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EQUITY RESEARCH REPORT  
SWISS PRIME SITE AG

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A Project carried out on the Master in Finance Program, under the supervision of:

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## **Abstract**

This equity research examines Swiss Prime Site AG and gives an investment recommendation whether to buy, hold or sell their stock. Insights were gained from historical financial statements, discussions with industry experts and SPS. While the entire report has been created in close collaboration with my colleague Henry, I have focused on data sourcing, interviews, strategy, executive board shareholder structure, stock performance, macroeconomic analysis, regulatory landscape, ESG, Capital Expenditures, NWC, WACC, ROIC, DCF, Sensitivity Analysis, Risks and Worst-Case-Scenario-Analysis. Special thanks to our respected Professor Luís Barbosa for his supervision during our research and the interview partners for their invaluable insights.

## **Keywords**

Equity valuation, Research, Finance, Real estate

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This report is part of the Swiss Prime Site AG Equity Research report (annexed), developed by Janko Mateski and Henry Schmid and should be read as an integral part of it.

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# Company Overview

## Swiss Prime Site's Strategy

The strategy of Swiss Prime Site's business model is based on two pillars:

- Real Estate business line: This is where SPS invests its own funds into commercial real estate in **prime locations** of the **main economic hubs of Switzerland**
- Asset Management business line: Here SPS captures external financial resources from investors and invests into residential as well as commercial properties across Switzerland and in Germany

### *Capital Recycling Activities*

Swiss Prime Site's strategy is driven by its **capital recycling strategy** which aims to offload properties and services that are not in line with its strategy and re-invest these proceeds into properties which match SPS' core capabilities. The acquisition of **Fundamenta Group** (purchase price undisclosed) in the spring of 2024 is an exemplary action taken by SPS in its capital recycling approach which finances new acquisitions by divesting assets that are no longer in line with its strategy. A further clear advantage in our view is, that this acquisition allows SPS to step foot into the German real estate market (CHF 3.3B invested in Swiss real estate market and CHF 0.9B in the German one) and offer their clients access to new markets while capturing new revenue streams.

### *Operational management of property portfolio emission free by 2040*

As mentioned before, as part of SPS' transformation, it sold one of its non-core assets, namely the **real estate service provider Wincasa**, for CHF 171.6M in March 2023<sup>1</sup>. A remarkable observation is that even after selling certain business units, it maintains the established relationships and leverages the services it helped to develop in the past.

### *Property assets: CHF 25.7 billion (2024)*

Next to Swiss Prime Site's sizeable property assets of roughly **CHF 26B**, it has made sustainability an integral part of their business model. SPS is committed to reduce their carbon footprint, conserve resources and promote its social responsibility. SPS' efforts are meant to increase their resilience and create long-term added value to their stakeholders and beyond. SPS' **CO<sub>2</sub> reduction pathway** was developed in 2019 and follows United Nations Sustainable Development Goals (SDGs). Their goals are aligned with the **Swiss government's Energy Strategy 2050**. The company aims to free the operational management of their property portfolio from any emissions by **2040**.

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<sup>1</sup> Implenia AG, 2023

## Executive Board

Executive Board			
Name	R. Zahnd	M. Kucher	A. Tschopp
Function	CEO Group	CFO Group	CEO Solutions
Since	2016	2021	2018
Age	54	53	44

Exhibit 1: Executive Board Swiss Prime Site AG

### Leadership with Expertise in Real Estate and Finance

The Executive Board of Swiss Prime Site is compiled by the managers of the companies SPS Immobilien and SPS Solutions, as well as the CEO and CFO of the group. **René Zahnd** has been the CEO of Swiss Prime Site since 2016. He started his career as a lawyer and before joining SPS, he acted as Head of Real Estate at Implenla. **Marcel Kucher** is the CFO of SPS and started his career at McKinsey. Before joining SPS in 2021, he was CFO and COO of Peach Property Group. **Anastasius Tschopp** has been CEO of SPS Solutions since 2018 and has worked at SPS Group since 2014, most recently as Head of Portfolio Management.<sup>2</sup> The average tenure of the Board is a clear indicator of the management team's stability and experience. Overall, the management team is strategically aligned to guide SPS to sustainable success by gradually transforming the company into a specialized "pure" real estate player.

## Shareholder Structure

Swiss Prime Site's shares were first offered to the public in April 2000. At the time of writing (13.12.2024) the stock SPSN trades at CHF 97.35 and has a free float rate of 99.86%. With its CHF **7.53B market capitalisation** it is the largest stock exchange-listed real estate company in Switzerland. Furthermore, Swiss Prime Site's stock is part of several leading Swiss as well as European market indices such as Swiss Performance Index (SPI) and STOXX 600 Europe. The top 3 largest shareholders hold together **26.32%** of the shares, namely UBS Asset Management (12.40%), BlackRock Advisors (UK) Limited (10.50%) and The Vanguard Group, Inc. (3.42%). Top 10 shareholders hold together **41.17%**. Insiders of this stock hold a modest 0.14% in total. The biggest chunk of registered shares is held through funds with 36.9%, followed by legal entities with 20.8% and pension funds with 17.8%. Out of registered shareholders, private individuals own 15.7% whilst institutional investors hold the majority of the shares with 84.3%. In terms of location, 22.60% of the shareholders are in Switzerland, 14.10% in the United Kingdom, closely followed by 12.12% in the United States.<sup>3</sup>

The fact that most shareholders are institutional investors translates in a relatively **low turnover** for approximately 55% of the shares (CHF 4.17B) and hence makes it a **low volatility stock** (7.79% on an annualised basis during the analysed period) through various economic cycles compared to its industry peers.<sup>4</sup>

### Low turnover thanks to institutional investors

<sup>2</sup> Swiss Prime Site AG, 2024

<sup>3</sup> Swiss Prime Site AG, 2024

<sup>4</sup> LSEG (Refinitiv), December 2024

## Stock Performance

Swiss Prime Site's stock (Ticker: SPSN) has been measured in terms of performance and risk against other main indices in Switzerland such as the Swiss Performance Index (SPI), Swiss Market Index (SMI), SXI Real Estate Shares and Swiss Mid Cap Market (SMIM). While SPSN did appreciate in value over a historical look-back period of 10 years, it **lags behind some of the analysed indices**. From 2014 until beginning of 2020, SPSN was indeed able to somewhat keep in line with the indices. However, its recovery has not been as strong as the one from the other major indices. SPSN has achieved a performance of **1.92% p.a.** while other indices have performed 1.31% p.a. (SMI), 2.56% p.a. (SMIM), 6.69% p.a. (SXI) and 5.40% p.a. (SPI). In terms of risk, the stock SPSN has the second lowest annualized volatility compared to its peers (range of peers: 7.54% - 14.34%).

True Peers	Annualized Volatility
Mobimo Holding AG	7.54%
Swiss Prime Site AG	7.79%
PSP Swiss Property AG	8.29%
Cofinimmo SA	9.79%
Gecina SA	11.56%
MERLIN Properties SOCIMI SA	13.15%
Covivio SA	14.34%

Exhibit 3: Annualized volatility of True Peers (ascending)

**SPS amongst the lowest volatility stocks compared to its peers**

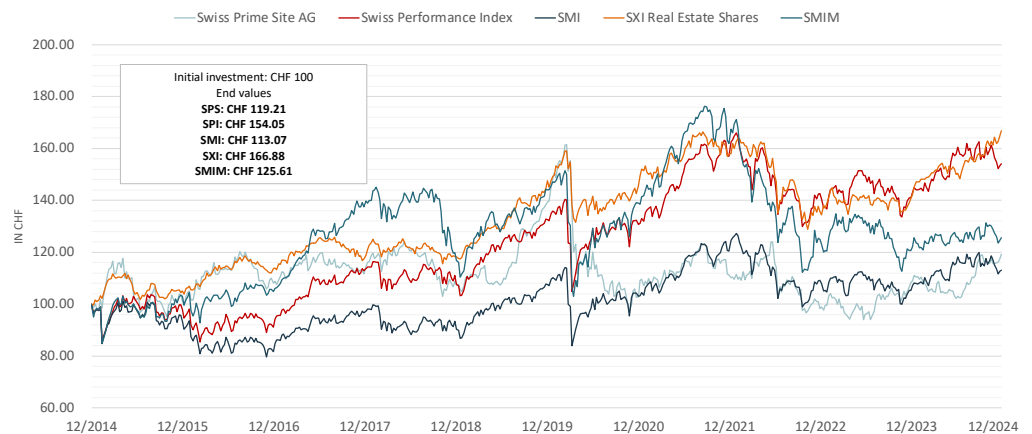


Exhibit 4: Swiss Prime Site against major Swiss indices (indexed 12/2014)

The company has a **dividend friendly policy** and has a 5-year average dividend yield of **3.94%** (peer average is at c. 4.5%). Current 5-year average dividend-payout ratio is at 90%. Swiss Prime Site's Board of Directors is pursuing an equitable dividend payout ratio between 80 – 90% of Funds from Operations I (FFO I).<sup>5</sup> The historical dividend payout ratio measured against FFO I is at 89.54%, which is in line with SPS' indication. While FFO I only contains cash effective income from operations, FFO II also considers cash effective income from property sales.

Further value is added to the shareholders' return by Swiss Prime Site's share **buyback program** which has been very consistent in the last five years (average repurchase value: CHF 3.7M per year). On the other hand, in the past, the long-standing CEO René Zahnd has claimed that SPS is not planning to undertake any share capital increases in the foreseeable future as to **not dilute shareholder**

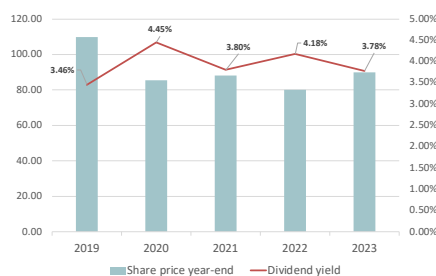


Exhibit 5: Historical share price and dividend yield development

<sup>5</sup> Swiss Prime Site AG, 2024

**value.** However, the company Swiss Prime Site has outstanding convertible bonds which could result in up to 6.72% (5-yr average) additional shares, potentially diluting the ownership of existing shareholders.

## Industry Overview

### Marcoeconomic Analysis

#### Gross Domestic Product (GDP)

Switzerland's real GDP is expected to be around **1.4% for the year 2024** (2023: 0.7%) and further recover to 1.5% in 2025. Switzerland's current GDP has benefitted from a **strong expansion** in the chemistry-pharmaceutical sector. This in turn is expected to drive more demand for laboratory spaces<sup>6</sup>. As a result of Swiss Prime Site's preparatory work in terms of partnerships with Superlab Suisse since 2021, it has recently opened close to 5'000 m<sup>2</sup> in laboratory and research facilities in Basel and is expected to finish another 5'000 m<sup>2</sup> until March 2025 in Zurich<sup>7</sup>. While **population growth** is further accelerating (1.7% in 2023) and with it the demand for residential housing and commercial spaces, the growth on the real estate supply side has been rather low the last three years, construction volume is expected to further decrease in 2024. Given these facts, we expect **vacancy rates** applied to Swiss Prime Site's overall portfolio to stabilize around **4%**. Given SPS' real estate size, it can be seen as a **proxy for the Swiss real estate** market. Overall, fundamental data for the Swiss real estate market mid-term **outlook is promising**. Switzerland's mid-term real GDP growth rate forecast is at 1.68%.

#### Interest rate environment

Switzerland's central bank was one of the first movers to trim interest rates this year from 1.75% to currently 0.50%. Lowering interest rates have **lifted the appraisal values** of real estate in 2024H1, which can be attributed to lower discount rates. However, as per the as per the UBS Global forecasts report no further interest rate cuts are in the pipeline for next year (March 2024: 0.50% and December 2025: 0.50%)<sup>8</sup>. The easing monetary policy also provided Swiss Prime Site with a favourable timing in terms of their bond replacements in H1 2024 at 1.8% and 1.65% respectively, which leads to reduced cost of debt compared to the previous years. **Long-term interest rates** are expected to **stabilize around 0.25%** in the mid- to long-term, again lowering SPS' overall debt-related expenses.

#### **Expected economic indicators in Switzerland** (by the year end):

**Real GDP growth: 1.4%**  
**Interest rate: 0.5%**  
**Inflation: 0.8%**

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<sup>6</sup> Seco, 2024

<sup>7</sup> Superlab Suisse, 2024

<sup>8</sup> UBS, 2024

## Inflation

The inflation in Switzerland has reached its lowest state since June 2021 and has fallen from 0.8% in September to 0.6% in October 2024. **Core inflation**, which excludes the often-volatile price changes of food and energy, is currently at **0.8%**.

Despite the heightened inflation cycle of the last few years, SPS continued to thrive as roughly 90% of SPS' rental contracts continue to be inflation-linked. This enables SPS to adjust their lease contracts with most of its lessors on an annual basis. The indexed rents do not make SPS completely immune to inflation, however, it places them into a more comfortable situation across different market cycles. The **forecasted inflation** for Switzerland is expected to **stabilize** around its historical average of **1.25%**<sup>9</sup>.

## Unemployment rates

As per the latest forecast data, Switzerland's unemployment rates are anticipated to be **in the region of 2.5%**, which can be considered as fairly low, suggesting a labour market very close to its equilibrium (2.8%) as per the State Secretariat for Economic Affairs SECO<sup>10</sup>. Nevertheless, according to the UBS Compensation Survey for 2025, more companies are planning to hire more work force in the next year<sup>11</sup>. The mentioned low unemployment rates coupled with robust immigration support consumption. Given elaborated facts, we do not see the Swiss labour market overheating in the short- to mid-term.

## Regulatory landscape

Swiss Prime Site operates in Switzerland's **unique regulatory framework**, this is primarily shaped by the Federal Act on the Acquisition of Immovable Property in by Foreign Non-Residents (ANRA), also commonly known as "**Lex Koller**"<sup>12</sup>. This legislation aims to **protect Swiss land ownership** and restrict foreign influence from foreign nationals, companies domiciled abroad or Swiss based companies that are controlled by foreign nationals when it comes to acquiring residential real estate.

This can particularly impact SPS's ability to directly acquire and develop residential properties. To navigate this regulatory hurdle, SPS utilizes a two-pillar business model. While their core business involves **directly investing their own capital into commercial properties**, which are not as heavily restricted under Lex Koller, their second pillar, asset management solutions offer a strategic advantage in our view. Through their asset management pillar, SPS manages **external capital**,

<sup>9</sup> International Monetary Fund, 2024a

<sup>10</sup> SRF, 2024

<sup>11</sup> UBS, 2024a

<sup>12</sup> Federal office of justice, 2024

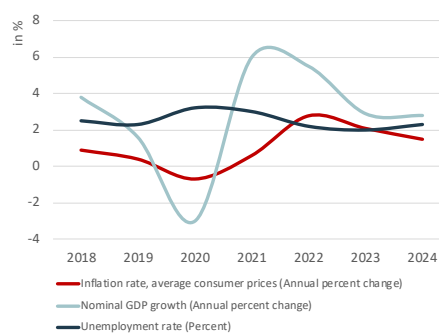


Exhibit 6: Switzerland's economic indicators

which is split into **2/3 residential and 1/3 commercial properties**. By managing external capital when it comes to residential properties, SPS gains more control over investor compliance to be in line with Lex Koller regulations<sup>13</sup>. We believe the asset management pillar offers SPS a **competitive advantage** compared to its peers and allows SPS to tap into the Swiss residential market and enhance returns.

## ESG Catalysts

With buildings being globally a major greenhouse gas (GHG) contributor (Switzerland 23%), it is essential for real estate companies to actively reduce and closely monitor its environmental footprint.<sup>14</sup> When it comes to the pillar Environment, Exhibition 8 illustrates that **SPS performs well in Resource Use**, which suggests that the company is effective in managing its operating costs and environmental footprint, which translates into stronger margins. The sections Emissions, and Environmental Innovation however, suggest that there is room to reduce GHG outputs and enhance sustainability-related innovation efforts. With respect to the Social pillar, while SPS' Workforce and Human Rights scores **trail below its peer group**, the results in Community and Product Responsibility **surpass their peers**. A stronger focus on social policies, job satisfaction and employee development opportunities would potentially lead to a higher score, which is of utmost importance for brand reputation and productivity. On the other hand, the strong scores in Community and Product Responsibility underlines SPS' **commitment towards being a good citizen**, respecting business ethics and delivering high-quality services for its customer base. Lastly, the pillar Governance, accentuates that SPS has a **strong CSR Strategy and Management** in place. While most of SPS' ESG factors align with those of its peer group, the factor Shareholders is clearly a weakness. Increased activities in the field of shareholder engagements, governance practices, financial and ESG transparency and dividend policy are valued by shareholders and are important for a long-term resilience.<sup>15</sup>

ISS ESG: C-, scale: A+ to D-, MSCI: A, scale AAA to CCC, Sustainalytics: Low Risk. In terms of performance sustainability, SPS received a 4 out of 5 stars rating confirmed by GRESB in the year 2022. Moreover, GRESB scores are part of the senior managements ESG goals which have a **direct effect on their remuneration**. Furthermore, since end of 2021 the real estate operator has concluded ESG performance linked loan agreements with their Banks.<sup>16</sup> The higher SPS' ISS ESG-Rating, the lower the interest rates to be paid and vice-a-

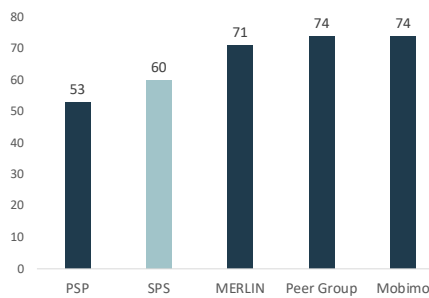


Exhibit 7: ESG Scoring Profile

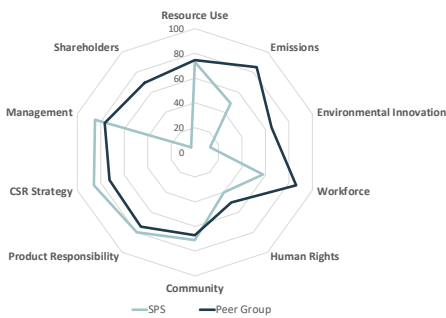


Exhibit 8: ESG Score vs. Peer Group

Institute	Rating
ISS ESG	C-
MSCI	A
Sustainalytics	Low Risk

Exhibit 9: Rating overview from different ESG rating agencies

<sup>13</sup> Conducted interview with Swiss Prime Site Investor Relations department, 2024

<sup>14</sup> Federal office for environment, 2024

<sup>15</sup> LSEG (Refinitiv), 2024

<sup>16</sup> Swiss Prime Site AG, 2024c

versa. We believe the strong financial incentives on a company as well as management remuneration level fosters the pursuit of sustainability. Despite SPS' **overall lower than peer group ESG score**, in our view, the company is on the right track if it executes on its sustainability strategy. If done consistently, we assess ESG to not pose an active risk.

## Value Drivers and Forecast

### Capital Expenditures

Due to the business nature of Swiss Prime Site and other real estate companies alike, the industry is capital-intensive. The company's sizeable investment properties as well as owner-occupied properties require substantial investments to acquire, develop and maintain their properties portfolio.

In the analysed period (2018-2023) investments in investment properties amounted to ca. **CHF -400M on average per year**. These Capital Expenditures (CapEx) are partially **offset by divestments** which average to **CHF 165M per year** for the same period. Undertaken investments/divestments in Property, Plant & Equipment (PP&E), tangible & intangible assets as well as owner-occupied properties account for a small part of CapEx in relation to investment properties. During the analysed period, net investments and divestments constituted for ca. 90% of Swiss Prime Site's CapEx. The remaining 10% are spread through PP&E, tangible & intangible assets as well as owner-occupied properties.

