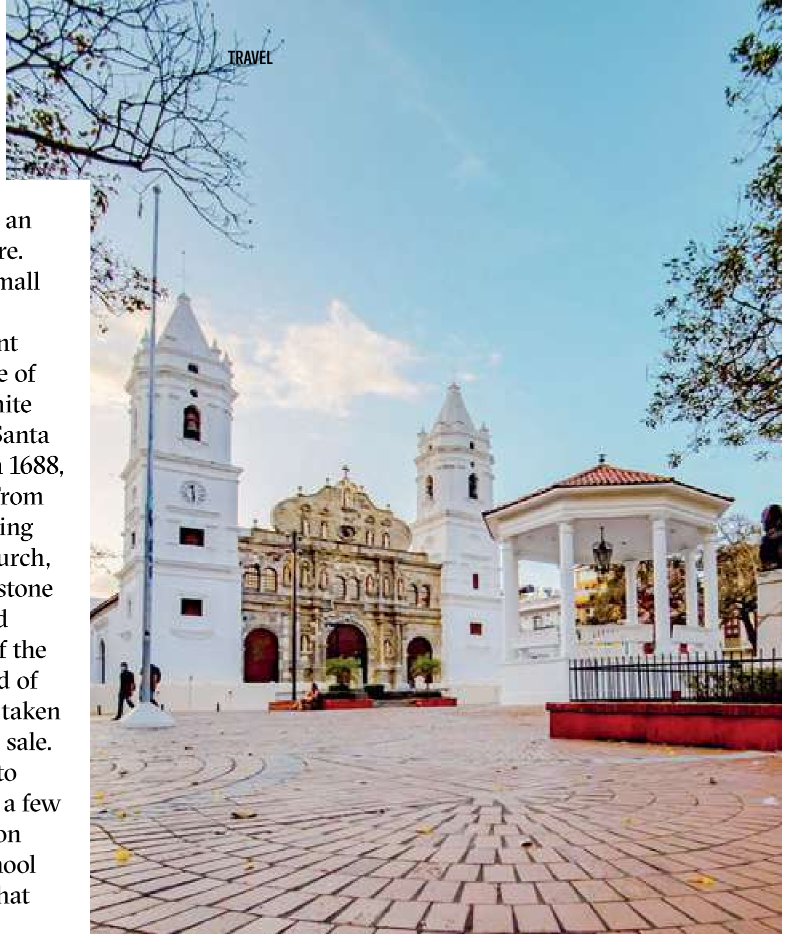
© GEORGE PETERS, ISTOCK / SHUTTERSTOCK

The view of Casco Viejo and the bell tower of the church of San Francisco de Asís. In the background, the buildings of Panama City.

The contrast is striking as you approach **Casco Viejo**, Panama City's historic old town. No more immense, modern skyscrapers, but instead, centuries-old monuments and buildings. Panama's capital has been renowned as a world-class logistics and financial centre for decades but it is now flaunting its UNESCO-listed sites. The idea is to encourage business people and travellers stopping through the city to enjoy a taste of Panamanian life.

And the government's gamble has worked. Casco Viejo, built by the Spaniards based on a grid system, dazzles visitors with a unique architectural blend of Hispanic, French and American influences. The restoration of La Compañía, a five-star hotel built in a former 17th-century Jesuit convent, is a superb example of this. But our choice is a small hotel in the Las Clementinas district. We dress light, as it's nearly 30°C outside, with high humidity. Then, to ward off the tropical sun, we find a famous **Panama hat**, hand-woven in Ecuador, at the El Guayacano Hat shop. →

As we're all geared up, we set off on an easy stroll through the historic centre. First stop: Plaza Mayor. From the small central bandstand, we gaze around us at the lovely facades from different eras, before settling on the one made of brown stone and flanked by two white bell towers. The Cathedral Basilica Santa Maria, whose construction began in 1688, is one of the country's prime sites. From Plaza Bolivar to Plaza Herrera, passing by Nuestra Señora de La Merced church, you can wander through the cobblestone streets and along the freshly-painted colourful buildings. At the far end of the district, other streets are still in need of renovation. The lush vegetation has taken over some of the small buildings for sale. Others are more dilapidated, home to Panamanian families trying to earn a few dollars by selling drinks to tourists on their doorsteps. A police station, school and community garden remind us that locals still live in the area.



