



# Corporate Excellence Award

HÉRENS QUALITY

October 2022



# Corporate Excellence Award

HÉRENS QUALITY

# CE Award was launched in 2008 in the aftermath of the Financial Crisis

**2008: Baltics**



**2010: Europe**



**2014: Global**



**Aim – to recognize excellent companies worldwide**



**Focus – economic and business principles in corporate management**



**Result – regional & country winners (Europe)**

# The Jury 2022: strong Academia, Business and Asset Management Background



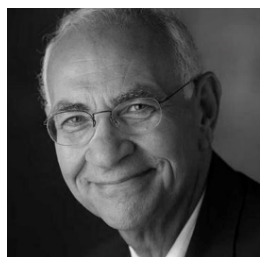
Prof. Dr. Donna Kish-Goodling  
Muhlenberg College



Prof. Dr. Dieter Pfaff  
University of Zurich



Prof. Dr. Max Ringlstetter  
Catholic University Eichstätt-  
Ingolstadt



Dr. Marc Massoud  
Claremont McKenna College



Giuseppe Ballocchi, CFA



Diego Föllmi  
CEO HQAM



Dmitry Baulin  
CIO HQAM



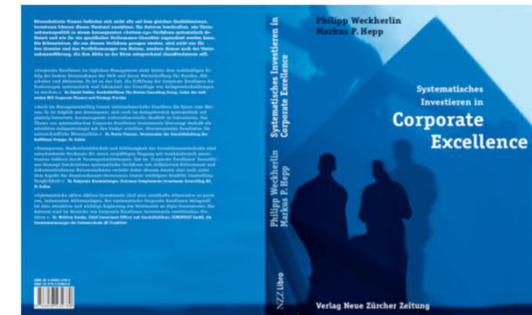
Markus Hepp  
IC HQAM



Dr. Philipp Weckherling  
IC HQAM

## Systematic Quality Research since 2003

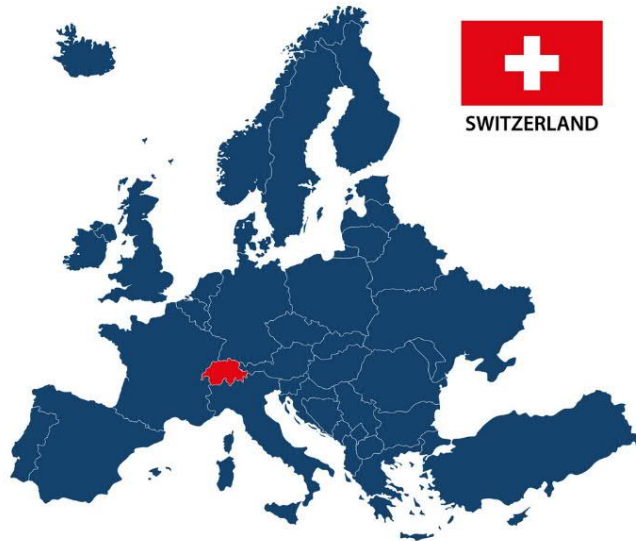
- DotCom Bubble challenged investor mindset & beliefs
- Our hypothesis was – one can always find a Quality company
- Theory turned into practice:
  - First book on systematic Quality approach (2006)
  - Numerous research papers published since
  - Ever-growing analytical expertise



**We have built a bridge between Quality philosophy  
in the business literature & in practice**

# Growing & Stable Team focused on Corporate Excellence

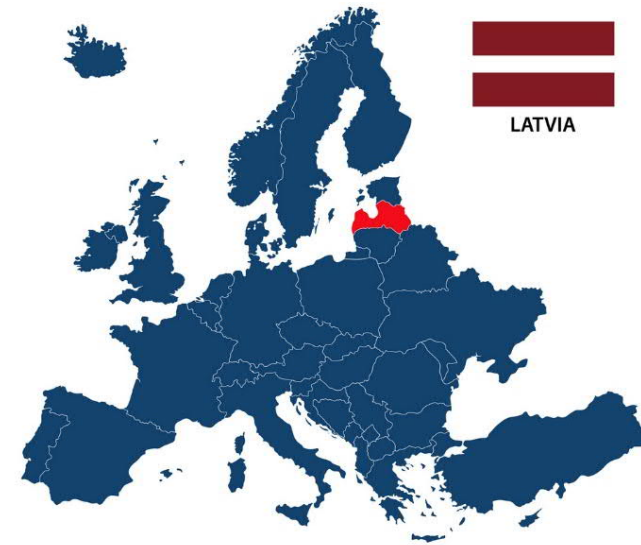
Est. 2003



**Research & Client management**

**Company General  
Strategy & Operations**

Est. 2004



**Research & Analytical Support**

**Projects (e.g. CE Award)**

# CE Award follows rigorous Quantitative and Qualitative Methodology (1)

Universe: Stoxx regional indices (1200+ companies) & MSCI AC World (2600+ companies)

1

## Quantitative Step

50% historical data  
(last 5 FY)  
50% current data  
(last FY)