While this asset-based business model allows Swiss Prime Site to achieve stable and predicted income streams throughout different economic lifecycles, its capital-intensive nature required at the current property size around CHF 400M per year in CapEx. Their weighted average unexpired lease-term (**WAULT**) has been almost constant in the last few years and amounted to **4.9 years** as per H1 2024 figures.

**90% of CapEx derives from investments/divestments in investment properties**

**Predictable cash flows thanks to WAULT of 4.9 years**

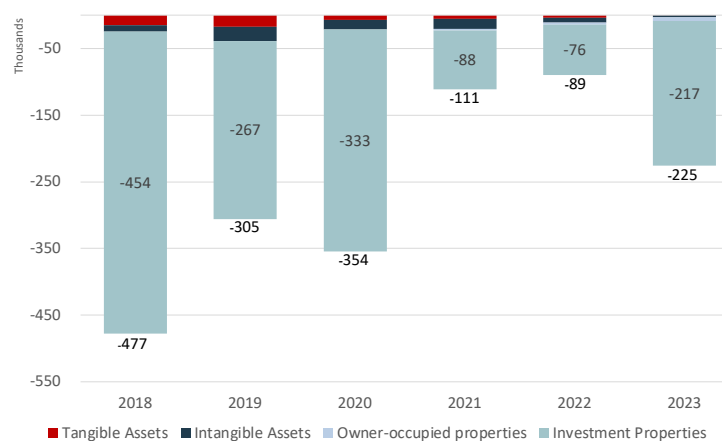


Exhibit 10: Capital Expenditures split by position

## Net Working Capital

### Trend pointing towards positive NWC

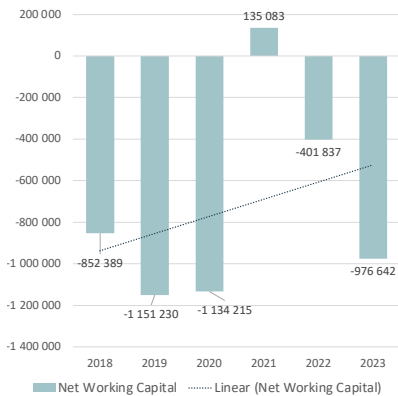


Exhibit 11: Historical Net Working Capital

Net Working Capital (NWC) is an essential key figure that measures a company's short-term financial health by contrasting its current assets to its current liabilities. Next to liquidity measurements, NWC also helps to assess a company's operational efficiency, i.e. how efficient a company is in managing its inventory, accounts receivable and accounts payable. During the analysed period (2018-2023) it is observable that the **change in current financial liabilities** is the **most influential factor** on the NWC of Swiss Prime Site. Other dominant factors in SPS' net working capital are the change in **accrued expenses and assets held for sale**. The strong fluctuation in the year 2021 is due to Swiss Prime Site discharging its mortgage-backed loans in the amount of ca. CHF 1B and concluding unsecured credit facilities with 11 different Swiss banking institutions worth CHF 2.6B. Consequently, current financial liabilities were drastically minimized and non-current financial were increased. Overall, a **positive NWC trend** is observable which suggests that SPS has been **effectively** managing its working capital and thus improving its short-term financial health.

## Valuation

### WACC

The capital structure, cost of equity and cost of debt have been analysed and derived according to best practice used in Switzerland. By applying the weighted average cost of capital formula (WACC), a discount rate has been defined for the appropriate calculation of the future cashflows present value.

#### Capital Structure

During the analysed period, Swiss Prime Site's usage of debt has evolved from 40.00% in the year 2019 and since the global outbreak of the pandemic COVID-19 constantly increased to 47.33% in the year 2022. Thereafter, the Debt-to-Enterprise Value Ratio (D/EV) has slightly dropped again to 45.31%. Overall, there is only **very little fluctuation** in the company's D/EV-ratio and although a specific D/EV-targeting has not been officially communicated by their management, we expect this ratio to be SPS' **optimal target capital structure and remain at 45%** over the long run. This assumption is also supported by the respective structure of their industry peers (45% median). As to the counterpart, Swiss Prime Site's equity base amounts to 55%. This showcases their solid foundation which aims to finance growth and enhance the existing property portfolio with acquisitions and divestments.

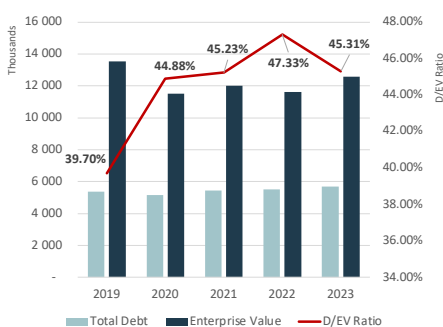


Exhibit 12: Historical D/EV development

- Cost of Equity

Index	Sources (Beta)	Levered Beta	Weights
SPI/SMI/SIX RE/SMIM	SPS 3yr average	0.67	0.025
SPI/SMI/SIX RE/SMIM	SPS 5yr average	0.84	0.025
SPI /STOXX Europe 600	Peers 3yr average	0.78	0.025
SPI /STOXX Europe 600	Peers 5yr average	0.65	0.025
	Discussion	1.10	0.15
	Analyst recomm.	1.00	0.15
	KPMG report 2024	1.02	0.60
	<b>Average</b>	<b>0.87</b>	
	<b>Weighted Beta</b>		<b>1.00</b>

Exhibit 13: Beta derivation  
(qualitatively adjusted)

Sources (MRP)	Observation	MRP
IESE	2023	5.6%
IESE	10-yr average	5.9%
Damodaran	Link	4.6%
KPMG	Report 2024	6.2%
EY	Report	6.0%
<b>Average</b>		<b>5.65%</b>

Exhibit 14: Market Risk Premium derivation

Given the company's main focus on real estate operations within the borders of Switzerland and the use of the Swiss Franc (CHF), the **10-year Swiss Confederation bond yielding 0.289%** has been selected as the risk-free rate.<sup>17</sup>

To account for the relatively low-interest rate environment in Switzerland compared to other European countries and considering SPS' limited exposure to the German residential real estate market through its asset management arm, a **market risk premium (MRP) of 5.65%** has been applied.<sup>18</sup> The chosen market risk premium is an average of several reputable sources such as IESE Business School, Damodaran, KPMG and EY. We believe that our chosen MRP is appropriate as it aligns with the prevailing local industry standards in Switzerland and reflects the country's unique market dynamics. The last metric required to conclude our Capital Asset Pricing Model (CAPM) is the adjusted levered Beta. To determine the levered Beta of SPSN, the Swiss Performance Index (SPI) was used as a market index as it is the broadest available and a well-diversified index for Swiss stocks (3Y beta, weekly interval & 5Y beta, monthly interval). As historical betas tend to converge to the market beta (1) over time, the Blume adjustment has been applied to the raw beta as to account for this phenomenon, known as reversion to the mean<sup>19</sup>. The computed historical raw beta is 0.64 whereas the Blume adjusted beta is 0.76 (5Y, monthly interval, index: SPI). However, after consulting a working paper on betas used and talking to industry experts and an analyst from a major bank in Switzerland, we have decided to apply a **qualitatively adjusted beta** which equals the **market beta of 1**.<sup>20</sup> The main reason for choosing a qualitative approach in estimating the beta is that historical betas are not forward looking and not considered to be efficient in estimating the future expected return of companies. The completed calculation results in an implied **cost of equity** for Swiss Prime Site of **5.94%**.

- Cost of Debt

To compute Swiss Prime Site's cost of debt, the current market values and its associated Yield to maturities (YTM) of all outstanding bonds has been determined and analysed. To estimate the cost of the bonds, the different YTM have been **weighted** accordingly, resulting in a **YTM of 1.36%**. In a second step, the YTM has been adjusted for the probability of default (0.07%) and loss given default (LGD) (54.44%) of Swiss Prime Site as to determine the **true cost of debt**,

**Low-interest rate environment coupled with a strong rating**

<sup>17</sup> Swiss National Bank (SNB), 2024a

<sup>18</sup> EY Switzerland, 2023

<sup>19</sup> Kroll, 2023

<sup>20</sup> IESE, 2009

WACC calculation	Factor
Risk-free rate	0.289%
Market risk premium (MRP)	5.65%
Adjusted levered beta	1.00
<b>Cost of Equity</b>	<b>5.94%</b>
YTM of weighted bonds	1.36%
Probability of Default	0.07%
Loss Given Default (LGD)	54.44%
<b>Cost of Debt</b>	<b>1.32%</b>
Corporate income tax rate	20.00%
Equity ratio	55.00%
Debt ratio	45.00%
<b>WACC</b>	<b>3.74%</b>

*Exhibit 15: WACC inputs (own assumptions)*

**ROIC is projected to reach 4.88% by 2034**

**1.32%** (1.13% after-tax cost of debt).<sup>21 22</sup> Furthermore, it is essential to note that **no country risk premium** has been added to the cost of equity calculation since Switzerland as a country has an affirmed AAA credit rating<sup>23</sup>.

To finalize the WACC computation, the projected cost of equity has been added to the cost of debt (incl. a tax-shield) with a target weight of 55% and 45% respectively. Swiss Prime Site's projected corporate income tax rate is at 20%, which is above Switzerland's average rate of 16%<sup>24</sup>. This computation results in a **WACC of 3.74%**.

## ROIC and Long-Term Growth Rate

### ROIC

The real estate services operator is further driving its capital recycling strategy which aims to offload properties with limited potential, i.e. older buildings and properties outside of economic centres, and reinvest the proceeds in centrally located offices, laboratories and logistics buildings. With ongoing efforts to drive Swiss Prime Site's capital recycling strategy, the **return on invested capital (ROIC) is projected to reach 4.88%** by the year 2034. The average ROIC for the period 2018-2023 was 3.97%, hence, the projected ROIC in 2034 shows a 22.92% increase in capital efficiency compared to the 5-year average. SPS' ROIC **surpasses its current WACC (3.74%) in the year 2027**. Consequently, the company's active implementation of their capital recycling strategy and efforts to improve margins creates shareholder value in the long-term. The **return on new invested capital (RONIC) reaches 5.29%** in the year 2034.

### Long-Term Growth Rate

While Switzerland's real estate sector has shown steady growth and value appreciation in the past its business model is of a relatively stable nature. As for Swiss Prime Site, being Switzerland's largest real estate company by market capitalisation, a conservative approach has been applied in the determination of its long-term growth rate for the DCF calculations. As the general growth rates of SPS are to a certain extent tied to Switzerland's overall economic development, the country's long-term real GDP growth rate has been chosen as Swiss Prime Site's perpetual growth rate of 1.68% (2014-2029 as per forecast).

<sup>21</sup> LSEG (Refinitiv), 2024

<sup>22</sup> Bloomberg Finance L.P., 2024

<sup>23</sup> Fitch, 2024

<sup>24</sup> EY Switzerland, 2022

## Discounted Cashflow (DCF)

Valuation in CHF 1000	Growth period							Steady-state period			
Period	-1	0	1	2	3	4	5	6	7	8	9
Year	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Core FCF	552'031	106'794	119'128	143'755	179'609	203'860	238'883	271'844	284'169	291'497	298'627
Discount Factor		1.00	1.04	1.08	1.12	1.16	1.20	1.25	1.29	1.34	1.39
Discounted FCFs		106'794	114'829	133'567	160'857	175'987	198'780	218'044	219'704	217'236	214'518

Exhibit 16: Cash Flow derivation

The internationally acknowledged discounted cashflow model (DCF) was employed to assess the intrinsic value of Swiss Prime Site. For a more comprehensive valuation, the projected period was divided into two distinct phases – a growth period (2024-2031) followed by a steady-state period (2032-2034), which aligns to Switzerland's long-term real GDP growth of 1.68%. The computed enterprise value of SPS (CHF 13.5B) less net debt of CHF 5.4B translate into an equity value of CHF 8.1B by the end of the year 2025. Dividing the calculated equity value by the current number of outstanding shares<sup>25</sup> results in an implied share price of CHF 105.91 (vs. CHF 97.35 at the time of writing).

Based on the discounted cashflow model, the implied return on Swiss Prime Site's share is approximately **8.79%** (HOLD recommendation, see recommendation for further details).

## Sensitivity Analysis

As to assess the resilience of Swiss Prime Site's discounted cashflow valuation, a thorough sensitivity analysis was conducted. The analysis examines how different variations in key assumptions such as the WACC and perpetual growth rate affect the enterprise value and consequently the share price.

The first analysis focused on the impact of the share price by changing the WACC as well as the perpetual growth rate to the downside as well as upside in incremental steps of 0.20%. The matrix showcases potential share price stress tests when key assumptions such as the WACC or Gordon growth rate change. Looking at a **0.20% increase on the WACC**, ceteris paribus, this has a **negative impact of CHF -16.02 (-15.1%)** while a **decrease** of the same extent has a **positive impact of CHF 19.46 (18.4%)** on the share price of SPS. This asymmetric movement in % of the share price can be attributed to the non-linear relationship between WACC and the valuation.

The next sensitivity analysis examined the impact on the WACC when changes apply to Cost of Debt (CoD) and/or Cost of Equity (CoE). While CoD varies from 0.32% to 2.32%, CoE's range was analysed from a range of 4.94% to 6.94% in steps of 0.50%. Given the fact that Swiss Prime Site's target debt-to-equity ratio

Terminal value derivation	in CHF 1'000
PV Discounted FCFs	1'653'520
FV Terminal Value	16'247'623
PV of Terminal Value	11'671'442
Enterprise Value Core	13'324'962
Book Value Non-Core	228'966
Enterprise Value (EV)	13'553'928
Net debt	- 5'428'339
Value of the Equity	8'125'589
Shares OS in k	76'719
<b>Implied Share Price</b>	<b>CHF 105.91</b>
Share Price today (13.12.2024)	CHF 97.35

Exhibit 17: Terminal Value & implied Share Price calculation

Share Price - Sensitivity Analysis		WACC				
		3.34%	3.54%	3.74%	3.94%	4.14%
Perpetual Growth Rate	1.28%	128.49	110.15	94.80	81.77	70.56
	1.48%	137.89	117.05	99.89	85.52	73.31
	1.68%	149.51	125.37	105.91	89.89	76.48
	1.88%	164.25	135.66	113.20	95.09	80.17
	2.08%	183.57	148.69	122.18	101.35	84.55

Exhibit 18: Share price sensitivity analysis

WACC - Sensitivity Analysis		Cost of Debt (CoD)				
		0.32%	0.82%	1.32%	1.82%	2.32%
Cost of Equity (CoE)	4.94%	2.83%	3.01%	3.19%	3.37%	3.55%
	5.44%	3.11%	3.29%	3.47%	3.65%	3.83%
	5.94%	3.38%	3.56%	3.74%	3.92%	4.10%
	6.44%	3.66%	3.84%	4.02%	4.20%	4.38%
	6.94%	3.93%	4.11%	4.29%	4.47%	4.65%

Exhibit 19: WACC sensitivity analysis

<sup>25</sup> Bloomberg Finance L.P., 2024

was determined at 45%, **changes in the Cost of Equity** have a **more significant impact** to the down- as well as upside on the WACC. Thanks to the lower weighting of debt in the target capital structure and the tax shield effect, Cost of Debt is less pronounced when it comes to WACC sensitivity in comparison to Cost of Equity.

The last analysis was undertaken on the enterprise value (EV) of Swiss Prime Site. While the perpetual growth rate ranges from 1.28% to 2.08%, the WACC ranges from 3.34% to 4.14%. WACC variations lead to computed EV ranges from CHF 11.3B to 16.9B. Long-term growth rate alterations, on the other hand, result in EV ranges of CHF 12.7B. to 14.8B. While both variables can have a significant impact on the EV, the analysis shows that the valuation is **more sensitive to changes in the WACC**.

Enterprise Value - Sensitivity Analysis					
Perpetual Growth Rate	WACC				
	3.34%	3.54%	3.74%	3.94%	4.14%
13 553 928					
1.28%	15 285 647	13 879 183	12 701 642	11 701 542	10 841 758
1.48%	16 007 293	14 407 886	13 091 379	11 989 008	11 052 618
1.68%	16 898 638	15 046 885	13 553 928	12 324 876	11 295 585
1.88%	18 028 997	15 835 831	14 112 663	12 723 185	11 579 150
2.08%	19 511 382	16 835 970	14 802 163	13 203 980	11 915 085

Exhibit 20: Enterprise Value sensitivity analysis

## Major Chances & Risks

### Risks

A significant **economic downturn** in Switzerland would negatively impact the property values, rental income and occupancy rates of SPS' real estate portfolio. While a real estate company's steady rental income provides stability, it is highly **sensitive to rising interest rates**. As seen in the annual report 2023 of Swiss Prime Site, the increased interest rate environment led to higher discount rates for their real estate portfolio which resulted in negative revaluations of CHF -250M. Higher interest rates do not only lead to negative revaluations but also have an adverse impact on the cost of borrowing (45% debt-to-equity ratio). As mentioned, the recent strong population growth can be seen as a chance for Switzerland's economy as well as the company Swiss Prime Site, however, right-wing parties in Switzerland are against an excessive immigration policy and try to **dampen immigration influx**. An initiative has been officially submitted and launched in Switzerland, supporters of this initiative demand the country **not to reach a population of 10M** before the year 2050<sup>26</sup>.

Lastly, while events such as the COVID-19 pandemic have forced many people to work from home – and this has had a lasting impact – offices in general have been less in demand. However, given the fact that SPS focuses on prime locations, we assess this risk to be of limited nature for their current business model.

## Scenario Analysis

In order to analyse potential upside and downside risks for Swiss Prime Site's stock we did a **scenario analysis** in which we look at different **revenue** growth rates and **expense** ratios.

<sup>26</sup> Schweizerische Volkspartei (SVP), 2024

**Risks are unlikely to materialize in the foreseeable future**

- Worst-Case Scenario

As seen in the past, events such as COVID-19 can have a detrimental effect on real estate operators who are active in the offices and retail real estate segment. Nevertheless, as SPS has a strong focus on prime locations, even an unforeseen pandemic has a less harsh effect on the company's income compared to competitors' thanks to their focus on metropolitan locations. What is more worrying are currently **higher vacancy rates for offices** in cities that are a major part of SPS's portfolio compared to COVID-19. For instance, in the city of Zurich, where SPS has around 54% of their offices, vacancy rates reached 3.5% in Q4 2023 (vs. 2.8% during Switzerland's COVID-19 peak in Q1 2022)<sup>27</sup>. Looking at Basel, a similar picture can be observed, current vacancies are at 5.4% vs. 4.9% in Q1 2022. Geneva on the other side, has more stable vacancy rates which were at 4.3% in Q4 2023 compared to 4.1% during Switzerland's infection peak<sup>28</sup>.

***Higher vacancy rates can have a severe impact on SPS' business model***

Another negative implication could be a **stronger right-wing** orientated political system in Switzerland. As mentioned before, historically the country has benefitted from a large influx of immigrants thanks to its strong economy. However, Switzerland has become **highly reliant on skilled workers**. As domestic supply does not fully meet its supply, skilled workers often need to be hired from abroad. Should right-winged parties gain the upper hand, a more restrictive immigration policy could be implemented which could potentially cause harm to Switzerland's economic model. Connected to this, it is also worth mentioning the country's beneficial conditions for corporates. The overall maximum corporate income tax rate on profit between 11.9% and 21.0% depending on the company's registered tax residence<sup>29</sup> in combination with a supply of skilled workers attracts many large corporations.

Lastly, as confirmed in interviews with industry experts and a real estate equity analyst, a **recession** would be considered a **major threat**<sup>30</sup>. However, looking at Switzerland's overall economic health, the outlook is stable - the inflation rate is currently at 0.7%<sup>31</sup> which is in line with the monetary policy which aims to achieve a target inflation of less than 2%<sup>32</sup>. Also, other macroeconomic indicators point towards a strong outlook: unemployment rate at 2.4%, real GDP growth is currently at 1.3% and the policy rate (key interest rate) at 0.5%. Given the mentioned healthy overall picture of Switzerland's economy and its stable outlook, we estimate a **recession-scenario to be unlikely** in the foreseeable future.

