



# LETTER TO SHAREHOLDERS

Comments on VZ Group's  
half-year results 2021

VZ Holding Ltd  
Innere Güterstrasse 2  
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# VZ GROUP: FIRST HALF YEAR 2021

## Dear Shareholder

Strong economic recovery

In recent months, the global economy has improved much more than expected after the severe slump. Successful vaccination campaigns are enabling a gradual opening in many places. The stock markets anticipated the recovery, and all major stock indices rose significantly. Growth forecasts are constantly revised upwards, and supply chains are already experiencing bottlenecks.

Operating revenues up 17.5 percent

In this favourable environment, our business continued to develop positively. Compared to the first half of 2020, operating revenues increased by 17.5 percent from 159.8 to 187.8 million Swiss francs. Due to pandemic-related restrictions in the first quarter, consulting fees grew at a slightly slower rate of 15.9 percent. Fees from assets under management, the largest revenue component, increased by as much as 21.7 percent. About half of this increase is due to the favourable stock market development and thus to the higher value of assets under management, the other half to the additional private and corporate clients. Profit also grew disproportionately, namely by 21.3 percent from 56.4 to 68.4 million francs.

Over 4000 additional wealth management clients

The demand for our services continues to grow strongly. With regard to our management services, the number of new clients increased by more than 30 percent, from 3082 in the first half of 2020 to 4028 in the first half of 2021. This translates directly into net new money, which increased from 1.6 to 2.5 billion francs.

Solid balance sheet

As of mid-year, VZ Group's balance sheet total was 5.4 billion francs, compared to 5 billion at the end of 2020. The difference is mainly due to the additional clients. As a result of the investment in an English Independent Financial Advisor (IFA), the core capital ratio is 1.5 percentage points lower than twelve months ago. At 23.2 percent, however, it remains very solid.

Outlook

We expect a further increase in the number of clients and correspondingly higher revenues in all areas in the second half of the year, assuming that the markets remain stable. Only transaction-related banking income is difficult to forecast. Overall growth in the second half year is likely to be comparable to the first half. Therefore, the dividend should also rise again.

We thank all those involved with VZ, as well as those who help shape its development.

Zug, 11 August 2021



Fred Kindle  
Chairman of the Board of Directors



Matthias Reinhart  
Chairman of the Executive Board

## «IF WE DO EVERYTHING RIGHT, WE WILL CONTINUE TO GROW FOR MANY YEARS TO COME.»

Adriano Pavone, Head of Media Communications, discusses the results and outlook for VZ Group with Matthias Reinhart, Chief Executive Officer.

### **Mr Reinhart, how do you assess the past six months?**

The figures are good. Fees from assets under management account for around two-thirds of total revenues, which is why the strong upward trend on the stock markets had a positive impact on our results. Part of the above-average performance is due to a base effect: In the first half of 2020, stock prices and thus the value of assets under management as well as the revenues therefrom came under pressure. Starting from this lower base, the increase over the past six months was disproportionate.

### **Obviously, other factors also contribute to the good results, for instance the high demand.**

That is true: The influx of new clients is also positive. It speaks for the quality of our services and is also the prerequisite for our long-term success. It is

## «The strong growth confirms that the need for our services is not affected by this kind of crisis.»

remarkable that the strong growth continued even when we were severely restricted due to the pandemic. This confirms that the need for our services is not affected by this kind of crisis.

### **Can you comment on the individual revenue components?**

It is noticeable that net new money has grown strongly. This is reflected in the ratio of net new money per consultant, which rose from between 17 and 20 million francs over the previous years to almost 27 million. The upbeat sentiment on the stock markets also contributed to this increase, because new clients are more eager to make decisions than usual, and existing clients have also invested more. We expect this ratio to normalise over time – depending on how the markets develop.

It is certainly worth mentioning that consulting fees have grown again despite the restrictions. Banking income also seems to be stabilising after years of decline, even if it remains subject to major fluctuations. And finally, our insurance business is slowly becoming visible in the figures. Growth is strongest in this line of business, even if at a low level. For the coming years, a positive development is definitely in the cards.

### **More and more clients are using multiple services. To what extent does this contribute to growth going forward?**

Our goal is for every third client to use at least three of our platforms. By the middle of the year, we had a good 53,000 clients. Thereof, 54 percent use a single platform, 25 percent use two platforms and the remaining 21 percent use at least three. While the number of clients is growing steadily, the portion of clients with three or more platforms is actually increasing by one percentage point every six months on average. This helps to compensate for the long-term erosion of margins.

### **The net profit margin after tax has risen to 36.4 percent. Is that a sustainable trend?**

No. While we have raised our expectation from 35 to 36 percent, we do not expect a permanent increase above this threshold.

### **How does the balance sheet compare: Are there any significant changes?**

The balance sheet total has grown by 440 million francs since the end of the year, mainly because of the new clients. However, the structure and the risk profile remain virtually unchanged. Compared to 30.6.2020, the core capital ratio fell by 1.5 percentage points to 23.2 percent because we acquired 50.1 percent of Lumin Group Ltd at the end of May.