Quantitative Ranking  
based on Financial  
ratios:  
e.g. ROE, Asset to Equity

Extended quantitative  
check based on  
Financial Conditions:  
e.g. balance sheet quality,  
earnings quality

Ranking Top per market

- FY: financial/fiscal year
- ROE: return-on-equity ratio

# CE Award follows rigorous Quantitative and Qualitative methodology (2)

2

## Qualitative Step

Detailed analysis of the Step 1 winner companies



- **Business model assessment - 15 criteria**
- **Corporate Governance assessment - 20 criteria**
- **Financial Reporting assessment - 7 criteria**
- **Market environment assessment - 15 ratios**

Qualitative step ranking










# Best Companies in the world are identified & awarded



	REGION	WINNER
	World	Marketaxess Holdings Inc
	Europe	Partners Group AG (NEW)

# List of Corporate Excellence Award Winners 2022

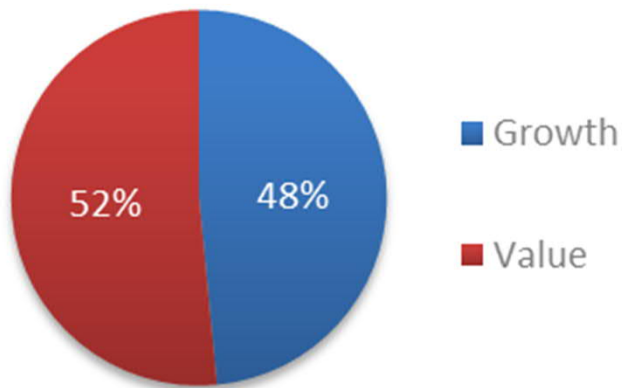
	REGION	WINNER	Industry
	World	Marketaxess Holdings Inc	Financials
	Europe	Partners Group AG (NEW)	Financials
<hr/>			
	USA	Marketaxess Holdings Inc	Financials
	Australia & New Zealand	Fisher & Paykel Healthcare	Health Care
	Japan	Nintendo (NEW)	Communication Services
	South Korea	Samsung Electronics (NEW)	Information Technology
	China & Taiwan	eMemory Technology (NEW)	Information Technology

# Common characteristics of the winners of the CE Award

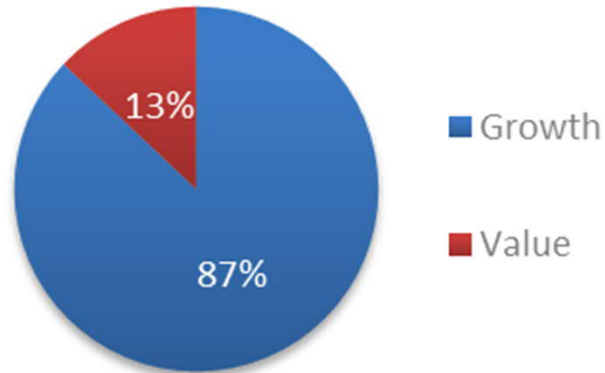


# CEA 2022 Recap: Best companies tend to have Growth-type business model

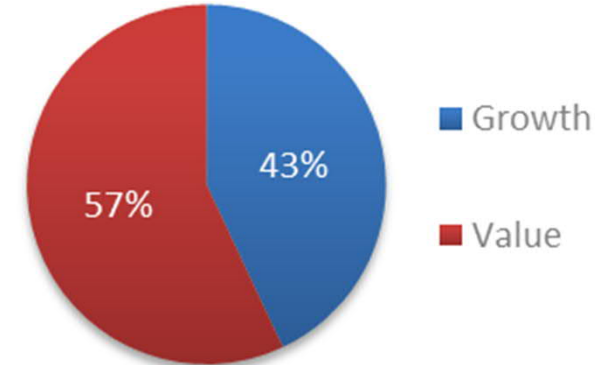
## MSCI All Country World Index



## Quality Top 100



## Worst 100

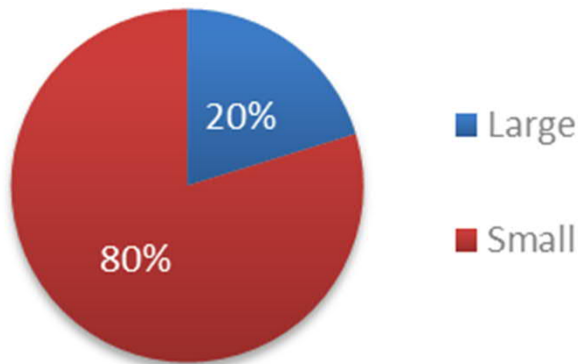


Distribution of Global Quality TOP 100, Worst 100 Companies vs. MSCI All Country World Index by Style\*

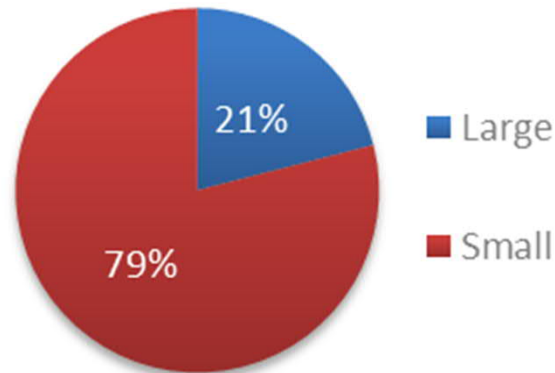
\*Growth: Price/Book Value ratio of stocks larger than the median Price/Book Value ratio of the MSCI All Country World Index.  
Value: Price/Book Value ratio of stocks smaller than or equal to the median Price/Book Value ratio of the MSCI All Country World Index.