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<sup>27</sup> Corona-in-Zahlen, 2024

<sup>28</sup> Tagesanzeiger, 2024

<sup>29</sup> PwC Switzerland, 2024

<sup>30</sup> Conducted interviews with Swiss Prime Site Investor Relations department & equity real estate analyst, 2024

<sup>31</sup> NZZ, 2024

<sup>32</sup> Swiss National Bank (SNB), 2024

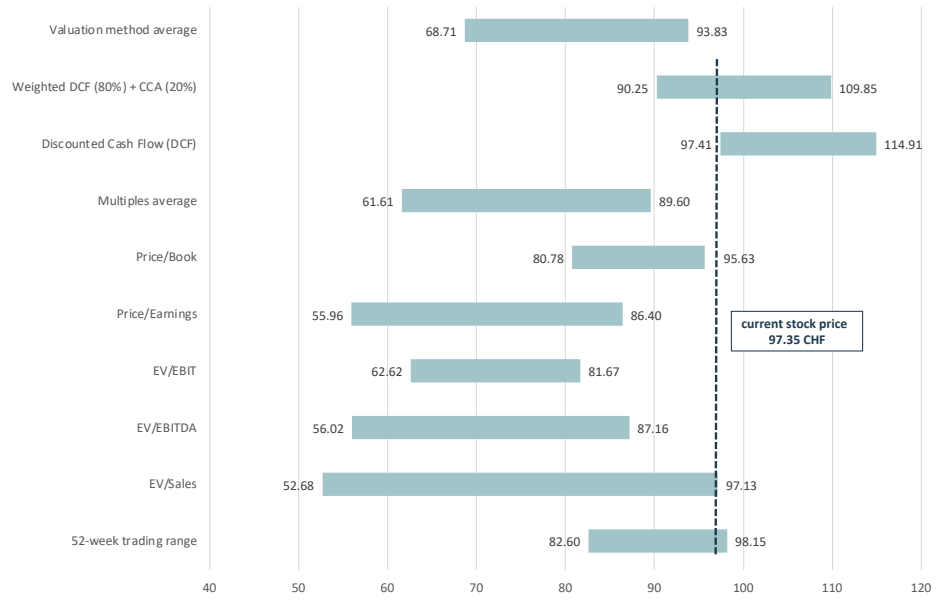
In our scenario analysis, a materialization of the listed risks would result in a long-term growth rate **reduction of 9% compared to our base case** (1.68% to 1.53%). Moreover, the mentioned facts would lead to an implied worst-case share price of CHF 97.41, which is a deviation of -8% from our elaborated base case scenario.

We see only limited down-side risk in Swiss Prime Site's historically robust real estate business model and hence assign a probability of 10% to this worst-case storyline.

## Recommendation

After a comprehensive analysis outlined in this equity research report, we recommend to **HOLD** Swiss Prime Site's stock. This recommendation is based on the company's **financial performance** and **future outlook**. Our valuation of the company projects a target share price of **CHF 100.25** for SPS by **31 December 2025**. SPS' closing price as of 13<sup>th</sup> December 2024 was CHF 97.35. This projected target share price leads to a potential **upside of 2.98%** which can be captured by holding the stock. To value the shares of SPS we used the approach of a **weighted average** in which we allocated **80%** to the cash flow-based valuation (**DCF target price: CHF 105.91**) and **20%** to the multiples / comparable companies valuation (**CCA: CHF 77.58**). The DCF method is weighted more heavily because it captures the **intrinsic** value of SPS' long-term cash flows and reflects the **stable** and **predictable** income streams from rental properties and asset management fees. Because the company has a strong focus on **recurring** revenues, **strategic** investments financed by divestments, DCF provides a more reliable framework for incorporating the future growth and operational efficiencies. The CCA is weighted lower to provide an additional **market-based** perspective that considers how SPS compares to its true peers in the real estate sector. This valuation is weighted lower because it is less reflective of SPS' unique portfolio and geographic focus. With this weighted average approach, we ensure that the final weighted share price reflects both the intrinsic value as well as market dynamics.

**HOLD SPS stock**



*Exhibit 21: Football-Field Chart - Implied share prices*

## **Appendix**

## SWISS PRIME SITE AG

REAL ESTATE INVESTMENT COMPANY

STUDENT: JANKO MATESKI, HENRY SCHMID

## COMPANY REPORT

14. DECEMBER 2024

59098 & 58140@novasbe.pt

### One Platform, two pillars

*Sustainable growth through capital recycling and growing asset management business*

- Our recommendation is to **HOLD** Swiss Prime Site's stock based on a **target price of CHF 100.25** by 31.12.2025. The target price represents an **upside of 2.98%** from the current closing price of CHF 97.35 as of 13.12.2024.
- Market trends such as a **lower interest rate environment** as well as **growing population** and **urbanization** set a strong basis for sustainable growth.
- We expect Swiss Prime Site to capture further growth in its **asset management** division. The ability to capitalize not only on real estate but also on recurring asset management fees, places Swiss Prime Site in a **unique pole position** compared to its peers.
- The company is positioning itself for future growth and long-term value creation by its **capital recycling strategy**, through which new investments are financed via the **sale of non-core operations**.
- Nevertheless, we believe that most of the mentioned growth potential is **already priced in** by investors. Therefore, we recommend to **HOLD** the stock of Swiss Prime Site.

#### Company description

Swiss Prime Site AG is the largest real estate company in Switzerland with a clear focus on commercial properties. Geographical orientation is on offices and retail properties in economic centres such as Zurich and central Switzerland (54%), Lake Geneva region (20%), Basel (13%) and in the capital Berne (9%) where it serves more than 2'000 tenants. Assets under Management are at CHF 25.7B across 400 properties. Their 5 funds are mainly investing into residential buildings (54%), offices (15%) and retail (13%) properties.

**Recommendation:** **HOLD**

**Price Target FY25:** **100.25 CHF**

**Price (as of 14-Dec-24)** **97.35 CHF**

Reuters: SPSN.S, Bloomberg: SPSN

52-week range (CHF) 82.60 – 98.15

Market Cap (CHF m) 7'526

Outstanding Shares (m) 77.31

Source: Financial Reports, LSEG (Refinitiv), own estimates



Source: LSEG (Refinitiv)

(Values in CHF millions)	2023	2024E	2025E
Revenues	658.5	695.5	653.7
EBITDA	408.6	461.1	464.1
EBIT adjusted	403.0	455.1	454.7
Net Profit	236.0	396.0	414.2
EBITDA margin in %	62%	66%	71%
Net Income margin in %	36%	57%	63%
EPS in CHF	5.27	3.08	5.16
Weighted average unexpired lease term (in yrs)	5.0	4.9	4.9
Vacancy rate in %	4.0%	3.6%	4.0%
Full time employees (abs.)	570	576	250

Source: Financial Reports, own estimates

THIS REPORT WAS PREPARED EXCLUSIVELY FOR ACADEMIC PURPOSES BY [JANKO MATESKI & HENRY SCHMID], A MASTER IN FINANCE STUDENT OF THE NOVA SCHOOL OF BUSINESS AND ECONOMICS. THE REPORT WAS SUPERVISED BY A NOVA SBE FACULTY MEMBER, ACTING IN A MERE ACADEMIC CAPACITY, WHO REVIEWED THE VALUATION METHODOLOGY AND THE FINANCIAL MODEL. (PLEASE REFER TO THE DISCLOSURES AND DISCLAIMERS AT END OF THE DOCUMENT)

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**Switzerland's largest real estate company**

## Company Overview

Swiss Prime Site AG (short: SPS) is the **largest** real estate company in Switzerland and focuses primarily on high-quality investment properties. SPS was founded in **1999** by the pension funds of Credit Suisse, Siemens and former Winterthur Life (now Axa). The company was listed on the SIX Swiss Exchange in April 2000 and at that time managed a real estate portfolio of around CHF 500M.<sup>1</sup>

Today, SPS manages a portfolio that is diversified in offices, retail and mixed-use buildings that are located in **prime locations** in all major economic hubs of Switzerland. SPS' real estate portfolio is valued at **CHF 13.08B** as of 2023 and is considered the major player in the Swiss real estate market, offering recurring rental income that accounted for CHF 438.3M in 2023.

In its other division, SPS' asset management manages real estate for third parties and has **CHF 12.6B** assets under management (AuM). In the recent years, SPS has transformed significantly by divesting non-core activities which is proven by the sale of the Wincasa property management unit and the acquisition of Fundamenta Group in order to focus on its real estate and asset management business.<sup>2</sup> Total property assets add up to around **CHF 25.7B**.

**Optimizing a Swiss Real Estate Portfolio through Capital Recycling**

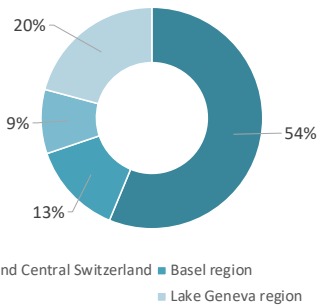


Exhibit 1: Portfolio Split by Region

### One Platform, Two Pillars

SPS is built on **two pillars** which in combination provide a broad real estate platform: Swiss Prime Site Immobilien and Swiss Prime Site Solutions.

#### Swiss Prime Site Immobilien

SPS Immobilien is the **real estate investment** division of SPS and focuses on investment properties across Switzerland. At the time of writing, its portfolio consists of:

- CHF 13B in assets under management (AuM)
- 160 strategically located properties (prime locations)

The goal of SPS' Immobilien division is on optimizing rental income and reducing vacancies. Most of the properties are located in **Zurich** and **central Switzerland** (54%), followed by the **Lake Geneva** region (20%). The **Basel** region and **Berne** account for 13% and 9% respectively. In the portfolio split by type of use, **offices** make up the majority, accounting for 44%, followed by **retail** which accounts for

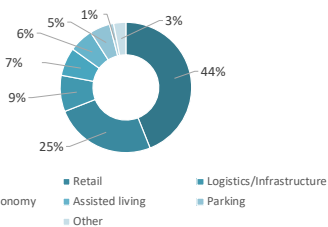


Exhibit 2: Portfolio Split by type of use

<sup>1</sup> Swiss Prime Site AG, 2017

<sup>2</sup> Unless otherwise indicated, all information presented in this document are sourced from Swiss Prime Site's Annual and Financial Reports

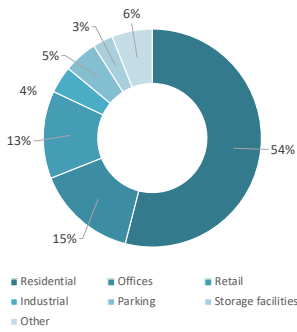


Exhibit 3: AuMs by type of use

25%. Logistics and infrastructure, hotel and gastronomy and smaller segments contribute to the other roughly 30%. There are around 2000 individual tenants in SPS Immobilien’s tenant base which leads to a broad **diversification**. Furthermore, growth is mainly financed by the company’s own funds and investments or divestments are always made to enhance the portfolio. The key evaluation criteria are not only the potential for income and value accruals but also the location and type of use. In general, acquisitions and developments are financed by SPS’ “**capital recycling**” strategy which specifies that they are financed through divestments in order to maintain a solid equity base.

### Swiss Prime Site Solutions

SPS Solutions is the **asset management** arm of the company and specializes in real estate investment solutions for institutional and private clients. The division provides a range of investment products such as open and closed-end real estate funds, investment foundations for pension funds and advisory services. SPS Solutions is regulated by the Swiss Financial Market Supervisory Authority (FINMA) and is built with a strong focus on transparency and investor relations. Within the assets under management (AuM), residential properties make up for the majority, accounting for 54% followed by offices and retail, accounting for 15% and 13% respectively. The remaining 18% are compiled by industrial, parking, storage facilities and other properties. SPS Solutions generates profitable growth through **fee-related earnings** without having to invest the company’s own capital. In 2024, the company closed the acquisition of Swiss and German Real Estate Asset Manager Fundamenta Group, growing AuM non-organically to CHF 12.6B and therefore evolved as Switzerland’s largest independent Real Estate Asset Manager.

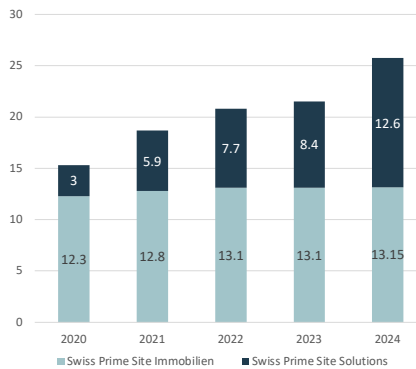


Exhibit 4: Real Estate AuM of Swiss Prime Site AG (2020-2024)

### Interviews

#### Valuable insights through interviews with industry experts

During our Equity Research for Swiss Prime Site we conducted three insightful interviews. Our first interview was with the **Investor Relations** department of SPS. We sent out an e-mail inquiry that we are conducting an Equity Research as part of our Master thesis at Nova School of Business and Economics. After a few days we were able to secure a time slot and started to prepare. Potential questions have been prepared and discussed as to gain as much insights as possible. Our questions were focused on the company’s strategic focus, major chances and risks and a few specific details that we were looking to clarify. The interview took 30 minutes via Microsoft Teams. This interview was very insightful, and the conclusions were incorporated into this Equity Research report. The second interview that we conducted was with a **Real Estate Equity Analyst** from a major Swiss bank which we secured through our personal network. The focus of this

interview was more on technical specifics. The interview also took about 30 minutes via Microsoft Teams and again was crucial to the findings in this report. The last meeting was arranged through our Alumni association, took place physically and was in the form of a discussion with an **M&A consultant** (Swiss small caps) which lasted for about an hour. The centre piece of our discussion was on the discount rate as this plays a pivotal role in our evaluation. We want to thank our three interview partners for their valuable time and precious insights that they have provided.

## Swiss Prime Site's Strategy

The strategy of Swiss Prime Site's business model is based on two pillars:

- Real Estate business line: This is where SPS invests its own funds into commercial real estate in **prime locations** of the **main economic hubs of Switzerland**
- Asset Management business line: Here SPS captures external financial resources from investors and invests into residential as well as commercial properties across Switzerland and in Germany

Swiss Prime Site's strategy is driven by its **capital recycling strategy** which aims to offload properties and services that are not in line with its strategy and re-invest these proceeds into properties which match SPS' core capabilities. The acquisition of **Fundamenta Group** (purchase price undisclosed) in the spring of 2024 is an exemplary action taken by SPS in its capital recycling approach which finances new acquisitions by divesting assets that are no longer in line with its strategy. A further clear advantage in our view is, that this acquisition allows SPS to step foot into the German real estate market (CHF 3.3B invested in Swiss real estate market and CHF 0.9B in the German one) and offer their clients access to new markets while capturing new revenue streams.

As mentioned before, as part of SPS' transformation, it sold one of its non-core assets, namely the **real estate service provider Wincasa**, for CHF 171.6M in March 2023<sup>3</sup>. A remarkable observation is that even after selling certain business units, it maintains the established relationships and leverages the services it helped to develop in the past.

Next to Swiss Prime Site's sizeable property assets of roughly **CHF 26B**, it has made sustainability an integral part of their business model. SPS is committed to reduce their carbon footprint, conserve resources and promote its social responsibility. SPS' efforts are meant to increase their resilience and create long-

### Capital Recycling Activities

**Property assets:**  
**CHF 25.7 billion (2024)**

<sup>3</sup> Implenia AG, 2023

**Operational management of property portfolio emission free by 2040**

term added value to their stakeholders and beyond. SPS' **CO<sub>2</sub> reduction pathway** was developed in 2019 and follows United Nations Sustainable Development Goals (SDGs). Their goals are aligned with the **Swiss government's Energy Strategy 2050**. The company aims to free the operational management of their property portfolio from any emissions by **2040**.

**Executive Board**

Executive Board			
<b>Name</b>	R. Zahnd	M. Kucher	A. Tschopp
<b>Function</b>	CEO Group	CFO Group	CEO Solutions
<b>Since</b>	2016	2021	2018
<b>Age</b>	54	53	44

*Exhibit 5: Executive Board Swiss Prime Site AG*

**Leadership with Expertise in Real Estate and Finance**

The Executive Board of Swiss Prime Site is compiled by the managers of the companies SPS Immobilien and SPS Solutions, as well as the CEO and CFO of the group. **René Zahnd** has been the CEO of Swiss Prime Site since 2016. He started his career as a lawyer and before joining SPS, he acted as Head of Real Estate at Implenia. **Marcel Kucher** is the CFO of SPS and started his career at McKinsey. Before joining SPS in 2021, he was CFO and COO of Peach Property Group. **Anastasius Tschopp** has been CEO of SPS Solutions since 2018 and has worked at SPS Group since 2014, most recently as Head of Portfolio Management.<sup>4</sup> The average tenure of the Board is a clear indicator of the management team's stability and experience. Overall, the management team is strategically aligned to guide SPS to sustainable success by gradually transforming the company into a specialized "pure" real estate player.

**Shareholder Structure**

Top 3 Shareholders	% Outstanding
UBS Asset Management (Switzerland)	12.40%
BlackRock Advisors (UK) Limited	10.50%
The Vanguard Group, Inc.	3.42%
<b>Total</b>	<b>26.32%</b>

*Exhibit 6: Top 3 Shareholders of SPS (holding >3%)*

**Low turnover thanks to institutional investors**

Swiss Prime Site's shares were first offered to the public in April 2000. At the time of writing (13.12.2024) the stock SPSN trades at CHF 97.35 and has a free float rate of 99.86%. With its **CHF 7.53B market capitalisation** it is the largest stock exchange-listed real estate company in Switzerland. Furthermore, Swiss Prime Site's stock is part of several leading Swiss as well as European market indices such as Swiss Performance Index (SPI) and STOXX 600 Europe. The top 3 largest shareholders hold together **26.32%** of the shares, namely UBS Asset Management (12.40%), BlackRock Advisors (UK) Limited (10.50%) and The Vanguard Group, Inc. (3.42%). Top 10 shareholders hold together **41.17%**. Insiders of this stock hold a modest 0.14% in total. The biggest chunk of registered shares is held through funds with 36.9%, followed by legal entities with 20.8% and pension funds with 17.8%. Out of registered shareholders, private individuals own 15.7% whilst institutional investors hold the majority of the shares with 84.3%. In terms of location, 22.60% of the shareholders are in Switzerland, 14.10% in the United Kingdom, closely followed by 12.12% in the United States.<sup>5</sup>

<sup>4</sup> Swiss Prime Site AG, 2024

<sup>5</sup> Swiss Prime Site AG, 2024

The fact that most shareholders are institutional investors translates in a relatively **low turnover** for approximately 55% of the shares (CHF 4.17B) and hence makes it a **low volatility stock** (7.79% on an annualised basis during the analysed period) through various economic cycles compared to its industry peers.<sup>6</sup>

### Stock Performance

Swiss Prime Site’s stock (Ticker: SPSN) has been measured in terms of performance and risk against other main indices in Switzerland such as the Swiss Performance Index (SPI), Swiss Market Index (SMI), SXI Real Estate Shares and Swiss Mid Cap Market (SMIM). While SPSN did appreciate in value over a historical look-back period of 10 years, it **lags behind some of the analysed indices**. From 2014 until beginning of 2020, SPSN was indeed able to somewhat keep in line with the indices. However, its recovery has not been as strong as the one from the other major indices. SPSN has achieved a performance of **1.92% p.a.** while other indices have performed 1.31% p.a. (SMI), 2.56% p.a. (SMIM), 6.69% p.a. (SXI) and 5.40% p.a. (SPI). In terms of risk, the stock SPSN has the second lowest annualized volatility compared to its peers (range of peers: 7.54% - 14.34%).