### **What is the aim of this investment?**

Lumin is an Independent Financial Advisor (IFA) based in North London. The company was established eleven years ago, has strong management and operates very similarly to VZ. With our experience in marketing, people development and asset management, we believe to be able to play a significant role in accelerating its



growth. We intend to acquire the remaining shares in five years. For us, this is an ideal entry into an attractive market in which we want to play a bigger role in the medium term.

**«With major reforms of our pension system on the horizon, our expertise will be in even greater demand.»**

**In Switzerland, VZ has grown substantially once again. Can this trend continue?**

We are still a long way off the end of this path. The main driver of our growth is the demographic development: In the coming years, our market will grow continuously for this reason alone, and we intend to increase our share of it. In addition, major reforms of our pension system are on the horizon, and our expertise will be in even greater demand. That is why we expect an increasing influx of clients. If we do everything right, we will continue to grow for many years to come, which will also benefit our shareholders.

**Surely such prospects also attract competition?**

Of course, and our competitors are also getting better. That is why we need to keep fit, evolve, digitise and become even more efficient to stay one step ahead. Many competitors are struggling with legacy problems that we don't have. These problems cause enormous costs, which are reflected in the prices. Our advantage is that we can offer attractive services at a

lower price and that our experts are very focused on our target clients' needs.

**How is the corporate client business doing?**

We can offer very attractive pension fund solutions for SMEs in particular, including through our own collective foundations. This makes pension schemes more affordable, more transparent and more flexible. This is an important means of saving enough money for retirement, also for the self-employed.

**What projects are on the agenda at the moment?**

We are working intensively on our financial portal, the digital interface for private and corporate clients. Right now, we are making it even faster, more secure, more efficient and more agile. In about six months, we will roll out a new interface to our trading platform, with which private clients can trade very conveniently and cost-effectively. Trading in cryptocurrencies is a new addition. Then we will launch a pension fund foundation for the self-employed and simplify a number of processes to make our back office operations even more efficient.

**What can shareholders expect in the second half of the year and beyond?**

We start into the second half of the year with significantly higher assets under management. On this basis, we expect a continuation of the growth compared to the previous year. Uncertainties emanate primarily from the financial markets. They have a direct impact on assets under management and an indirect impact on the behaviour of our clients. For the second half of the year, we expect comparable growth as in the first half. Overall, we anticipate a continued positive development, also in the medium term.

## KEY FIGURES

### Income statement

in CHF '000

	1H 2021	2H 2020	1H 2020
Operating revenues	187'755	168'866	159'836
Operating expenses	97'795	88'406	85'176
Operating profit (EBIT)	80'121	71'126	65'837
<b>Net profit</b>	<b>68'378</b>	<b>61'018</b>	<b>56'434</b>

### Balance sheets

in CHF '000

	30.06.2021	31.12.2020	30.06.2020
<b>Total assets</b>	<b>5'415'357</b>	<b>4'973'249</b>	<b>4'591'066</b>
Equity	627'268	616'657	560'924
Net cash	479'769	501'576	384'752

### Equity key figures

	30.06.2021	31.12.2020	30.06.2020
Equity ratio	11.6 %	12.4 %	12.2 %
Common equity tier 1 capital ratio (CET 1)	23.2 %	26.6 %	24.7 %
Total eligible capital ratio (T1 & T2)	23.2 %	26.6 %	24.7 %

### Assets under Management

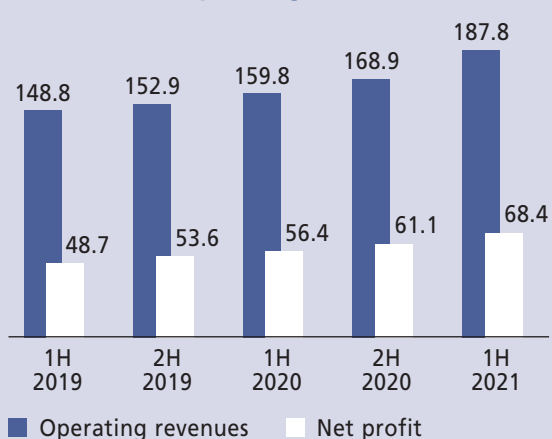
in CHF million

	30.06.2021	31.12.2020	30.06.2020
Assets under Management	36'354	31'459	28'585

### Employees

	30.06.2021	31.12.2020	30.06.2020
Full-time equivalents (FTE)	1'089.2	1'035.7	985.1

### Revenue and profit growth *in CHF million*



### **Alternative Performance Measures (APM)**

To measure our performance, we use alternative performance measures that are not defined under International Financial Reporting Standards (IFRS). Details can be found on page 26 of the half-year report 2021.

### **Download reports and press releases**

Our press release regarding the half-year results as well as the half-year report can be downloaded in the PDF format from our website: [www.vzch.com](http://www.vzch.com) (Investor Relations/Financial reports). The Letter to Shareholders is published in German, English and French. In case of inconsistencies, the German original version shall prevail.