Before nightfall, we have one last cultural highlight of Panama to experience: the richly coloured textile art by Guna women. The Mola Museum exhibits dozens of examples of these hand-stitched fabrics with original geometric or figurative designs called molas. By crafting and wearing these blouses, the indigenous people from various regions of Panama, including the capital, "convey the power of the invisible forces of nature," the exhibition says.

Now that we have nourished our spirit, it is time to nourish our bodies. Food is another way the city's influences are artfully combined. We save the European bistros, American diners and eateries serving delicious dim sum for later and opt for a fonda, a typical neighbourhood restaurant (Lo Que Hay was our choice). After dinner, we continue our nocturnal tour of Casco Viejo to the terrace bar of the Hotel Sofitel, Ammi, for a cocktail. We buy a ticket for a musical at the Teatro Nacional, dating back to 1908, which also regularly hosts classical music concerts.

If no shows are on, you can simply wander on the seafront, along the Paseo Esteban Huertas to the Plaza de Francia. Statues of famous figures, such as the Frenchman in charge of the first canal project, Ferdinand de Lesseps, have been erected here. →

GETTING THERE

There are various flight options from Switzerland with stopovers in Paris (Air France), Madrid (Iberia, Air Europa) or Amsterdam (KLM).

FIVE TOP SPOTS IN CASCO VIEJO

La Compañía
It's hard not to fall in love with this Central American palace, which alone embodies the diverse architectural influences of Casco Viejo. Travellers can stay in the Jesuit part of the hotel dating back to 1739, in the Spanish colonial wing dating back to 1688, or in the 120-year-old American wing.

Las Clementinas
This boutique hotel offers simple but tasteful accommodation, with apartments featuring wood flooring, carved lintels and vintage furniture. Bathrooms are covered in lovely tiling, and a small, pleasant terrace sits atop the roof of the building.

Fonda Lo Que Hay
Chef José Olmedo Carles Rojas works with local produce and reinvents typical Panamanian dishes. The lobster from the Caribbean coast is a delight, served with a spicy sauce, plantains and coconut rice.

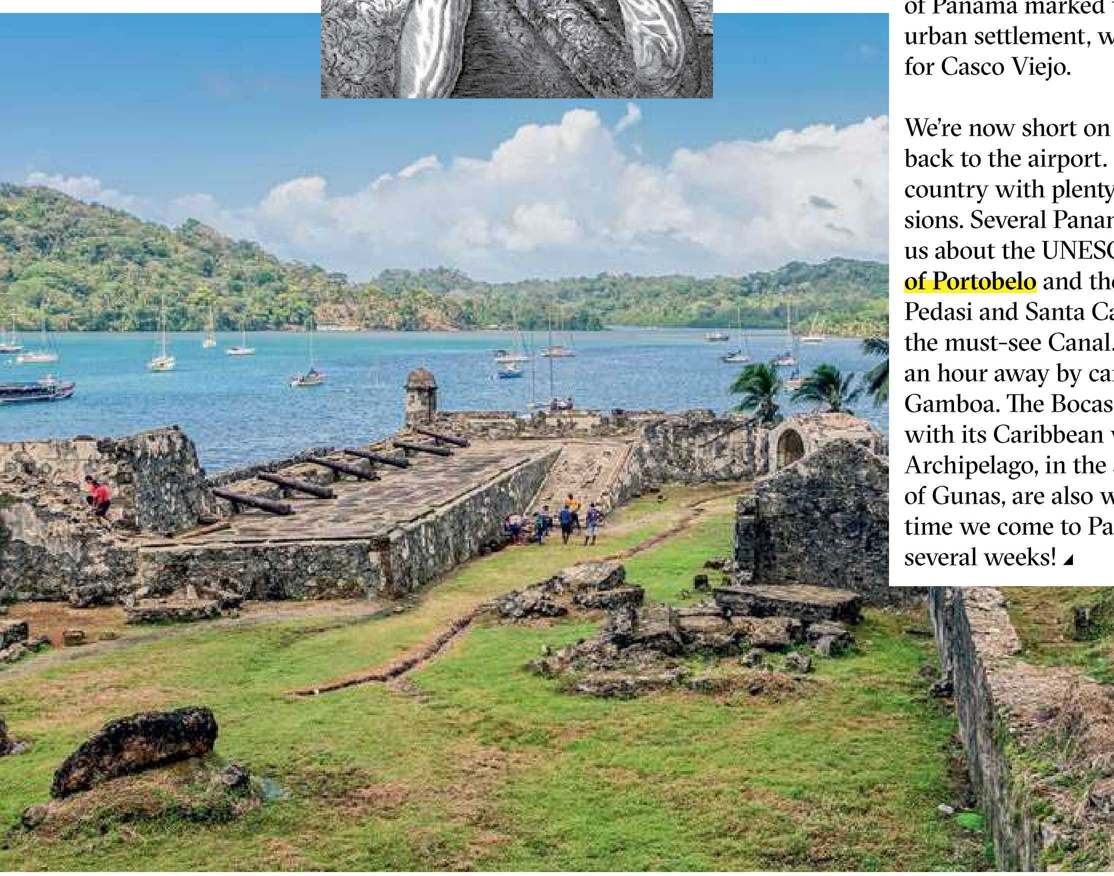
Ammi
Tropical style and elegance abound in this bar-restaurant on the top floor of the Hotel Sofitel. Enjoy the view of the Panama City skyline and the sea while sipping one of the original house cocktails, made with local rum. The à la carte menu features a fine selection of small dishes, including ceviche, empanadas, prawn kebabs with chimichurri and passion fruit cake.