True Peers	Annualized Volatility
Mobimo Holding AG	7.54%
Swiss Prime Site AG	7.79%
PSP Swiss Property AG	8.29%
Cofinimmo SA	9.79%
Gecina SA	11.56%
MERLIN Properties SOCIMI SA	13.15%
Covivio SA	14.34%

Exhibit 7: Annualized volatility of True Peers (ascending)

**SPS amongst the lowest volatility stocks compared to its peers**

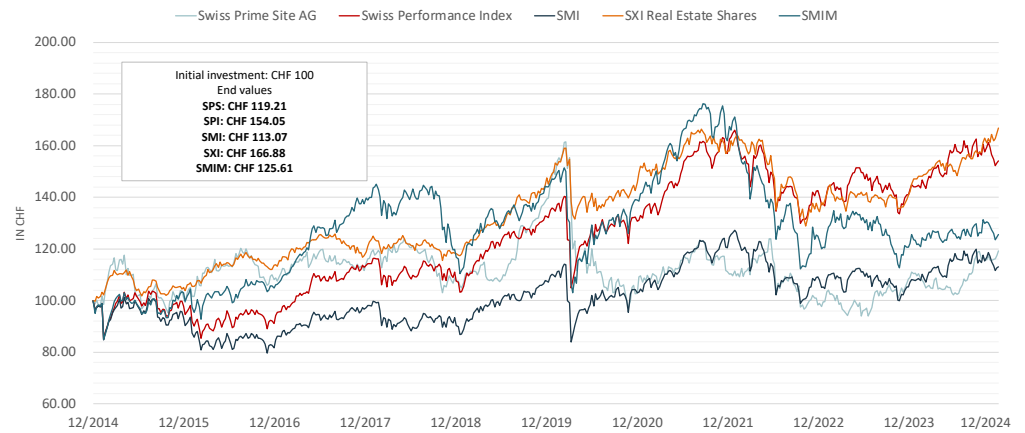


Exhibit 8: Swiss Prime Site against major Swiss indices (indexed 12/2014)

The company has a **dividend friendly policy** and has a 5-year average dividend **yield of 3.94%** (peer average is at c. 4.5%). Current 5-year average dividend-payout ratio is at 90%. Swiss Prime Site’s Board of Directors is pursuing an equitable dividend payout ratio between 80 – 90% of Funds from Operations I (FFO

<sup>6</sup> LSEG (Refinitiv), December 2024

l).<sup>7</sup> The historical dividend payout ratio measured against FFO I is at 89.54%, which is in line with SPS' indication. While FFO I only contains cash effective income from operations, FFO II also considers cash effective income from property sales.

Further value is added to the shareholders' return by Swiss Prime Site's share **buyback program** which has been very consistent in the last five years (average repurchase value: CHF 3.7M per year). On the other hand, in the past, the long-standing CEO René Zahnd has claimed that SPS is not planning to undertake any share capital increases in the foreseeable future as to **not dilute shareholder value**. However, the company Swiss Prime Site has outstanding convertible bonds which could result in up to 6.72% (5-yr average) additional shares, potentially diluting the ownership of existing shareholders.

### Financial Analysis

To determine the financial health of SPS, we conducted a financial analysis of the company, analysing its financial statements, liquidity ratios and capital structure over the past six years (2018-2023).

From 2018 until 2023, SPS' total revenues declined at a compound annual growth rate (CAGR) of **-10%**. This, on first observation a critical figure, is mainly due to the company's **divestment** of several **non-core** operations. The segment real estate developments, which was terminated in 2022 accounted for 6% of total revenues from years 2018 to 2020 and 7% in 2021. The company's real estate services business which consisted of the **Wincasa** brand was sold to Implenia in **2023**, which resulted in a profit after tax from discontinued operations of ca. CHF 150M. The revenues from real estate services averaged to around 12% of total revenues in years 2018 to 2021. Lastly, the assisted living operations, consisting of the **Tertianum Group** were discontinued in **2020**. This income stream accounted for roughly 25% of total revenues.

While SPS discontinued some of their non-core operations, it also focused on **growing** their **core** operations in its transformed strategy. Rental income from properties increased from 39% of total revenues in 2018 to 67% in 2023 respectively. As part of the transformed strategy, a new income stream – income from **sale of trading properties** – was introduced in 2022 and grew by 59% in 2023. SPS's focus on growing the asset management arm is reflected by the strong CAGR of **34%** from 2018 to 2023.

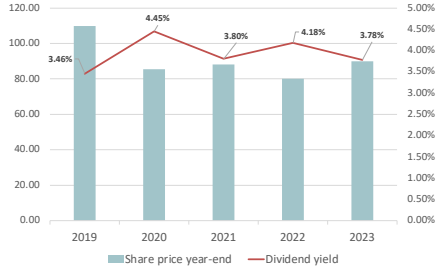


Exhibit 9: Historical share price and dividend yield development

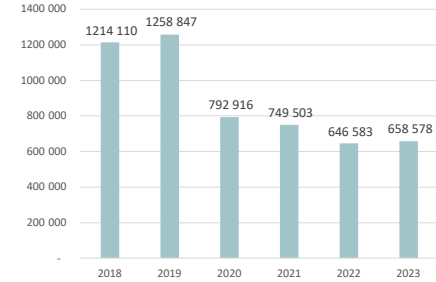


Exhibit 10: Total revenues development

#### Divestment of non-core operations

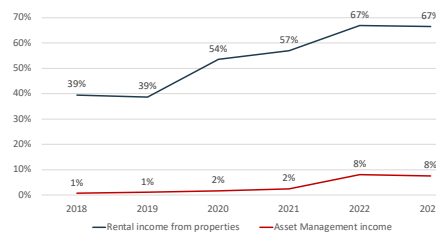


Exhibit 11: Percentage of total revenues

#### Focus on growth in rental income from properties and asset management

<sup>7</sup> Swiss Prime Site AG, 2024

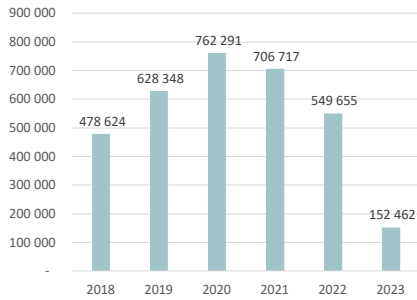


Exhibit 12: EBIT development

**SPS was strongly affected by COVID-19 but not from the war in Ukraine**

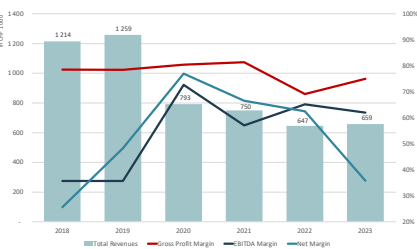


Exhibit 13: Total Revenues, Gross Profit Margin and EBITDA margin (historical)

Largest external tenants	in %
Tertianum	5.7
Magazine zum Globus	4.5
Coop	4.5
Swisscom	4.6
Zurich Insurance Group	2.5
<b>Sum of future annual rental and land lease</b>	<b>21.8</b>

Exhibit 14: Largest external tenants in % of the future annual rental and land lease income



Exhibit 15: Liquidity ratios development

Total operating expenses declined at a CAGR of -17% from 2018 to 2023, which correlates to the above-mentioned transformed strategy. Also, full time employees (FTE) declined from 5'115 in 2018 to 570 in 2023 which results in a CAGR of -31%.

The drop in EBIT from 2022 to 2023 by 72% is mainly due to **revaluations** of investment properties that accounted for roughly **CHF -250M**. This is also reflected in the increase of the average nominal discount rate of the real estate portfolio which increased from 2.75% in 2021 to 4.04% in 2023. The effect of the war in Russia and Ukraine only had and still has an indirect influence on the company, which is only reflected in the increase of interest rates that has a negative effect on real estate business in general. Regarding the effects of the **COVID-19** pandemic, SPS and the general Swiss real estate sector was strongly affected. In spring 2020, the Swiss government implemented a lockdown of social gatherings, schools and shops. Jelmoli, a popular shopping mall in Zurich, for example, had to shut down almost its entire operations during the lockdown. SPS was able to support the majority of customers and tenants through rent deferrals, waivers and reductions. Subsequently, in 2020, rental income from properties and income from retail both declined by **-13%** each.

An analysis of SPS' profitability margins shows that the **gross profit margin** stayed roughly in the same range in the historical period, reaching from 69% to 81% decreasing at a CAGR of -1%. **EBITDA margin** on the other hand varies more in the observed period. Due to the discontinuation of cost intensive and non-core operations, the **EBITDA-** as well as the **EBIT-margin increased** at a CAGR of 10% to 62% and 61% respectively in 2023.

Analysing SPS' liquidity ratios, it appears that all observed ratios decline in the observed period. The current ratio, which measures a company's ability to cover short-term liabilities with its total current assets declined at a CAGR of -3%. The quick ratio, which is stricter and excludes inventory and other less liquid current assets declined at a CAGR of -13%. The cash ratio, which is the most conservative liquidity figure considers only cash and cash equivalents which declined at a CAGR of -31%. The liquidity ratios, which at first glance appear poor, can be explained in the way of SPS' business nature. The company predominantly uses its **cash positions** for **interest rate payments** as outstanding debt usually is **refinanced** and extended. Due to its market leader position in the Swiss real estate sector, the company is able to operate well with the provided liquidity. This is also exemplified by the relatively low amount of accounts receivable which is reflected by the strong operational management that ensures that rental income is received promptly and therefore minimizes delays in cash inflow. Generally, the company's revenue

streams appear to be **stable** due to their regular long-term nature of rental income by a solid and well-diversified tenant base and recurring asset management fees.

The D/EV ratio increased from 0.40 in 2019 to 0.45 in 2023 during the COVID-19 period, due to the company having to acquire more debt during that period. Interest coverage ratio increased from 5.43 in 2018 to 9.24 in 2020 but then decreased again to 5.21 in 2023 which in our view is due to interest rates rising again. The gearing ratio decreased from 0.96 in 2018 to 0.87 in 2023 which also shows that SPS has reduced its leverage.

In the historical period we notice that equity increased at a CAGR of 4% whereas debt only increased at a CAGR of 2%.

Looking at the development of SPS' Return on Equity (ROE) figures in the historical period we notice significant fluctuations and a downward trend. From 2018 to 2019, ROE grew from 6.04% to 11.15% (84.4% YoY), suggesting effective use of shareholder investments during that time. Following this peak, ROE started to decline again and fell to 10.03% in 2020 and afterwards gradually decreased to 3.61% in 2023. We assess the decrease to be linked to **negative COVID-19 effects** and a rising interest rate environment which ultimately led to lower sales and higher nominal discount rates.

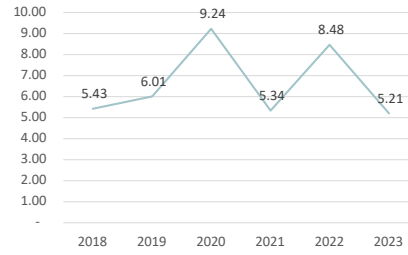


Exhibit 16: Interest coverage ratio development

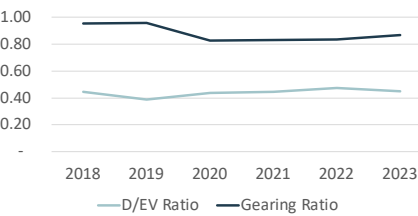


Exhibit 17: D/EV Ratio and Gearing Ratio development

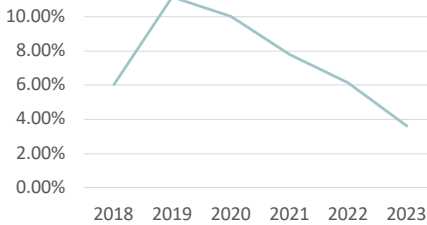


Exhibit 18: Return on Equity (ROE) development

## Industry Overview

### Marcoeconomic Analysis

#### Gross Domestic Product (GDP)

Switzerland's real GDP is expected to be around **1.4% for the year 2024** (2023: 0.7%) and further recover to 1.5% in 2025. Switzerland's current GDP has benefitted from a **strong expansion** in the chemistry-pharmaceutical sector. This in turn is expected to drive more demand for laboratory spaces<sup>8</sup>. As a result of Swiss Prime Site's preparatory work in terms of partnerships with Superlab Suisse since 2021, it has recently opened close to 5'000 m<sup>2</sup> in laboratory and research facilities in Basel and is expected to finish another 5'000 m<sup>2</sup> until March 2025 in Zurich<sup>9</sup>. While **population growth** is further accelerating (1.7% in 2023) and with it the demand for residential housing and commercial spaces, the growth on the real estate supply side has been rather low the last three years, construction volume is expected to further decrease in 2024. Given these facts, we expect **vacancy rates** applied to Swiss Prime Site's overall portfolio to stabilize around **4%**. Given SPS' real estate size, it can be seen as a **proxy for the Swiss real**

<sup>8</sup> Seco, 2024

<sup>9</sup> Superlab Suisse, 2024

**estate** market. Overall, fundamental data for the Swiss real estate market mid-term **outlook is promising**. Switzerland’s mid-term real GDP growth rate forecast is at 1.68%.

**Interest rate environment**

Switzerland’s central bank was one of the first movers to trim interest rates this year from 1.75% to currently 0.50%. Lowering interest rates have **lifted the appraisal values** of real estate in 2024H1, which can be attributed to lower discount rates. However, as per the UBS Global forecasts report no further interest rate cuts are in the pipeline for next year (March 2024: 0.50% and December 2025: 0.50%)<sup>10</sup>. The easing monetary policy also provided Swiss Prime Site with a favourable timing in terms of their bond replacements in H1 2024 at 1.8% and 1.65% respectively, which leads to reduced cost of debt compared to the previous years. **Long-term interest rates** are expected to **stabilize around 0.25%** in the mid- to long-term, again lowering SPS’ overall debt-related expenses.

**Inflation**

The inflation in Switzerland has reached its lowest state since June 2021 and has fallen from 0.8% in September to 0.6% in October 2024. **Core inflation**, which excludes the often-volatile price changes of food and energy, is currently at **0.8%**.

Despite the heightened inflation cycle of the last few years, SPS continued to thrive as roughly 90% of SPS’ rental contracts continue to be inflation-linked. This enables SPS to adjust their lease contracts with most of its lessors on an annual basis. The indexed rents do not make SPS completely immune to inflation, however, it places them into a more comfortable situation across different market cycles. The **forecasted inflation** for Switzerland is expected to **stabilize** around its historical average of **1.25%**<sup>11</sup>.

**Unemployment rates**

As per the latest forecast data, Switzerland’s unemployment rates are anticipated to be **in the region of 2.5%**, which can be considered as fairly low, suggesting a labour market very close to its equilibrium (2.8%) as per the State Secretariat for Economic Affairs SECO<sup>12</sup>. Nevertheless, according to the UBS Compensation Survey for 2025, more companies are planning to hire more work force in the next year<sup>13</sup>. The mentioned low unemployment rates coupled with robust immigration

**Expected economic indicators in Switzerland (by the year end):**

**Real GDP growth: 1.4%**  
**Interest rate: 0.5%**  
**Inflation: 0.8%**

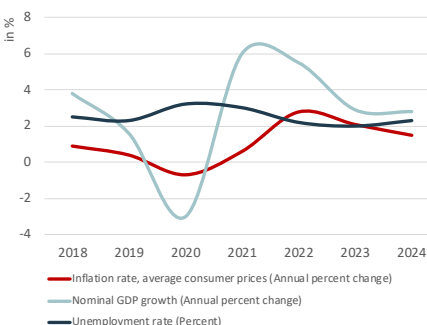


Exhibit 19: Switzerland's economic indicators

<sup>10</sup> UBS, 2024

<sup>11</sup> International Monetary Fund, 2024a

<sup>12</sup> SRF, 2024

<sup>13</sup> UBS, 2024a

support consumption. Given elaborated facts, we do not see the Swiss labour market overheating in the short- to mid-term.

## SWOT Analysis

Clear **strengths** of SPS include its **market leader** position as the largest real estate investment company in Switzerland. The company is positioned uniquely by having its asset management arm which allows investing third party assets and generate **stable** and **recurring** fees next to the reliable rental income. Also, SPS has a clear strategic focus with the successful implementation of the **capital recycling strategy** and its **sustainability** commitment.

**Weaknesses** that we analysed include the **dependence** on the Swiss market as the geographical concentration limits diversification and exposes the company to local economic risks.

In our analysis we see clear **opportunities** in SPS' asset management expansion as there is significant **growth** potential in fee-based income from its real estate funds. This is further strengthened by acquisitions in the asset management space such as Fundamenta Group which can enhance the company's **geographical reach** for example in the German market. Further opportunities arise from the **population growth** and **urbanization** trends in Switzerland and globally, which can drive the demand for prime office locations and residential properties. Moreover, the expected **lower interest rate environment** reduces applied discount rates which subsequently drive real estate valuations. Additionally, lower interest rates reduce financing costs, which can enhance the company's profitability even further.

On the other hand, **recessions** or **higher vacancy rates** pose clear **threats** for SPS as this would affect rental income. The same is valid for political risks, as potential restrictions on immigration can reduce the demand for commercial as well as residential real estate. Rising interest rates also pose a threat for SPS because of negatively impacted property valuations, which can also be seen in historical revaluation losses such as CHF -250M in 2023.

## Market Trends

There are several market trends in the Swiss real estate market which have been analysed. In 2024, the **Swiss National Bank** (SNB) has **cut** interest rates for the **fourth time**, which brings the base rate down to **0.50%**. These cuts are aimed at boosting economic activity and have impacted real estate investments by making the financing of mortgages more affordable. 10-year fixed mortgages have dropped to 1.5 - 2% from an average of 2.35% in 2023. This reduction is expected

*Short property supply  
to further drive-up  
rental prices*

*Lower Interest Rates  
and growing demand*

to make the financing of properties more accessible and attractive for homebuyers and investors. In **high-demand** areas like Zurich and Geneva, rental demand is still continuing to grow faster than the supply-side of the properties market. Therefore, the **vacancy rate** for rental properties is expected to **drop** below 1%, which will push rental prices higher. In Zurich alone, apartment rents increased by 6% YoY.<sup>14</sup>

In commercial real estate, office spaces are still facing challenges in 2024 because of the shift towards hybrid working models and **home-office** trends due to which, office vacancy rates remain higher in some regions. On the other hand, sectors such as healthcare-related real estate and logistics infrastructure gain confidence from investors because of the growing demand for medical facilities and supply chain resilience.<sup>15</sup> Investors are focusing also on sustainable and energy-efficient properties because of **ESG** factors that are increasingly shaping the real estate market. This trend leads to energy-efficient buildings requiring higher prices compared to less sustainable properties.<sup>16</sup> Since interest rates are decreasing and the general demand for real estate products increases, SPS Solutions is well positioned to capitalize on this trend. Institutional and private investors are more and more interested in real estate because of the opportunity to hedge against inflation and volatility in other asset classes.<sup>17</sup>

In conclusion, the Swiss real estate market is well-positioned for growth in 2024, mainly driven by interest rate cuts, high demand for residential properties and evolving trends in commercial real estate.

## Competitors

Swiss Prime Site has competitors in Switzerland as well as across Europe. The competitors operate in real estate investment, development and asset management and they also have various segments like commercial, residential and logistics properties.

**PSP Swiss Property AG** is the second largest real estate company in Switzerland and focuses on commercial real estate located in Switzerland's major economic centres. The company's portfolio is valued at CHF 9.7B and the majority consists of office and retail properties. PSP's focus is on portfolio optimization, long-term value creation, sustainability and maintaining high occupancy rates.<sup>18</sup>



<sup>14</sup> PwC Switzerland, 2024a

<sup>15</sup> PwC Switzerland, 2024b

<sup>16</sup> Foxstone, 2024

<sup>17</sup> IWP, 2024

<sup>18</sup> PSP Swiss Property AG, 2024



**Mobimo Holding AG** is also a major real estate company in Switzerland, with a portfolio consisting of commercial, residential and development properties. Mobimo, as well as the other companies operates mainly in large cities such as Zurich and Geneva. The company focuses on sustainable and urban development projects that include mixed-use properties and city planning. Like SPS, Mobimo tries to achieve a long-term sustainable rental income in its portfolio.<sup>19</sup>



**Merlin Properties** is a leading real estate investment trust (REIT) with a diversified portfolio that consists of office buildings, shopping centres, logistics properties and hotels in Spain and Portugal. The company's strategy is to create value and sustainable growth through acquisitions and development.<sup>20</sup>



**Cofinimmo** is located in Belgium and is one of the major players in healthcare real estate, office spaces and distribution networks. The company's portfolio consists of properties in Belgium, France, Netherlands and Germany where it owns and manages hospitals and care centres. Because of this specialization, Cofinimmo can differentiate itself from more generalist real estate firms.<sup>21</sup>



**Gecina** is a major French real estate company that focuses primarily on high-end offices in Paris. The company also invests in residential properties and has a portfolio that is valued at over EUR 20 billion.<sup>22</sup>



**Covivio** is a French real estate company and also a REIT. The company's portfolio consists of offices, hotels and residential buildings in France, Italy and Germany, making it one of the major real estate companies in Europe.<sup>23</sup>

## Regulatory landscape

Swiss Prime Site operates in Switzerland's **unique regulatory framework**, this is primarily shaped by the Federal Act on the Acquisition of Immovable Property in by Foreign Non-Residents (ANRA), also commonly known as "**Lex Koller**"<sup>24</sup>. This legislation aims to **protect Swiss land ownership** and restrict foreign influence from foreign nationals, companies domiciled abroad or Swiss based companies that are controlled by foreign nationals when it comes to acquiring residential real estate.

This can particularly impact SPS's ability to directly acquire and develop residential properties. To navigate this regulatory hurdle, SPS utilizes a two-pillar business model. While their core business involves **directly investing their own capital**

<sup>19</sup> Mobimo AG, 2024

<sup>20</sup> Merlin Properties, 2024

<sup>21</sup> Cofinimmo, 2024

<sup>22</sup> Gecina, 2024

<sup>23</sup> Covivio, 2024

<sup>24</sup> Federal office of justice, 2024

into commercial properties, which are not as heavily restricted under Lex Koller, their second pillar, asset management solutions offer a strategic advantage in our view. Through their asset management pillar, SPS manages **external capital**, which is split into **2/3 residential and 1/3 commercial properties**. By managing external capital when it comes to residential properties, SPS gains more control over investor compliance to be in line with Lex Koller regulations<sup>25</sup>. We believe the asset management pillar offers SPS a **competitive advantage** compared to its peers and allows SPS to tap into the Swiss residential market and enhance returns.

### ESG Catalysts

With buildings being globally a major greenhouse gas (GHG) contributor (Switzerland 23%), it is essential for real estate companies to actively reduce and closely monitor its environmental footprint.<sup>26</sup> When it comes to the pillar Environment, Exhibit 21 illustrates that **SPS performs well in Resource Use**, which suggests that the company is effective in managing its operating costs and environmental footprint, which translates into stronger margins. The sections Emissions, and Environmental Innovation however, suggest that there is room to reduce GHG outputs and enhance sustainability-related innovation efforts. With respect to the Social pillar, while SPS' Workforce and Human Rights scores **trail below its peer group**, the results in Community and Product Responsibility **surpass their peers**. A stronger focus on social policies, job satisfaction and employee development opportunities would potentially lead to a higher score, which is of utmost importance for brand reputation and productivity. On the other hand, the strong scores in Community and Product Responsibility underlines SPS' **commitment towards being a good citizen**, respecting business ethics and delivering high-quality services for its customer base. Lastly, the pillar Governance, accentuates that SPS has a **strong CSR Strategy and Management** in place. While most of SPS' ESG factors align with those of its peer group, the factor Shareholders is clearly a weakness. Increased activities in the field of shareholder engagements, governance practices, financial and ESG transparency and dividend policy are valued by shareholders and are important for a long-term resilience.<sup>27</sup>

ISS ESG: C-, scale: A+ to D-, MSCI: A, scale AAA to CCC, Sustainalytics: Low Risk. In terms of performance sustainability, SPS received a 4 out of 5 stars rating confirmed by GRESB in the year 2022. Moreover, GRESB scores are part of the senior managements ESG goals which have a **direct effect on their**

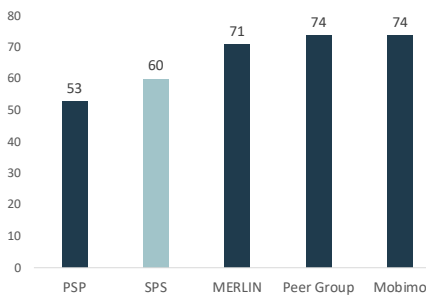


Exhibit 20: ESG Scoring Profile



Exhibit 21: ESG Score vs. Peer Group

Institute	Rating
ISS ESG	C-
MSCI	A
Sustainalytics	Low Risk

Exhibit 22: Rating overview from different ESG rating agencies

<sup>25</sup> Conducted interview with Swiss Prime Site Investor Relations department, 2024

<sup>26</sup> Federal office for environment, 2024

<sup>27</sup> LSEG (Refinitiv), 2024

**remuneration.** Furthermore, since end of 2021 the real estate operator has concluded ESG performance linked loan agreements with their Banks.<sup>28</sup> The higher SPS' ISS ESG-Rating, the lower the interest rates to be paid and vice-versa. We believe the strong financial incentives on a company as well as management remuneration level fosters the pursuit of sustainability. Despite SPS' **overall lower than peer group ESG score**, in our view, the company is on the right track if it executes on its sustainability strategy. If done consistently, we assess ESG to not pose an active risk.

## Value Drivers and Forecast

In order to build a comprehensive forecast model for Swiss Prime Site we identified the key **revenue** and **cost drivers** of the company. With the notes section of the historical income statement we identified historical ratios and segment specific CAGRs that were used in combination with key **assumptions, management guidance** in form of an interview with the investor relations department as well as equity analyst inputs to anticipate the development of future positions. We **forecasted** a projected period of eight years (**2024-2031**) and a subsequent three-year **steady state** period which projects all future growth (**2032-2034**).

### Value Drivers

We identified core positions as value drivers which impact the projected company results the most as **rental income from properties** and **income from asset management**. These value drivers are in line with the company's transformed strategy to focus on its real estate and asset management business.

*Income from rental properties and asset management as key drivers*

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<sup>28</sup> Swiss Prime Site AG, 2024c

### Revenue forecast

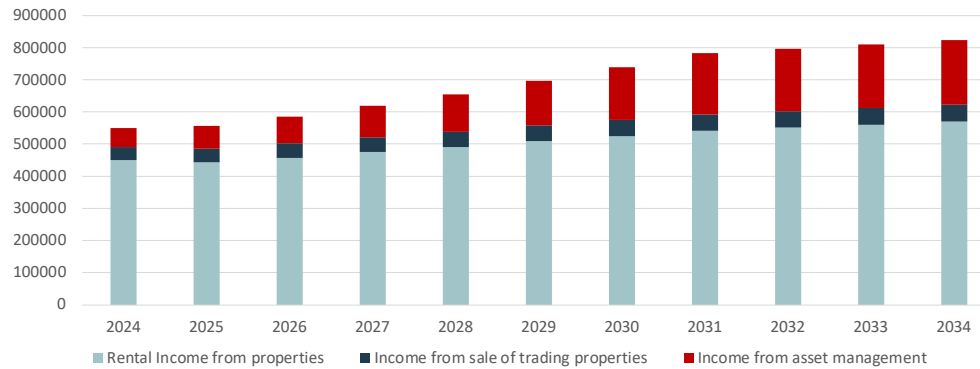


Exhibit 23: Core Income Revenue Split

SPS’ main income stream – rental income from properties in the real estate segment – has been slowly increasing in the historical period at a **CAGR of 1%** due to the company’s focus and strategic positioning in the industry. For our forecast we take this trend into consideration and adjust it by the yearly forecasted **inflation rate**, as well as the forecasted **real GDP growth** in Switzerland. Furthermore, we adjust revenues in this segment by the **forecasted unemployment rate** and the forecasted **vacancy rate** in Switzerland which further impact our projections. If for example the unemployment rate decreases we assume it leads to a **higher demand** in offices. In the years 2025 to 2027 we integrate an adjustment into the revenue forecast due to the missing rental income from **Jelmoli** as only one single store is planned to keep operating throughout the constructions period of ca. 2 years. As per the interview that we conducted with investor relations department of SPS we assume total rental income from properties to decrease by **-5%** in this period.

**Missing rental and retail income from Jelmoli from 2025 to 2027**

Income from retail will suffer most from the vacancy in the Jelmoli building as it is the largest retail space in SPS’ portfolio. As per the interview conducted with SPS’ investor relations department, Jelmoli revenues will be reduced by **90%** during the two construction years. Accordingly, we assume **income from retail** to decrease by **-38%** from 2025 to 2027 and then to rebound with the opening of **Manor**. In the first year of Manor’s opening, we assume growth to be higher as Manor is a part of Swiss retail heritage and the opening will resonate well with customers.

**Income from sale of trading properties on the rise**

Regarding income from sale of **trading properties** we saw a sharp increase in the first year after the launch in 2022, increasing income at a CAGR of 59% leading to a percentage of total revenues from 2% to 6%. Due to the short number of years since launching, we assume growth to be smaller but still noteworthy at **1%** due to the company’s focus on this segment and the capital recycling strategy. The **volatility** in sales which can be expected in the trading properties business also

leads to our lower assumption in the growth rate. We assume the percentage of total revenues ratio to stay in this range due to the greater focus on asset management as a value driver.

In **asset management** income we saw significant growth at a **CAGR of 34%** in the historical period which is backed by AuM growth also due to strategic acquisitions of Akara and Fundamenta. In accordance with the conducted interviews, we assume growth to be constant and significant at **16%**, roughly half of the historical CAGR to stay realistic but ambitious. The growth is further adjusted by the forecasted **macro-economic** data.

Important to mention is that growth rates do not apply for the steady state projected period, as growth for all segments in this period is capped to the **long-term GDP** growth rate of **1.68%**.

We expect rental income from properties to stay around **65%** of total revenues until 2028 where we – in line with management guidance - surpass the CHF 500M revenue mark from this segment. Afterwards we expect the percentage to gradually decrease and **stabilize** towards a long term **60%** of total revenues. This is – in accordance with SPS’ strategy – due to asset management growing from a current 8% of total revenues to a long term 20% making it a **significant** part of revenues and surpassing the CHF 190M segment mark by 2031 before entering the steady state projection period where its growth rate stabilizes.

The income from **retail** percentage of total revenues on the other hand is expected to decrease from a current 19% to a long term 11% due to the shift in strategy. This shift in the strategy is also reflected by the fact that Manor will operate a much smaller retail space (13’000 square meter)<sup>29</sup> in the old Jelmoli building due to the amount of office space being increased in the building.

**Strong income from asset management growth at 34% CAGR in historical period due to strategic acquisitions**

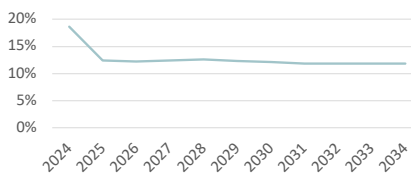


Exhibit 24: Retail percentage of total revenues (forecasted)

<sup>29</sup> Swiss Prime Site AG, 2024d

### Margins and operational performance

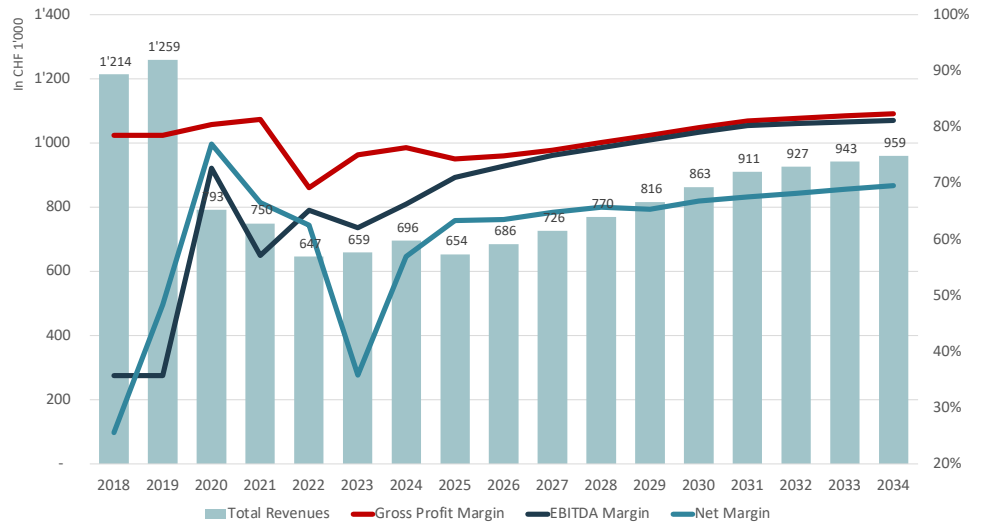


Exhibit 25: Profitability overview 2018-2034

**Gross profit margin stays robust also in projected period**

We observe notable trends by analysing Swiss Prime Site’s **margins** and operational performance in the historical period, which are influenced not only by **strategic** shifts but also by **external** economic factors. The gross profit margin has stayed robust with a few fluctuations in the range between 69% to 81% and a slight decrease over the historical period at a CAGR of -1%. In the period from 2024 to 2034, the gross profit margin is projected to maintain its stability and continues in the previous range of 74% to 82%. The focus on prime locations, income generating properties and shift towards asset management, which is a higher-margin segment, enforces this trend.

**EBITDA- and EBIT-margin increased at 10% CAGR in historical period**

The **EBITDA margin** on the other hand has shown more variation and reflects the impact of SPS’ strategy to divest non-core activities. The strategic decisions to sell Wincasa (real estate services) to Implenia and Tertianum Group (assisted living) to Capvis have contributed to **lower** overall operational **costs**, which is why the EBITDA margin **increased** over the period at a CAGR of 10% and reached 62% in 2023. The EBIT margin followed a similar trend and also increased at a CAGR of 10% to 61% despite the economic challenges of COVID-19 and the rising interest rate environment. Both the EBITDA and EBIT margin are expected to remain strong and gradually increase in the projected period, which is due to the increased operational **efficiencies**. The strong execution on a leaner structure of SPS is also shown by the significant full-time employee (FTE) reduction from 5’115 FTE in 2018 to 570 in 2023. According to our interview with the company, we can expect the **target FTE** number in 2025 to be **250** which again leads to a significant cost reduction. Onwards we expect the company to increase FTE at a moderate rate of **1%** per annum.

Although SPS was able to improve profitability metrics through its strategic realignments, there are still ongoing **challenges**. One of the major factors is the decline in total revenues at a CAGR of -10% in the historical period, which is due to the discontinuation of non-core segments. The core segments, especially rental income from properties have become more important, which is exemplified by the increase of 39% of total revenues in 2018 to 67% in 2023. In our view, SPS is **committed** to its long-term strategy which is centred on **stable, recurring rental income and asset management income**.

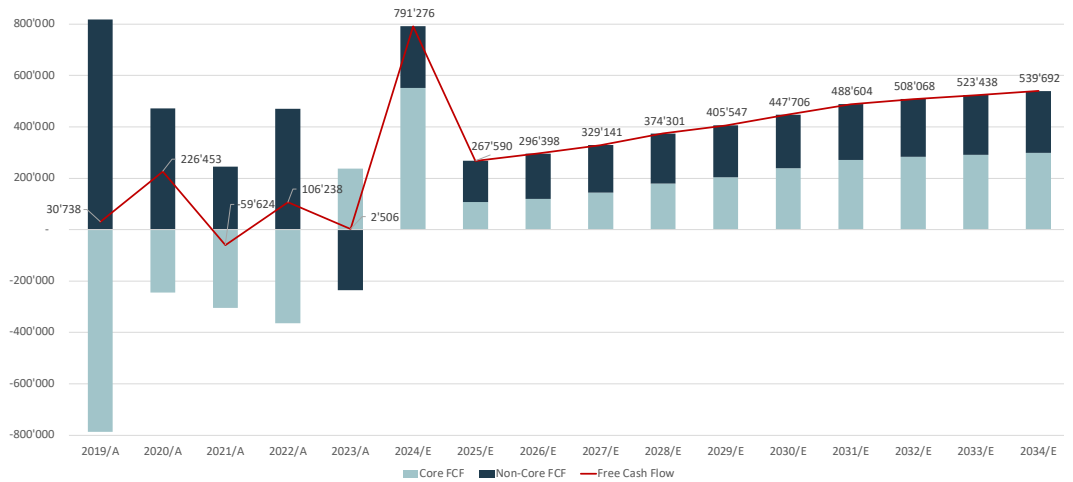


Exhibit 26: Free Cash Flow (FCF) Evolution

This free cash flow (FCF) evolution chart depicts that SPS' core FCF is stabilizing over time as the company is executing on its capital recycling strategy. The past five fiscal years (2019-2023) were characterized by volatile contributions from both core and non-core FCF to the total FCF. As a result of their streamlining efforts, **core FCF** surpassed **non-core FCF** and stabilized by the year 2031 at approximately **55%** and **45%** of the total FCF respectively.

### Capital Expenditures

Due to the business nature of Swiss Prime Site and other real estate companies alike, the industry is capital-intensive. The company's sizeable investment properties as well as owner-occupied properties require substantial investments to acquire, develop and maintain their properties portfolio.

In the analysed period (2018-2023) investments in investment properties amounted to ca. **CHF -400M on average per year**. These Capital Expenditures (CapEx) are partially **offset by divestments** which average to **CHF 165M per year** for the same period. Undertaken investments/divestments in Property, Plant & Equipment (PP&E), tangible & intangible assets as well as owner-occupied properties account for a small part of CapEx in relation to investment properties. During the analysed period, net investments and divestments constituted for ca.

**90% of CapEx derives from investments/divestments in investment properties**

90% of Swiss Prime Site's CapEx. The remaining 10% are spread through PP&E, tangible & intangible assets as well as owner-occupied properties.

While this asset-based business model allows Swiss Prime Site to achieve stable and predicted income streams throughout different economic lifecycles, its capital-intensive nature required at the current property size around CHF 400M per year in CapEx. Their weighted average unexpired lease-term (**WAULT**) has been almost constant in the last few years and amounted to **4.9 years** as per H1 2024 figures.

**Predictable cash flows thanks to WAULT of 4.9 years**

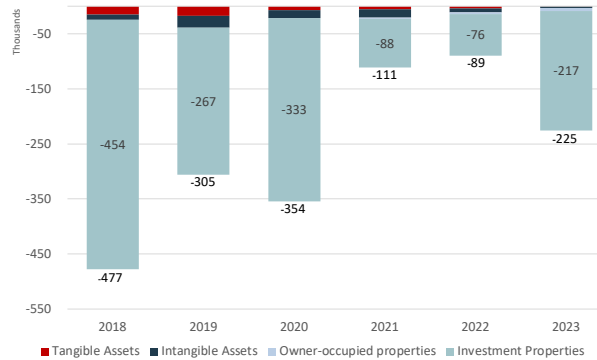


Exhibit 27: Capital Expenditures split by position

### Net Working Capital

Net Working Capital (NWC) is an essential key figure that measures a company's short-term financial health by contrasting its current assets to its current liabilities. Next to liquidity measurements, NWC also helps to assess a company's operational efficiency, i.e. how efficient a company is in managing its inventory, accounts receivable and accounts payable. During the analysed period (2018-2023) it is observable that the **change in current financial liabilities** is the **most influential factor** on the NWC of Swiss Prime Site. Other dominant factors in SPS' net working capital are the change in **accrued expenses and assets held for sale**. The strong fluctuation in the year 2021 is due to Swiss Prime Site discharging its mortgage-backed loans in the amount of ca. CHF 1B and concluding unsecured credit facilities with 11 different Swiss banking institutions worth CHF 2.6B. Consequently, current financial liabilities were drastically minimized and non-current financial were increased. Overall, a **positive NWC trend** is observable which suggests that SPS has been **effectively** managing its working capital and thus improving its short-term financial health.