Selina Rooftop
Located on the rooftop terrace of the Selina Hotel, this bar offers a fantastic night-time view of Panama City and a bohemian atmosphere that appeals to young travellers passing through as well as expats. During the live music concerts, namely salsa, people can dance their heart away.

Our flight is scheduled for the following day, but we can't leave Panama City without visiting the ruins we saw on our arrival. "Panama Viejo" was the first European settlement on the Pacific coast of the Americas. The remains that can still be seen today – cathedral, convents and public buildings – were built there between 1519 and 1673. Wedged between the old stone walls and filled with mango and ficus trees, iguanas and small wading birds, the alleyways beckon to you.

An informative museum tells the story of the first settlements on the isthmus, through objects found in an 800-year-old pre-Columbian tomb. The successive damage suffered by the Spanish city following a slave revolt, a fire and an earthquake are also detailed, as is the 1671 attack instigated by the pirate Henry Morgan. The sack of Panama marked the end of this initial urban settlement, which was abandoned for Casco Viejo.

We're now short on time and have to get back to the airport. But we are leaving the country with plenty of ideas for excursions. Several Panamanians we met told us about the UNESCO-listed fortifications of Portobelo and the surfing spots like Pedasi and Santa Catalina, and of course the must-see Canal. The jungle is just over an hour away by car from the capital, in Gamboa. The Bocas del Toro Archipelago, with its Caribbean vibe, and the San Blas Archipelago, in the autonomous territory of Gunas, are also well worth a visit. Next time we come to Panama, we will need several weeks! ◢



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b o u t i q u e

100 years of Meisterstück

To mark the 100th anniversary of the Meisterstück fountain pen in 2024, Montblanc pays tribute to its iconic collection with a line inspired by the first Winter Olympics, held in Chamonix in 1924. Worth notable mention is the Doué rollerball, which combines a resin barrel in a blue-grey shade, the official colour chosen for the Winter Games, with a platinum-coated cap engraved with the Alpine resort landscape and the Olympic rings.

montblanc.com
CHF 860.-

Travel in style

Created by Officine Universelle Buly, the Great Traveller's Beauty Kit brings together all the essentials from the extremely chic Parisian house. Opiat Dentaire toothpaste, Pommade Concrète hand and foot cream, mint-flavoured dental floss, Huile de Savon shower oil, Lait Virginal body lotion, an acetate comb, a moss and patchouli-scented perfume, and Baume des Muses lip balm, this complete personal care collection is nestled in an elegant wine-red case embossed with the owner's initials.