**Upward trending NWC**

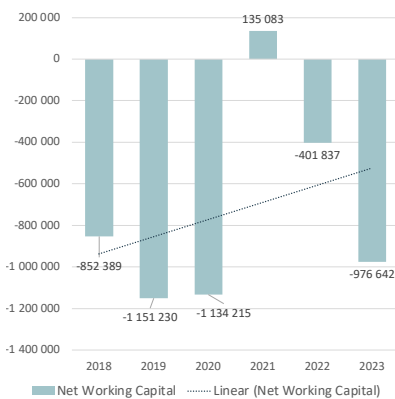


Exhibit 28: Historical Net Working Capital

# Valuation

## WACC

The capital structure, cost of equity and cost of debt have been analysed and derived according to best practice used in Switzerland. By applying the weighted average cost of capital formula (WACC), a discount rate has been defined for the appropriate calculation of the future cashflows present value.

- Capital Structure

During the analysed period, Swiss Prime Site's usage of debt has evolved from 40.00% in the year 2019 and since the global outbreak of the pandemic COVID-19 constantly increased to 47.33% in the year 2022. Thereafter, the Debt-to-Enterprise Value Ratio (D/EV) has slightly dropped again to 45.31%. Overall, there is only **very little fluctuation** in the company's D/EV-ratio and although a specific D/EV-targeting has not been officially communicated by their management, we expect this ratio to be SPS' **optimal target capital structure and remain at 45%** over the long run. This assumption is also supported by the respective structure of their industry peers (45% median). As to the counterpart, Swiss Prime Site's equity base amounts to 55%. This showcases their solid foundation which aims to finance growth and enhance the existing property portfolio with acquisitions and divestments.

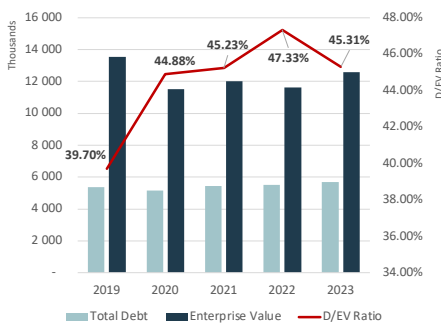


Exhibit 29: Historical D/EV development

Index	Sources (Beta)	Levered Beta	Weights
SPI/SMI/SIX RE/SMIM	SPS 3yr average	0.67	0.025
SPI/SMI/SIX RE/SMIM	SPS 5yr average	0.84	0.025
SPI/STOXX Europe 600	Peers 3yr average	0.78	0.025
SPI/STOXX Europe 600	Peers 5yr average	0.65	0.025
	Discussion	1.10	0.15
	Analyst recomm.	1.00	0.15
	KPMG report 2024	1.02	0.60
	<b>Average</b>	<b>0.87</b>	
	<b>Weighted Beta</b>	<b>1.00</b>	

Exhibit 30: Beta derivation (qualitatively adjusted)

Sources (MRP)	Observation	MRP
IESE	2023	5.6%
IESE	10-yr average	5.9%
Damodaran	Link	4.6%
KPMG	Report 2024	6.2%
EY	Report	6.0%
<b>Average</b>		<b>5.65%</b>

Exhibit 31: Market Risk Premium derivation

- Cost of Equity

Given the company's main focus on real estate operations within the borders of Switzerland and the use of the Swiss Franc (CHF), the **10-year Swiss Confederation bond yielding 0.289%** has been selected as the risk-free rate.<sup>30</sup> To account for the relatively low-interest rate environment in Switzerland compared to other European countries and considering SPS' limited exposure to the German residential real estate market through its asset management arm, a **market risk premium (MRP) of 5.65%** has been applied.<sup>31</sup> The chosen market risk premium is an average of several reputable sources such as IESE Business School, Damodaran, KPMG and EY. We believe that our chosen MRP is appropriate as it aligns with the prevailing local industry standards in Switzerland and reflects the country's unique market dynamics. The last metric required to conclude our Capital Asset Pricing Model (CAPM) is the adjusted levered Beta. To determine the levered Beta of SPSN, the Swiss Performance Index (SPI) was used as a market index as it is the broadest available and a well-diversified index for Swiss stocks

<sup>30</sup> Swiss National Bank (SNB), 2024a

<sup>31</sup> EY Switzerland, 2023

(3Y beta, weekly interval & 5Y beta, monthly interval). As historical betas tend to converge to the market beta (1) over time, the Blume adjustment has been applied to the raw beta as to account for this phenomenon, known as reversion to the mean<sup>32</sup>. The computed historical raw beta is 0.64 whereas the Blume adjusted beta is 0.76 (5Y, monthly interval, index: SPI). However, after consulting a working paper on betas used and talking to industry experts and an analyst from a major bank in Switzerland, we have decided to apply a **qualitatively adjusted beta** which equals the **market beta of 1**.<sup>33</sup> The main reason for choosing a qualitative approach in estimating the beta is that historical betas are not forward looking and not considered to be efficient in estimating the future expected return of companies. The completed calculation results in an implied **cost of equity** for Swiss Prime Site of **5.94%**.

- **Cost of Debt**

To compute Swiss Prime Site’s cost of debt, the current market values and its associated Yield to maturities (YTM) of all outstanding bonds has been determined and analysed. To estimate the cost of the bonds, the different YTM have been **weighted** accordingly, resulting in a **YTM of 1.36%**. In a second step, the YTM has been adjusted for the probability of default (0.07%) and loss given default (LGD) (54.44%) of Swiss Prime Site as to determine the **true cost of debt, 1.32%** (1.13% after-tax cost of debt).<sup>34 35</sup> Furthermore, it is essential to note that **no country risk premium** has been added to the cost of equity calculation since Switzerland as a country has an affirmed AAA credit rating<sup>36</sup>.

To finalize the WACC computation, the projected cost of equity has been added to the cost of debt (incl. a tax-shield) with a target weight of 55% and 45% respectively. Swiss Prime Site’s projected corporate income tax rate is at 20%, which is above Switzerland’s average rate of 16%<sup>37</sup>. This computation results in a **WACC of 3.74%**.

**Low-interest rate environment coupled with a strong rating**

WACC calculation	Factor
Risk-free rate	0.289%
Market risk premium (MRP)	5.65%
Adjusted levered beta	1.00
<b>Cost of Equity</b>	<b>5.94%</b>
YTM of weighted bonds	1.36%
Probability of Default	0.07%
Loss Given Default (LGD)	54.44%
<b>Cost of Debt</b>	<b>1.32%</b>
Corporate income tax rate	20.00%
Equity ratio	55.00%
Debt ratio	45.00%
<b>WACC</b>	<b>3.74%</b>

*Exhibit 32: WACC inputs (own assumptions)*

<sup>32</sup> Kroll, 2023  
<sup>33</sup> IESE, 2009  
<sup>34</sup> LSEG (Refinitiv), 2024  
<sup>35</sup> Bloomberg Finance L.P., 2024  
<sup>36</sup> Fitch, 2024  
<sup>37</sup> EY Switzerland, 2022

## ROIC and Long-Term Growth Rate

### ROIC

The real estate services operator is further driving its capital recycling strategy which aims to offload properties with limited potential, i.e. older buildings and properties outside of economic centres, and reinvest the proceeds in centrally located offices, laboratories and logistics buildings. With ongoing efforts to drive Swiss Prime Site's capital recycling strategy, the **return on invested capital (ROIC) is projected to reach 4.88%** by the year 2034. The average ROIC for the period 2018-2023 was 3.97%, hence, the projected ROIC in 2034 shows a 22.92% increase in capital efficiency compared to the 5-year average. SPS' ROIC **surpasses its current WACC (3.74%) in the year 2027**. Consequently, the company's active implementation of their capital recycling strategy and efforts to improve margins creates shareholder value in the long-term. The **return on new invested capital (RONIC) reaches 5.29%** in the year 2034.

**ROIC is projected to reach 4.88% by 2034**

### Long-Term Growth Rate

While Switzerland's real estate sector has shown steady growth and value appreciation in the past its business model is of a relatively stable nature. As for Swiss Prime Site, being Switzerland's largest real estate company by market capitalisation, a conservative approach has been applied in the determination of its long-term growth rate for the DCF calculations. As the general growth rates of SPS are to a certain extent tied to Switzerland's overall economic development, the country's long-term real GDP growth rate has been chosen as Swiss Prime Site's perpetual growth rate of 1.68% (2014-2029 as per forecast).

## Discounted Cashflow (DCF)

Valuation in CHF 1000	Growth period								Steady-state period		
	-1	0	1	2	3	4	5	6	7	8	9
Year	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Core FCF	552'031	106'794	119'128	143'755	179'609	203'860	238'883	271'844	284'169	291'497	298'627
Discount Factor		1.00	1.04	1.08	1.12	1.16	1.20	1.25	1.29	1.34	1.39
Discounted FCFs		106'794	114'829	133'567	160'857	175'987	198'780	218'044	219'704	217'236	214'518

Terminal value derivation	in CHF 1'000
PV Discounted FCFs	1'653'520
FV Terminal Value	16'247'623
PV of Terminal Value	11'671'442
Enterprise Value Core	13'324'962
Book Value Non-Core	228'966
Enterprise Value (EV)	13'553'928
Net debt	- 5'428'339
Value of the Equity	8'125'589
Shares OS in k	76'719
<b>Implied Share Price</b>	<b>CHF 105.91</b>
Share Price today (13.12.2024)	CHF 97.35

Exhibit 33: Cash Flow derivation

The internationally acknowledged discounted cashflow model (DCF) was employed to assess the intrinsic value of Swiss Prime Site. For a more comprehensive valuation, the projected period was divided into two distinct phases – a growth period (2024-2031) followed by a steady-state period (2032-2034), which aligns to Switzerland's long-term real GDP growth of 1.68%. The computed enterprise value of SPS (CHF 13.5B) less net debt of CHF 5.4B translate into an equity value of CHF 8.1B by the end of the year 2025. Dividing the calculated

Exhibit 34: Terminal Value & implied Share Price calculation

**DCF Target Share price 12/25:  
CHF 105.91**

equity value by the current number of outstanding shares<sup>38</sup> results in an implied share price of CHF 105.91 (vs. CHF 97.35 at the time of writing).

Based on the discounted cashflow model, the implied return on Swiss Prime Site's share is approximately **8.79%** (HOLD recommendation, see recommendation for further details).

### Comparables

Peers	Focus	Assessment
PSP Swiss Property	offices	True peer
Allreal Holding	development	different business model
Mobimo Holding	residential + office	True peer
Intershop Holding	offices	D/EV too low
Castellum	development + property mgt	different business model
MERLIN	offices + shopping	True peer
Icade	offices + development	Margins too low + D/EV too high
Cofinimmo	offices	True peer
Gecina	residential + office	True peer
Unite Group	student residential	different business model
Covivio	offices	True peer
LEG Immobilien	offices	Margins too low
CA Immobilien Anlagen	residential	Margins too low

*Exhibit 35: True peer selection*

This section covers the **trading comparable** methodology which was applied to value the share price of Swiss Prime Site. First, we identified comparable competitors based on their business model, geographical operation, enterprise value and profitability. The competitors already mentioned in the competitors chapter of this report were selected as **true peers** from a list of 13 companies. Companies that were not selected as true peers either operated in a slightly **different** business model such as Allreal Holding AG which primarily focuses on development, Castellum AB which focuses on property management and development or the Unite Group PLC which focuses on student residential properties. Other companies were not selected because of their **profitability margins** that are **too low** and thus not directly comparable such as Icade SA, LEG Immobilien SE or CA Immobilien Anlagen AG. Intershop Holding AG, another major Swiss Real Estate player was not selected because of its **D/EV** ratio of 6.14% which is much **lower** than the peer median of 45%.

SPS is slightly above the median peer range of EV/Sales, EV/EBITDA, EV/EBIT and fairly above the P/E median range. For P/B, SPS is exactly in the median peer range. Regarding capital structure, SPS is precisely in the median for Net Debt/EV and only slightly below Debt/EV.

True Peers	EV/Sales	EV/EBITDA	EV/EBIT	P/E	P/B
PSP	26	29	27	25	1.1
Mobimo	15	24	26	20	1.1
MERLIN	18	23	24	20	1.0
Cofinimmo	15	19	24	10	0.6
Gecina	21	26	26	16	7.3
Covivio	14	33	36	13	0.9
<b>Median</b>	<b>18</b>	<b>26</b>	<b>26</b>	<b>20</b>	<b>1.1</b>
Swiss Prime Site	19	29	30	25	1.1

*Exhibit 36: True Peers selected multiples as per December 2024*

<sup>38</sup> Bloomberg Finance L.P., 2024

When looking at the suggested share prices we see that SPS' shares seem to be overpriced across all multiples. Although Swiss companies tend to trade on a premium, the shares still seem to be overvalued. However, it is important to consider that the premium valuation of SPS may reflect investor confidence in its stable revenue streams and the resilience of the Swiss real estate market in general. Additionally, factors such as the dividend yield could contribute to the higher valuation multiples. Investors should always weigh qualitative factors such as the ones mentioned along with quantitative factors when evaluating an investment. Although the company appears overvalued based on comparative multiples, SPS has potential for long-term stability and modest growth by focusing on its real estate and growing asset management business.

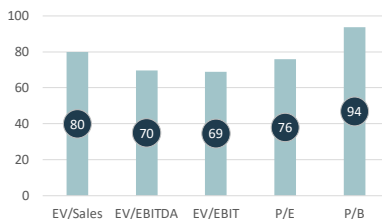


Exhibit 37: Median share price from Multiples valuation

### Sensitivity Analysis

As to assess the resilience of Swiss Prime Site's discounted cashflow valuation, a thorough sensitivity analysis was conducted. The analysis examines how different variations in key assumptions such as the WACC and perpetual growth rate affect the enterprise value and consequently the share price.

The first analysis focused on the impact of the share price by changing the WACC as well as the perpetual growth rate to the downside as well as upside in incremental steps of 0.20%. The matrix showcases potential share price stress tests when key assumptions such as the WACC or Gordon growth rate change. Looking at a **0.20% increase on the WACC**, ceteris paribus, this has a **negative impact of CHF -16.02 (-15.1%)** while a **decrease** of the same extent has a **positive impact of CHF 19.46 (18.4%)** on the share price of SPS. This asymmetric movement in % of the share price can be attributed to the non-linear relationship between WACC and the valuation.

The next sensitivity analysis examined the impact on the WACC when changes apply to Cost of Debt (CoD) and/or Cost of Equity (CoE). While CoD varies from 0.32% to 2.32%, CoE's range was analysed from a range of 4.94% to 6.94% in steps of 0.50%. Given the fact that Swiss Prime Site's target debt-to-equity ratio was determined at 45%, **changes in the Cost of Equity** have a **more significant impact** to the down- as well as upside on the WACC. Thanks to the lower weighting of debt in the target capital structure and the tax shield effect, Cost of Debt is less pronounced when it comes to WACC sensitivity in comparison to Cost of Equity.

The last analysis was undertaken on the enterprise value (EV) of Swiss Prime Site. While the perpetual growth rate ranges from 1.28% to 2.08%, the WACC ranges from 3.34% to 4.14%. WACC variations lead to computed EV ranges from CHF 11.3B to 16.9B. Long-term growth rate alterations, on the other hand, result in EV

Share Price - Sensitivity Analysis		WACC				
		3.34%	3.54%	3.74%	3.94%	4.14%
Perpetual Growth Rate	1.28%	128.49	110.15	94.80	81.77	70.56
	1.48%	137.89	117.05	99.89	85.52	73.31
	1.68%	149.51	125.37	105.91	89.89	76.48
	1.88%	164.25	135.66	113.20	95.09	80.17
	2.08%	183.57	148.69	122.18	101.35	84.55

Exhibit 38: Share price sensitivity analysis

WACC - Sensitivity Analysis		Cost of Debt (CoD)				
		0.32%	0.82%	1.32%	1.82%	2.32%
Cost of Equity (CoE)	4.94%	2.83%	3.01%	3.19%	3.37%	3.55%
	5.44%	3.11%	3.29%	3.47%	3.65%	3.83%
	5.94%	3.38%	3.56%	3.74%	3.92%	4.10%
	6.44%	3.66%	3.84%	4.02%	4.20%	4.38%
	6.94%	3.93%	4.11%	4.29%	4.47%	4.65%

Exhibit 39: WACC sensitivity analysis

Enterprise Value - Sensitivity Analysis		WACC				
		3.34%	3.54%	3.74%	3.94%	4.14%
Perpetual Growth Rate	1.28%	15 285 647	13 879 183	12 701 642	11 701 542	10 841 758
	1.48%	16 007 293	14 407 886	13 091 379	11 989 008	11 052 618
	1.68%	16 898 638	15 046 885	13 553 928	12 324 876	11 295 585
	1.88%	18 028 997	15 835 831	14 112 663	12 723 185	11 579 150
	2.08%	19 511 382	16 835 970	14 802 163	13 203 980	11 915 085

Exhibit 40: Enterprise Value sensitivity analysis

ranges of CHF 12.7B. to 14.8B. While both variables can have a significant impact on the EV, the analysis shows that the valuation is **more sensitive to changes in the WACC**.

## Major Chances & Risks

### Chances

When looking at chances for Swiss Prime Site we see **immigration policy** as one of the major chances. According to our interview conducted with the investor relations department of the company, SPS has greatly benefited from population growth because **more jobs** are created and therefore **more offices** are needed. If the current trajectory holds, Switzerland may reach a population of 10 million by the year 2040<sup>39</sup> (Q2 2024: 9M)<sup>40</sup>. This trend was especially present in Switzerland due to the country attracting talented workforce globally in comparison to the rest of Europe thanks to **higher salaries** and **lower income taxes**. More generally, further **economic growth** would lead to further chances for SPS as an expanding economy typically drives demand for real estate – particularly in sectors such as commercial and office spaces as well as living spaces. The trend towards **urbanization** and infrastructure development also creates opportunities for growth areas such as SPS is operating in. SPS can leverage these factors by continuing to invest in strategically located properties and maintaining their market leader position. We believe that **central locations** will be highly sought-after in the future. This is also supported by recent figures which show that office rents in the city center of Zurich have risen sharply over the last 12 months by ca. 10% (CHF 1'100 per square meter annually)<sup>41</sup>.

Further chances for SPS in regards to its **asset management** arm include a **lower interest rate** environment because investors tend to search for opportunities to secure higher yields in comparison to traditional fixed-income assets. Real estate investments, especially managed by an industry leader like SPS, offer attractive risk-adjusted returns and potential for capital appreciation. Alternative investments like real estate investments can also be seen as a hedge to traditional equity investments. Furthermore, the potential for an **expansion into new markets**, such as Germany through the Fundamenta acquisition could represent a significant growth opportunity for SPS.

### Risks

#### *Growing Population in Switzerland*

#### *10-million population by the year 2040*

#### *Low-interest rate environment*

<sup>39</sup> NZZ, 2023

<sup>40</sup> Federal Statistical Office, 2024

<sup>41</sup> Bank Julius Bär & Co. AG, 2024

**Risks are unlikely to materialize in the foreseeable future**

A significant **economic downturn** in Switzerland would negatively impact the property values, rental income and occupancy rates of SPS' real estate portfolio. While a real estate company's steady rental income provides stability, it is highly **sensitive to rising interest rates**. As seen in the annual report 2023 of Swiss Prime Site, the increased interest rate environment led to higher discount rates for their real estate portfolio which resulted in negative revaluations of CHF -250M. Higher interest rates do not only lead to negative revaluations but also have an adverse impact on the cost of borrowing (45% debt-to-equity ratio). As mentioned, the recent strong population growth can be seen as a chance for Switzerland's economy as well as the company Swiss Prime Site, however, right-wing parties in Switzerland are against an excessive immigration policy and try to **dampen immigration influx**. An initiative has been officially submitted and launched in Switzerland, supporters of this initiative demand the country **not to reach a population of 10M** before the year 2050<sup>42</sup>.

Lastly, while events such as the COVID-19 pandemic have forced many people to work from home – and this has had a lasting impact – offices in general have been less in demand. However, given the fact that SPS focuses on prime locations, we assess this risk to be of limited nature for their current business model.

## Scenario Analysis

In order to analyse potential upside and downside risks for Swiss Prime Site's stock we did a **scenario analysis** in which we look at different **revenue** growth rates and **expense** ratios.

- **Best-Case Scenario**

Taking into account an optimistic and favourable economic landscape, SPS benefits from a lower interest rate environment to acquire further properties in central locations within Switzerland and generally the country benefits from a larger than average **immigration** of skilled workers and **lower unemployment rates**. With this leading to greater GDP growth in Switzerland, SPS also capitalizes on its growing asset management business, increasing assets under management strongly. With the opening of Manor, income from retail grows more than expected and rental income is also increased due to lower vacancy rates.

Profitability wise, SPS would be able to improve **operationally** and therefore is able to reduce costs companywide without compromising on sustainability practices. In this best-case scenario all of the factors contribute to a greater than expected growth for SPS in all segments which leads to an implied share price of

**Extraordinary GDP Growth**

<sup>42</sup> Schweizerische Volkspartei (SVP), 2024

**CHF 114.91**. In comparison to the DCF share price (CHF 105.91) this leads to an **upside** potential of **8.49%**. Due to a lot of complex factors having to be in favour of SPS in order to achieve this kind of extraordinary growth, we assume the best-case scenario to have a **probability of 10%**.

*Low probability of 10%*

- **Worst-Case Scenario**

As seen in the past, events such as COVID-19 can have a detrimental effect on real estate operators who are active in the offices and retail real estate segment. Nevertheless, as SPS has a strong focus on prime locations, even an unforeseen pandemic has a less harsh effect on the company's income compared to competitors' thanks to their focus on metropolitan locations. What is more worrying are currently **higher vacancy rates for offices** in cities that are a major part of SPS's portfolio compared to COVID-19. For instance, in the city of Zurich, where SPS has around 54% of their offices, vacancy rates reached 3.5% in Q4 2023 (vs. 2.8% during Switzerland's COVID-19 peak in Q1 2022)<sup>43</sup>. Looking at Basel, a similar picture can be observed, current vacancies are at 5.4% vs. 4.9% in Q1 2022. Geneva on the other side, has more stable vacancy rates which were at 4.3% in Q4 2023 compared to 4.1% during Switzerland's infection peak<sup>44</sup>.

*Higher vacancy rates can have a severe impact on SPS' business model*

Another negative implication could be a **stronger right-wing** orientated political system in Switzerland. As mentioned before, historically the country has benefitted from a large influx of immigrants thanks to its strong economy. However, Switzerland has become **highly reliant on skilled workers**. As domestic supply does not fully meet its supply, skilled workers often need to be hired from abroad. Should right-winged parties gain the upper hand, a more restrictive immigration policy could be implemented which could potentially cause harm to Switzerland's economic model. Connected to this, it is also worth mentioning the country's beneficial conditions for corporates. The overall maximum corporate income tax rate on profit between 11.9% and 21.0% depending on the company's registered tax residence<sup>45</sup> in combination with a supply of skilled workers attracts many large corporations.

Lastly, as confirmed in interviews with industry experts and a real estate equity analyst, a **recession** would be considered a **major threat**<sup>46</sup>. However, looking at Switzerland's overall economic health, the outlook is stable - the inflation rate is currently at 0.7%<sup>47</sup> which is in line with the monetary policy which aims to achieve

<sup>43</sup> Corona-in-Zahlen, 2024

<sup>44</sup> Tagesanzeiger, 2024

<sup>45</sup> PwC Switzerland, 2024

<sup>46</sup> Conducted interviews with Swiss Prime Site Investor Relations department & equity real estate analyst, 2024

<sup>47</sup> NZZ, 2024

a target inflation of less than 2%<sup>48</sup>. Also, other macroeconomic indicators point towards a strong outlook: unemployment rate at 2.4%, real GDP growth is currently at 1.3% and the policy rate (key interest rate) at 0.5%. Given the mentioned healthy overall picture of Switzerland's economy and its stable outlook, we estimate a **recession-scenario to be unlikely** in the foreseeable future.

In our scenario analysis, a materialization of the listed risks would result in a long-term growth rate **reduction of 9% compared to our base case** (1.68% to 1.53%). Moreover, the mentioned facts would lead to an implied worst-case share price of CHF 97.41, which is a deviation of -8% from our elaborated base case scenario.

We see only limited down-side risk in Swiss Prime Site's historically robust real estate business model and hence assign a probability of 10% to this worst-case storyline.

## Monte Carlo Simulation

To analyse the sensitivity of Swiss Prime Site's DCF target share price to variations of the long-term growth rate, we conducted a Monte Carlo simulation. We used **1000 iterations** and assumed a mean **long term growth rate** of **1.68%** – as described in the long-term growth rate chapter – with a **standard deviation** of **0.25%**. This allowed us to model fluctuations in the growth rate which directly impact the terminal value of the company and eventually the implied share price computed in the DCF model.

- **Growth rate distribution:**

Our Monte Carlo simulation displays a long-term growth rate ranging from 1.01% to 2.45% and a median of 1.68%. The interquartile range is between 1.49% (Q1) and 1.85% (Q3), which reflects a **realistic** range of growth assumptions based on the market conditions and SPS' outlook.

- **Summary Statistics (Share Price):**

In our simulations, the share price has a mean of CHF 106.82 and a standard deviation of CHF 8.58, and therefore **moderate sensitivity** to changes in the long-term growth rate. The minimum and maximum share prices ranged from CHF 89.09 to CHF 146.63 – which indicates a **wide range** of possible outcomes.

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<sup>48</sup> Swiss National Bank (SNB), 2024

Inputs	
Iterations	1 000
Long-term growth rate mean	1.68%
Standard Deviation	0.25%

Summary statistics (Implied Share Price)	
Sample size (=n)	1 000
Mean	106.82
Standard Deviation	8.58
Mean Standard Error	0.27
Skewness	0.64
Kurtosis	0.35

Quartiles (Long-term growth rate)	
Min	1.01%
Q (0.25)	1.49%
Median	1.68%
Q (0.75)	1.85%
Max	2.45%

90% Confidence Interval	
Q (0.05)	1.28%
Q (0.95)	2.08%

95% Confidence Interval	
Q (0.025)	1.20%
Q (0.975)	2.16%

Quartiles (Implied Share Price)	
Min	89.09
Q (0.25)	100.26
Median	105.93
Q (0.75)	112.16
Max	146.63

90% Confidence Interval	
Q (0.05)	94.85
Q (0.95)	122.60

95% Confidence Interval	
Q (0.025)	93.08
Q (0.975)	126.53

Exhibit 41: Monte Carlo Simulation inputs and summary statistics

- 90% Confidence Interval:**  
 There is a range between CHF 94.85 and CHF 122.60, which captures the middle 90% of the distribution.
- 95% Confidence Interval:**  
 This broader interval demonstrates a range of CHF 93.08 to CHF 126.53 and therefore provides a wider but **more certain** range of viable outcomes.
- Distribution Characteristics:**  
 The **Skewness** of 0.64 indicates that there is a slightly **positive** asymmetry, which assumes a small likelihood for the outcomes to be higher than the simulations' mean implied share price of 106.82. The **Kurtosis** of 0.35 suggests that there are very few extreme values in the dataset and that the overall distribution is flat and evenly spread. This is also known as a platykurtic distribution.

Our Monte Carlo simulation shows that the long-term growth rate is a key driver of SPS' share price, although the sensitivity is within a **moderate range** given our set of assumptions. The mean of CHF 106.82 in the DCF share price is **aligned** with our expectations and the slight skewness towards higher outcomes shows us that there is **potential upside** if growth **exceeds** the mean assumption.

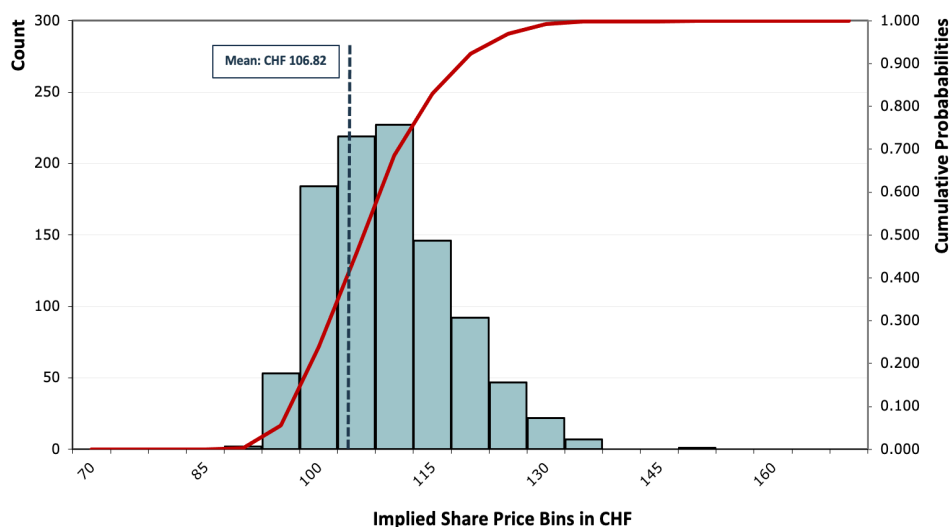


Exhibit 42: Histogram of Monte Carlo Simulation Results (Long-term growth variations' impact on DCF share price)

## Recommendation

**HOLD SPS stock**

After a comprehensive analysis outlined in this equity research report, we recommend to **HOLD** Swiss Prime Site’s stock. This recommendation is based on the company’s **financial performance** and **future outlook**. Our valuation of the company projects a target share price of **CHF 100.25** for SPS by **31 December 2025**. SPS’ closing price as of 13<sup>th</sup> December 2024 was CHF 97.35. This projected target share price leads to a potential **upside** of **2.98%** which can be captured by holding the stock. To value the shares of SPS we used the approach of a **weighted average** in which we allocated **80%** to the cash flow-based valuation (**DCF target price: CHF 105.91**) and **20%** to the multiples / comparable companies valuation (**CCA: CHF 77.58**). The DCF method is weighted more heavily because it captures the **intrinsic** value of SPS’ long-term cash flows and reflects the **stable** and **predictable** income streams from rental properties and asset management fees. Because the company has a strong focus on **recurring** revenues, **strategic** investments financed by divestments, DCF provides a more reliable framework for incorporating the future growth and operational efficiencies. The CCA is weighted lower to provide an additional **market-based** perspective that considers how SPS compares to its true peers in the real estate sector. This valuation is weighted lower because it is less reflective of SPS’ unique portfolio and geographic focus. With this weighted average approach, we ensure that the final weighted share price reflects both the intrinsic value as well as market dynamics.