buly1803.com
CHF 330.-

Slalom safely

The Sapporo ski helmet, created by Geneva-based brand Zerokay, stands out for its superior technology and design. Featuring Alcantara padding on the chin strap, its structure combines an ABS outer shell and a polystyrene inner shell, for optimal impact resistance. Inspired by the world of motor racing, this customisable model is available exclusively on order. You can personalise the colour of stripes and any added text or initials.

zerokaysports.com
CHF 495.-

Ski hats in Swiss wool

Afterski makes accessories using wool harvested from sheep bred in Switzerland. The brand's co-founder Léanne Claude designed the "White Merino" hat, which is manufactured in Vionnaz, in the canton of Valais. Its ultra-soft yarn is spun in Italy with Merino wool from flocks raised in Huttwil, in the canton of Bern. The Valais factory's manufacturing method limits material waste, ensuring a sustainable product from local supply channels. A second line of hats, with a new design and a new colour, is in the works for release this winter.

afterski.ch
CHF 110.-

Running on wood

St. Gallen-based startup TWHEELS has come out with a new version of its solid oak walking pad. In addition to transport rollers, this compact machine is equipped with an LCD display showing distance, steps taken and calories burned. Bluetooth functionality connects it to apps such as Kinomap, which offers virtual training routes all over the world.

twheels.ch
CHF 689.-

Grendizer, go

Combining the vintage feel of the Tissot PRX with the iconic world of Grendizer, this special edition watch takes you on a journey back in time. Inside a 40 mm stainless steel case, the blue dial features the bust of Grendizer, a second hand styled into a Harken weapon, and a rotor engraved with the hero's likeness. A must for collectors. The timepiece box is designed after the Spazer, the emblematic vessel of the most famous robot in outer space.

tissotwatches.com
CHF 795.-

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A LOOK INSIDE THE LAB

An all-new EV battery

Researchers are attempting to integrate battery technology into the structure of electric cars, drastically reducing their weight. BY BLAISE DUVAL

What a way to kill two birds with one stone. In other words, transform batteries into a structural component of electric vehicles, which would reduce their overall weight. A team of researchers at Chalmers University of Technology in Sweden have been working on this structural battery project for over a decade. Their innovation is in the use of carbon fibres – a material known for its light weight and strength – which can store energy and participate in load-bearing.

In other words, the carbon fibres have a dual function, acting both as electrodes, to store and release energy, and as structural elements of the battery. The ultimate goal is for the structural battery to replace the heaviest vehicle components, such as the chassis, which is generally made of steel, or more rarely aluminium in premium vehicles.

An article on the progress of the project was published on 10 September in the journal *Advanced Materials*. And the progress is real, as co-author Richa Chaudhary told Euronews: "We have succeeded in creating a battery made of carbon fibre composite that is as stiff as aluminium and energy-dense enough to be used commercially."

Back in 2018, the Chalmers team demonstrated that carbon fibres could store energy chemically, a feat that earned them worldwide attention. They reached a further milestone in 2021, producing a battery with an energy density of 24 Wh/kg. Since then, the concept has been continuously improved, with the battery gaining in rigidity and now offering an energy density of 30 Wh/kg. Admittedly, this is still well below the capacity of high-performance lithium-ion batteries (250 Wh/kg), but it has the advantage of a much lower structural weight. Professor Leif Asp, who is in charge of the project at Chalmers University of Technology, reportedly told the Swedish material science research programme WISE that a density of at least 50 Wh/kg is now "within reach".

While the automotive industry would appear to be an obvious customer for lighter vehicles, these structural batteries are not exclusively designed for electric cars. This technology could eventually be used to make "credit card-thin mobile phones" or laptops "that weigh half as much as today", in the words of Professor Asp.

Another advantage of this design is that it avoids the use of critical raw materials such as cobalt or manganese, as their mining raises environmental and social issues. On the downside, it makes the battery almost impossible to replace, as it is structurally integrated into the vehicle.

Although these batteries offer great potential, they are not yet ready for commercial production. To fast-track the transition from laboratory to market, Chalmers University has launched a spin-off, Sinonus AB. The startup will have to tackle a number of technical challenges, including improving the energy density of the battery and optimising manufacturing processes, in order to make the technology viable in the long term. ◢