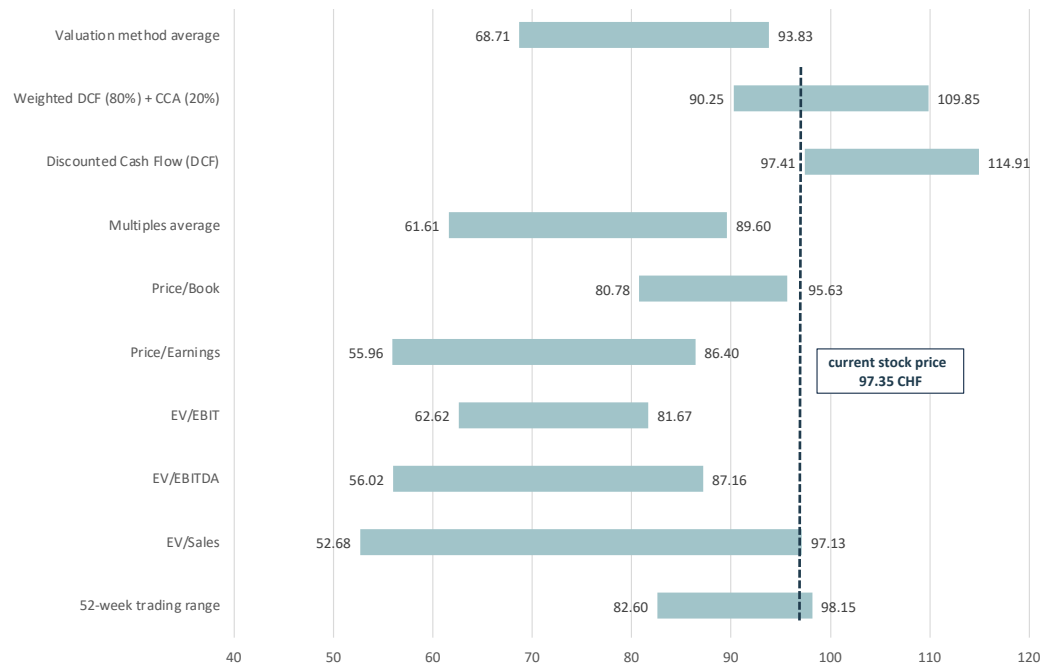


Exhibit 43: Football-Field Chart - Implied share prices

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**Appendix**

**Financial Statements**

<b>Forecasting Income Statement</b>	2018/A	2019/A	2020/A	2021/A	2022/A	2023/A	2024/E	2025/E	2026/E	2027/E	2028/E	2029/E	2030/E	2031/E	2032/E	2033/E	2034/E																	
<i>Source: Financial Reports / NOVA SBE</i>	Historical Period						Current Period	Projected Period						Steady state																				
<b>Forecasting in CHF 1 000</b>																																		
<b>Core Business</b>																																		
<b>Core Income</b>																																		
Rental income from properties	479 404	486 912	424 723	426 692	432 797	438 265	449 443	443 478	457 624	474 572	489 909	508 546	524 622	541 755	550 830	560 056	569 437																	
Income from sale of trading properties	-	-	-	-	15 702	39 473	40 973	42 448	44 146	45 647	47 473	49 087	49 592	50 102	50 942	51 795	52 663																	
Income from asset management	8 452	13 542	13 126	18 215	52 016	49 711	59 057	69 982	83 209	98 519	117 238	138 810	164 496	190 863	194 060	197 311	200 616																	
<b>Total Core Income</b>	<b>487 856</b>	<b>500 454</b>	<b>437 849</b>	<b>444 907</b>	<b>500 515</b>	<b>527 449</b>	<b>549 472</b>	<b>555 908</b>	<b>584 979</b>	<b>618 738</b>	<b>654 619</b>	<b>696 443</b>	<b>738 710</b>	<b>782 721</b>	<b>795 832</b>	<b>809 162</b>	<b>822 715</b>																	
<b>Core Expenses</b>																																		
Real estate costs	-	134 636	-	139 012	-	71 739	-	52 702	-	68 836	-	64 590	-	64 429	-	64 296	-	64 190	-	64 109	-	64 054	-	64 023	-	64 016	-	64 032	-	64 071	-	64 131	-	64 213
Cost of trading properties sold	-	-	-	-	-	13 616	-	33 601	-	34 556	-	35 470	-	35 470	-	36 549	-	37 444	-	38 582	-	39 527	-	39 565	-	39 604	-	39 896	-	40 191	-	40 487		
Cost of goods sold	-	103 288	-	106 631	-	65 567	-	63 726	-	75 219	-	60 497	-	59 803	-	58 938	-	58 085	-	57 245	-	56 416	-	55 600	-	54 135	-	52 709	-	51 320	-	49 968	-	48 652
Personnel costs	-	442 651	-	457 264	-	222 777	-	176 889	-	82 136	-	79 677	-	81 476	-	41 615	-	42 604	-	43 726	-	45 005	-	46 469	-	47 601	-	48 962	-	50 591	-	52 536	-	54 853
Depreciation, amortization and impairment	-	22 612	-	25 002	-	17 584	-	23 233	-	41 625	-	5 654	-	5 970	-	9 443	-	13 441	-	16 258	-	16 135	-	16 014	-	15 895	-	15 780	-	15 667	-	15 557	-	15 450
<b>Total Core Costs</b>	<b>-</b>	<b>703 187</b>	<b>-</b>	<b>727 909</b>	<b>-</b>	<b>377 667</b>	<b>-</b>	<b>316 550</b>	<b>-</b>	<b>281 432</b>	<b>-</b>	<b>244 019</b>	<b>-</b>	<b>246 235</b>	<b>-</b>	<b>209 763</b>	<b>-</b>	<b>214 869</b>	<b>-</b>	<b>218 781</b>	<b>-</b>	<b>220 192</b>	<b>-</b>	<b>221 632</b>	<b>-</b>	<b>221 213</b>	<b>-</b>	<b>221 087</b>	<b>-</b>	<b>221 546</b>	<b>-</b>	<b>222 384</b>	<b>-</b>	<b>223 656</b>
<b>Core Results before Taxes (Core EBIT)</b>	<b>-</b>	<b>215 331</b>	<b>-</b>	<b>227 455</b>	<b>-</b>	<b>60 182</b>	<b>-</b>	<b>128 357</b>	<b>-</b>	<b>219 083</b>	<b>-</b>	<b>283 430</b>	<b>-</b>	<b>303 237</b>	<b>-</b>	<b>346 145</b>	<b>-</b>	<b>370 110</b>	<b>-</b>	<b>399 957</b>	<b>-</b>	<b>434 428</b>	<b>-</b>	<b>474 811</b>	<b>-</b>	<b>517 497</b>	<b>-</b>	<b>561 634</b>	<b>-</b>	<b>574 286</b>	<b>-</b>	<b>586 778</b>	<b>-</b>	<b>599 059</b>
Statutory taxes	-	49 526	-	52 315	-	12 036	-	25 671	-	43 817	-	56 686	-	60 647	-	69 229	-	74 022	-	79 991	-	86 886	-	94 962	-	103 499	-	112 327	-	114 857	-	117 356	-	119 812
Tax Adjustments	-	453	-	415	-	1 409	-	705	-	17 047	-	10 745	-	2 040	-	2 838	-	3 427	-	5 281	-	5 76	-	4 002	-	4 438	-	4 510	-	4 470	-	4 441		
<b>Total Core Results</b>	<b>-</b>	<b>166 258</b>	<b>-</b>	<b>174 725</b>	<b>-</b>	<b>47 441</b>	<b>-</b>	<b>104 085</b>	<b>-</b>	<b>158 219</b>	<b>-</b>	<b>237 489</b>	<b>-</b>	<b>244 623</b>	<b>-</b>	<b>279 754</b>	<b>-</b>	<b>299 515</b>	<b>-</b>	<b>323 506</b>	<b>-</b>	<b>352 823</b>	<b>-</b>	<b>380 425</b>	<b>-</b>	<b>418 000</b>	<b>-</b>	<b>453 745</b>	<b>-</b>	<b>463 939</b>	<b>-</b>	<b>472 893</b>	<b>-</b>	<b>483 688</b>
<b>Non-Operating Gains and Losses</b>																																		
Revaluation of investment properties, net	-	67 551	-	203 412	-	203 406	-	301 882	-	169 739	-	250 493	-	120 435	-	122 264	-	124 121	-	126 006	-	127 920	-	129 862	-	131 834	-	133 837	-	135 869	-	137 933	-	140 027
Result from investments in associates	-	1 148	-	1 000	-	1 000	-	909	-	2 540	-	796	-	749	-	705	-	663	-	624	-	587	-	552	-	519	-	489	-	460	-	432	-	407
Result from investment property sales, net	-	18 401	-	20 777	-	22 243	-	39 916	-	50 877	-	13 005	-	12 274	-	11 584	-	10 933	-	10 319	-	9 739	-	9 191	-	8 675	-	8 187	-	7 727	-	7 293	-	6 883
Result from sale of participations, net	-	-	-	204 181	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
<b>Non-Operating Gains and Losses Result</b>	<b>-</b>	<b>87 100</b>	<b>-</b>	<b>225 189</b>	<b>-</b>	<b>430 830</b>	<b>-</b>	<b>342 707</b>	<b>-</b>	<b>223 156</b>	<b>-</b>	<b>236 692</b>	<b>-</b>	<b>133 458</b>	<b>-</b>	<b>134 553</b>	<b>-</b>	<b>135 717</b>	<b>-</b>	<b>136 948</b>	<b>-</b>	<b>138 245</b>	<b>-</b>	<b>139 606</b>	<b>-</b>	<b>141 028</b>	<b>-</b>	<b>142 512</b>	<b>-</b>	<b>144 056</b>	<b>-</b>	<b>145 658</b>	<b>-</b>	<b>147 317</b>
<b>Non-core Income</b>																																		
Income from real estate developments	-	72 763	-	79 789	-	50 099	-	51 964	-	9 132	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Income from real estate services	-	116 714	-	117 523	-	115 164	-	119 426	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Income from retail	-	131 259	-	127 811	-	110 605	-	119 540	-	132 130	-	126 534	-	130 054	-	81 284	-	83 641	-	89 831	-	97 017	-	100 898	-	104 328	-	107 985	-	109 794	-	111 633	-	113 502
Income from assisted living	-	396 860	-	423 863	-	72 420	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Other operating income	-	8 658	-	9 407	-	6 778	-	13 666	-	4 806	-	4 595	-	16 121	-	16 550	-	17 031	-	17 568	-	18 163	-	18 820	-	19 543	-	20 338	-	21 212	-	22 171	-	23 225
<b>Total Non-core Income</b>	<b>-</b>	<b>726 254</b>	<b>-</b>	<b>758 393</b>	<b>-</b>	<b>355 067</b>	<b>-</b>	<b>304 596</b>	<b>-</b>	<b>146 068</b>	<b>-</b>	<b>131 129</b>	<b>-</b>	<b>146 176</b>	<b>-</b>	<b>97 834</b>	<b>-</b>	<b>100 679</b>	<b>-</b>	<b>107 399</b>	<b>-</b>	<b>115 180</b>	<b>-</b>	<b>119 718</b>	<b>-</b>	<b>123 871</b>	<b>-</b>	<b>128 323</b>	<b>-</b>	<b>131 005</b>	<b>-</b>	<b>133 804</b>	<b>-</b>	<b>136 728</b>
<b>Non-core Expenses</b>																																		
Cost of real estate developments	-	57 289	-	62 927	-	36 268	-	33 377	-	8 051	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Other operating expenses	-	62 110	-	64 852	-	47 520	-	43 945	-	33 728	-	29 997	-	29 687	-	29 438	-	29 246	-	29 108	-	29 022	-	28 986	-	28 996	-	29 051	-	29 150	-	29 289	-	29 469
Capitalised own services	-	-	-	-	-	8 379	-	3 127	-	4 592	-	5 565	-	5 667	-	6 743	-	8 172	-	9 903	-	12 000	-	14 542	-	17 622	-	21 355	-	25 878	-	31 360	-	38 002
<b>Total Non-core Expenses</b>	<b>-</b>	<b>119 399</b>	<b>-</b>	<b>127 779</b>	<b>-</b>	<b>83 788</b>	<b>-</b>	<b>68 943</b>	<b>-</b>	<b>38 652</b>	<b>-</b>	<b>25 405</b>	<b>-</b>	<b>24 123</b>	<b>-</b>	<b>22 695</b>	<b>-</b>	<b>21 074</b>	<b>-</b>	<b>19 206</b>	<b>-</b>	<b>17 022</b>	<b>-</b>	<b>14 444</b>	<b>-</b>	<b>11 374</b>	<b>-</b>	<b>3 271</b>	<b>-</b>	<b>2 070</b>	<b>-</b>	<b>8 533</b>		
<b>Non-Core Results before Taxes (Non-Core EBIT)</b>	<b>-</b>	<b>693 955</b>	<b>-</b>	<b>855 803</b>	<b>-</b>	<b>702 109</b>	<b>-</b>	<b>578 360</b>	<b>-</b>	<b>330 572</b>	<b>-</b>	<b>130 968</b>	<b>-</b>	<b>255 511</b>	<b>-</b>	<b>209 692</b>	<b>-</b>	<b>215 315</b>	<b>-</b>	<b>225 142</b>	<b>-</b>	<b>236 403</b>	<b>-</b>	<b>244 879</b>	<b>-</b>	<b>253 526</b>	<b>-</b>	<b>263 139</b>	<b>-</b>	<b>271 790</b>	<b>-</b>	<b>281 532</b>	<b>-</b>	<b>292 578</b>
Statutory taxes	-	159 610	-	196 835	-	140 422	-	115 672	-	66 114	-	51 102	-	51 102	-	41 938	-	43 063	-	45 028	-	47 281	-	48 976	-	50 705	-	52 628	-	54 358	-	56 306	-	58 516
Tax Adjustments	-	275	-	177 252	-	48 345	-	9 395	-	9 963	-	15 021	-	7 477	-	6 136	-	6 301	-	6 588	-	6 918	-	7 166	-	7 419	-	7 700	-	7 953	-	8 238	-	8 561
<b>Total Non-Core Results</b>	<b>-</b>	<b>534 620</b>	<b>-</b>	<b>836 220</b>	<b>-</b>	<b>610 032</b>	<b>-</b>	<b>453 293</b>	<b>-</b>	<b>274 421</b>	<b>-</b>	<b>89 793</b>	<b>-</b>	<b>211 886</b>	<b>-</b>	<b>173 890</b>	<b>-</b>	<b>178 553</b>	<b>-</b>	<b>186 701</b>	<b>-</b>	<b>196 040</b>	<b>-</b>	<b>203 069</b>	<b>-</b>	<b>210 239</b>	<b>-</b>	<b>218 211</b>	<b>-</b>	<b>225 385</b>	<b>-</b>	<b>233 464</b>	<b>-</b>	<b>242 624</b>
<b>Financing</b>																																		
Financial expenses	-	75 770	-	70 681	-	60 511	-	75 807	-	44 815	-	77 373	-	75 695	-	49 353	-	52 898	-	49 353	-	53 609	-	62 973	-	64 500	-	70 249	-	71 218	-	72 201	-	73 199
Financial income	-	1 157	-	1 878	-	1 679	-	2 687	-	354	-	1 071	-	55	-	56	-	58	-	62	-	65	-	70	-	74	-	78	-	40	-	40	-	41
<b>Financing results before Taxes</b>	<b>-&lt;/</b>																																	

<b>Forecasting Balance Sheet</b>	2018/A	2019/A	2020/A	2021/A	2022/A	2023/A	2024/E	2025/E	2026/E	2027/E	2028/E	2029/E	2030/E	2031/E	2032/E	2033/E	2034/E
<i>Source: Financial Reports / NOVA SBE</i>	Historical Period						Current Period	Projected Period						Steady state			
<i>in CHF 1 000</i>																	
<b>Core current assets</b>																	
Operating Cash	24 282	25 177	15 858	14 990	12 932	13 172	10 989	11 118	11 700	12 375	13 092	13 929	14 774	15 654	15 917	16 183	16 454
Accounts receivable	83 004	95 447	56 729	39 349	42 659	28 532	41 717	42 206	44 413	46 976	49 700	52 876	56 085	59 426	60 422	61 434	62 463
Other current receivables	11 163	14 784	5 005	6 268	2 638	78 083	30 660	31 019	32 641	34 525	36 527	38 861	41 219	43 675	44 407	45 151	45 907
Trading properties	-	-	-	53 466	73 959	1 893	42 650	43 266	43 892	44 527	45 172	45 827	46 492	47 167	47 853	48 549	49 255
<b>Total core current assets</b>	<b>118 449</b>	<b>135 408</b>	<b>77 592</b>	<b>114 073</b>	<b>132 188</b>	<b>121 680</b>	<b>126 017</b>	<b>127 609</b>	<b>132 646</b>	<b>138 403</b>	<b>144 493</b>	<b>151 493</b>	<b>158 571</b>	<b>165 923</b>	<b>168 598</b>	<b>171 316</b>	<b>174 079</b>
<b>Core non-current assets</b>																	
Investment properties	11 146 710	11 671 294	12 106 219	12 131 001	12 587 234	12 595 073	12 295 073	12 481 796	12 671 355	12 863 793	13 059 154	13 257 481	13 458 820	13 663 217	13 870 718	14 081 371	14 295 222
Owner-occupied properties	-	-	-	597 611	572 645	551 507	551 507	551 507	551 507	551 507	551 507	551 507	551 507	551 507	551 507	551 507	551 507
Tangible assets	69 589	71 083	25 956	23 620	3 892	596	2 199	140 715 336 66	27 598	37 405	37 947	38 497	39 056	39 623	40 198	40 783	41 376
Right-of-use assets	-	-	-	43 132	30 737	4 347	25 872	26 245	26 625	27 011	27 402	27 799	28 203	28 612	29 028	29 450	29 878
Goodwill	-	-	-	-	152 849	152 849	152 849	152 849	152 849	152 849	152 849	152 849	152 849	152 849	152 849	152 849	152 849
<b>Total core non-current assets</b>	<b>11 216 299</b>	<b>11 742 377</b>	<b>12 132 175</b>	<b>12 795 364</b>	<b>13 347 357</b>	<b>13 304 372</b>	<b>13 027 500</b>	<b>13 226 469</b>	<b>13 429 935</b>	<b>13 632 565</b>	<b>13 828 858</b>	<b>14 028 133</b>	<b>14 230 434</b>	<b>14 435 808</b>	<b>14 644 300</b>	<b>14 855 959</b>	<b>15 070 833</b>
<b>Core liabilities and shareholders' equity</b>																	
Accounts payable	12 607	32 623	8 341	25 297	43 641	33 132	33 537	34 046	34 563	35 088	35 621	36 162	36 711	37 268	37 834	38 409	38 992
Accrued expenses	-	-	-	157 484	138 940	131 140	141 115	143 258	145 434	147 643	149 885	152 161	154 472	156 818	159 199	161 617	164 072
<b>Total core current liabilities</b>	<b>12 607</b>	<b>32 623</b>	<b>8 341</b>	<b>182 781</b>	<b>182 581</b>	<b>164 272</b>	<b>174 652</b>	<b>177 304</b>	<b>179 997</b>	<b>182 731</b>	<b>185 506</b>	<b>188 323</b>	<b>191 183</b>	<b>194 086</b>	<b>197 034</b>	<b>200 026</b>	<b>203 064</b>
Deferred tax liabilities	1 188 787	1 099 397	1 162 803	1 279 736	1 328 320	1 293 330	1 317 816	1 342 766	1 368 188	1 394 091	1 420 485	1 447 378	1 474 781	1 502 702	1 531 153	1 560 141	1 589 679
<b>Total core non-current liabilities</b>	<b>1 188 787</b>	<b>1 099 397</b>	<b>1 162 803</b>	<b>1 279 736</b>	<b>1 328 320</b>	<b>1 293 330</b>	<b>1 317 816</b>	<b>1 342 766</b>	<b>1 368 188</b>	<b>1 394 091</b>	<b>1 420 485</b>	<b>1 447 378</b>	<b>1 474 781</b>	<b>1 502 702</b>	<b>1 531 153</b>	<b>1 560 141</b>	<b>1 589 679</b>
<b>Invested Capital Core Business (Total Core IC)</b>	<b>10 133 354</b>	<b>10 745 765</b>	<b>11 038 623</b>	<b>11 446 920</b>	<b>11 968 644</b>	<b>11 968 450</b>	<b>11 661 048</b>	<b>11 834 009</b>	<b>12 014 396</b>	<b>12 194 146</b>	<b>12 367 360</b>	<b>12 543 925</b>	<b>12 723 041</b>	<b>12 904 942</b>	<b>13 084 712</b>	<b>13 267 108</b>	<b>13 452 169</b>
<b>Non-core current assets</b>																	
Securities	487	557	602	1 351	1 130	454	456	457	459	460	462	464	465	467	469	470	472
Current income tax assets	-	-	-	3 868	3 731	3 323	3 641	3 641	3 641	3 641	3 641	3 641	3 641	3 641	3 641	3 641	3 641
Inventories	33 412	34 789	30 786	33 263	28 004	36 725	19 977	20 196	20 417	20 640	20 866	21 094	21 325	21 558	21 794	22 032	22 273
Accrued income and prepaid expenses	32 263	37 819	33 109	27 141	39 816	19 764	19 977	20 196	20 417	20 640	20 866	21 094	21 325	21 558	21 794	22 032	22 273
Assets held for sale	57 708	94 136	216 401	250 124	109 073	176 634	177 492	180 187	182 924	185 702	188 522	191 385	194 292	197 242	200 238	203 279	206 366
<b>Total non-core current assets</b>	<b>131 381</b>	<b>186 951</b>	<b>308 526</b>	<b>315 747</b>	<b>181 754</b>	<b>236 897</b>	<b>201 565</b>	<b>204 481</b>	<b>207 440</b>	<b>210 443</b>	<b>213 490</b>	<b>216 583</b>	<b>219 722</b>	<b>222 908</b>	<b>226 141</b>	<b>229 422</b>	<b>232 752</b>
<b>Non-core non-current assets</b>																	
Net defined benefit assets	-	-	-	80 239	5 752	16 015	19 205	30 303	30 303	30 303	30 303	30 303	30 303	30 303	30 303	30 303	30 303
Non-current financial assets	-	-	-	4 285	9 501	12 016	12 016	12 016	12 016	12 016	12 016	12 016	12 016	12 016	12 016	12 016	12 016
Investments in associates	53 159	52 231	51 487	50 800	53 948	52 591	52 369	52 369	52 369	52 369	52 369	52 369	52 369	52 369	52 369	52 369	52 369
Intangible assets	15 844	27 880	25 450	32 243	32 267	17 544	16 611	15 680	14 749	13 818	12 887	11 956	11 025	10 094	9 163	8 232	7 301
Deferred income tax assets	5 553	1 634	-	6 919	186	8 255	8 255	8 255	8 255	8 255	8 255	8 255	8 255	8 255	8 255	8 255	8 255
<b>Total non-core non-current assets</b>	<b>82 951</b>	<b>88 280</b>	<b>80 997</b>	<b>174 486</b>	<b>101 654</b>	<b>106 419</b>	<b>108 456</b>	<b>118 623</b>	<b>117 692</b>	<b>116 761</b>	<b>115 830</b>	<b>114 899</b>	<b>113 968</b>	<b>113 037</b>	<b>112 106</b>	<b>111 175</b>	<b>110 244</b>
<b>Non-core liabilities</b>																	
Other current liabilities	142 851	149 919	144 315	129 937	110 145	18 223	19 609	19 907	20 209	20 516	20 828	21 144	21 465	21 791	22 122	22 458	22 799
Advance payments	-	-	-	30 984	31 080	29 629	30 163	30 599	31 041	31 491	31 947	32 410	32 869	33 358	33 843	34 335	34 834
Current income tax liabilities	-	-	-	36 182	44 375	42 528	42 528	42 528	42 528	42 528	42 528	42 528	42 528	42 528	42 528	42 528	42 528
<b>Total non-core current liabilities</b>	<b>286 424</b>	<b>328 977</b>	<b>305 108</b>	<b>197 103</b>	<b>185 600</b>	<b>90 380</b>	<b>92 300</b>	<b>93 034</b>	<b>93 779</b>	<b>94 535</b>	<b>95 303</b>	<b>96 082</b>	<b>96 874</b>	<b>97 677</b>	<b>98 493</b>	<b>99 321</b>	<b>100 162</b>
Other non-current financial liabilities	-	-	-	-	-	9 345	-	-	-	-	-	-	-	-	-	-	-
Net defined benefit liabilities	-	-	-	-	-	359	1 849	1 104	1 104	1 104	1 104	1 104	1 104	1 104	1 104	1 104	1 104
<b>Total non-core non-current liabilities</b>	<b>9 704</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9 704</b>	<b>1 849</b>	<b>1 104</b>	<b>1 104</b>	<b>1 104</b>	<b>1 104</b>	<b>1 104</b>	<b>1 104</b>	<b>1 104</b>	<b>1 104</b>	<b>1 104</b>	<b>1 104</b>
<b>Invested Capital Non-Core Business (Total Non-Core IC)</b>	<b>-</b>	<b>72 092</b>	<b>53 746</b>	<b>84 415</b>	<b>293 130</b>	<b>97 808</b>	<b>243 232</b>	<b>215 872</b>	<b>228 966</b>	<b>230 249</b>	<b>231 565</b>	<b>232 914</b>	<b>234 296</b>	<b>235 713</b>	<b>237 164</b>	<b>238 650</b>	<b>240 172</b>
<b>Total Invested Capital (Total IC)</b>	<b>10 061 262</b>	<b>10 692 019</b>	<b>11 123 038</b>	<b>11 740 050</b>	<b>12 066 452</b>	<b>12 211 682</b>	<b>11 876 921</b>	<b>12 062 975</b>	<b>12 244 645</b>	<b>12 425 711</b>	<b>12 600 274</b>	<b>12 778 221</b>	<b>12 958 754</b>	<b>13 142 106</b>	<b>13 323 362</b>	<b>13 507 280</b>	<b>13 693 899</b>

# DCF Valuation


## DCF Valuation Model

Source: NOVA SBE

Main assumptions for valuation	
FY	31/12/2023
Valuation date	13/12/2024
FY2024 adjustment factor	0.95
Growth rate	1.68%
WACC	3.74%
Return on new invested capital (RONIC)	5.29%

Valuation in CHF 1000	Growth period									Steady-state period		
	-1	0	1	2	3	4	5	6	7	8	9	
Year	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	
Core FCF	552 031	106 794	119 128	143 755	179 609	203 860	238 883	271 844	284 169	291 497	298 627	
Discount Factor		1.00	1.04	1.08	1.12	1.16	1.20	1.25	1.29	1.34	1.39	
Discounted FCFs		106 794	114 829	133 567	160 857	175 987	198 780	218 044	219 704	217 236	214 518	

Discount Factor 1.39

Terminal value derivation	in CHF 1'000	
PV Discounted FCFs	1 653 520	
FV Terminal Value	16 247 623	in 2034
PV of Terminal Value	11 671 442	
Enterprise Value Core	13 324 962	
Book Value Non-Core	228 966	
Enterprise Value (EV)	13 553 928	
Net debt	- 5 428 339	Market value of debt
Value of the Equity	8 125 589	as of 01.01.2024
Shares OS in k	76 719	<a href="https://sps.swiss/en/group/investors/share/shareholder-structure">https://sps.swiss/en/group/investors/share/shareholder-structure</a>
<b>Implied Share Price</b>	<b>CHF 105.91</b>	
Share Price today (13.12.2024)	CHF 97.35	
 Swiss Prime Site AG (XSWX:SPSN)		

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### Report Recommendations

<b>Buy</b>	Expected total return (including expected capital gains and expected dividend yield) of more than 10% over a 12-month period.
<b>Hold</b>	Expected total return (including expected capital gains and expected dividend yield) between 0% and 10% over a 12-month period.
<b>Sell</b>	Expected negative total return (including expected capital gains and expected dividend yield) over a 12-month period.

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