# CEA 2022 Recap: Large caps better represented among Quality companies

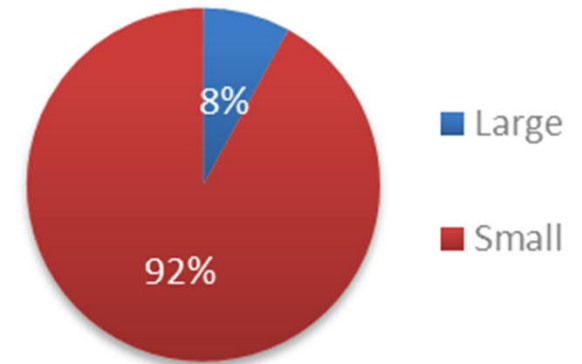
## MSCI All Country World Index



## Quality Top 100



## Worst 100



Distribution of Global Quality TOP 100, Worst 100 Companies vs. MSCI All Country World Index by Size\*

\*Large: Market capitalization of stock larger than the median market capitalization of the MSCI All Country World Index.  
Small: Market capitalization of stock smaller than or equal to the median market capitalization of the MSCI All Country World Index.

# CE Award Trends – the East is gradually taking over the West

↑ More South Korean and Taiwanese companies in Top 100

↑ Emerging Markets presence by Market Cap in Top 100

↓ Fewer Chinese companies in Top 100

↑ Increasing nr of US companies in Worst 100

↓ USA presence by Market Cap in Top 100

# CEA Trends – some sectors see continuous improvements on the corporate side



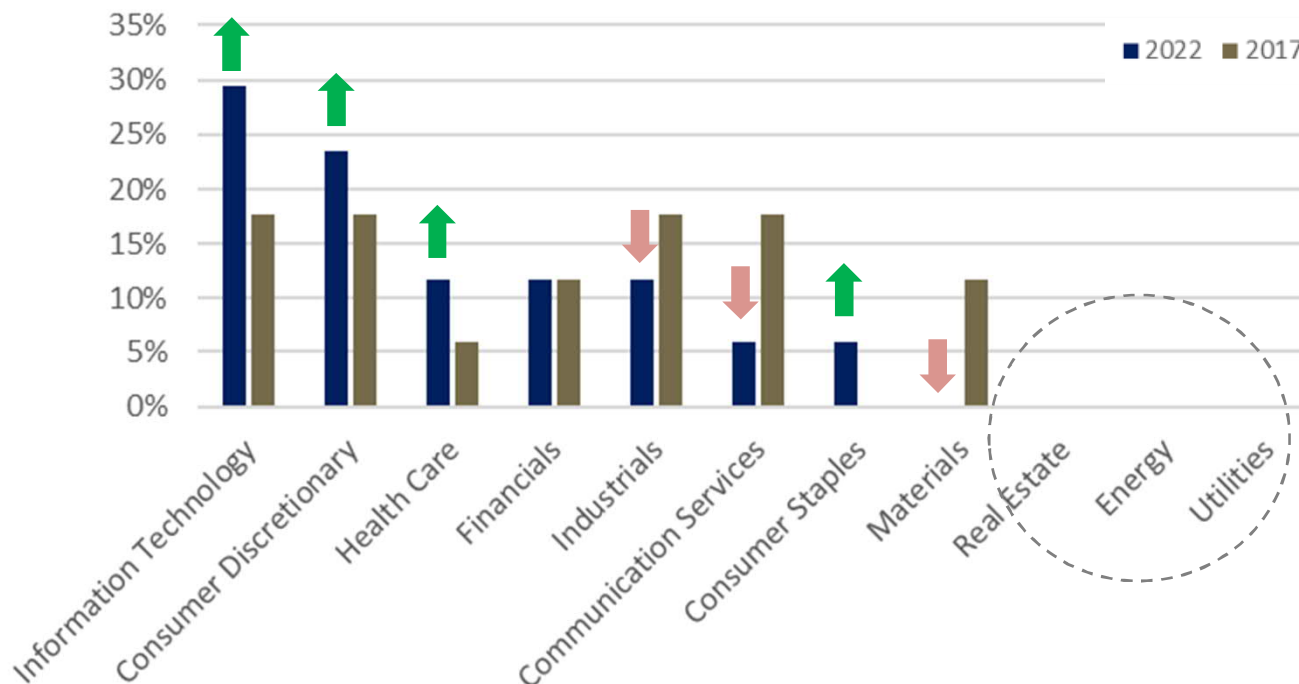
IT and Health Care Sectors improved their position



Communication Services and Materials lost some ground

Zero Real Estate companies among the Top 100 for 5 years

## European Excellence Award Winners 5 Years Trend Based on Sectors



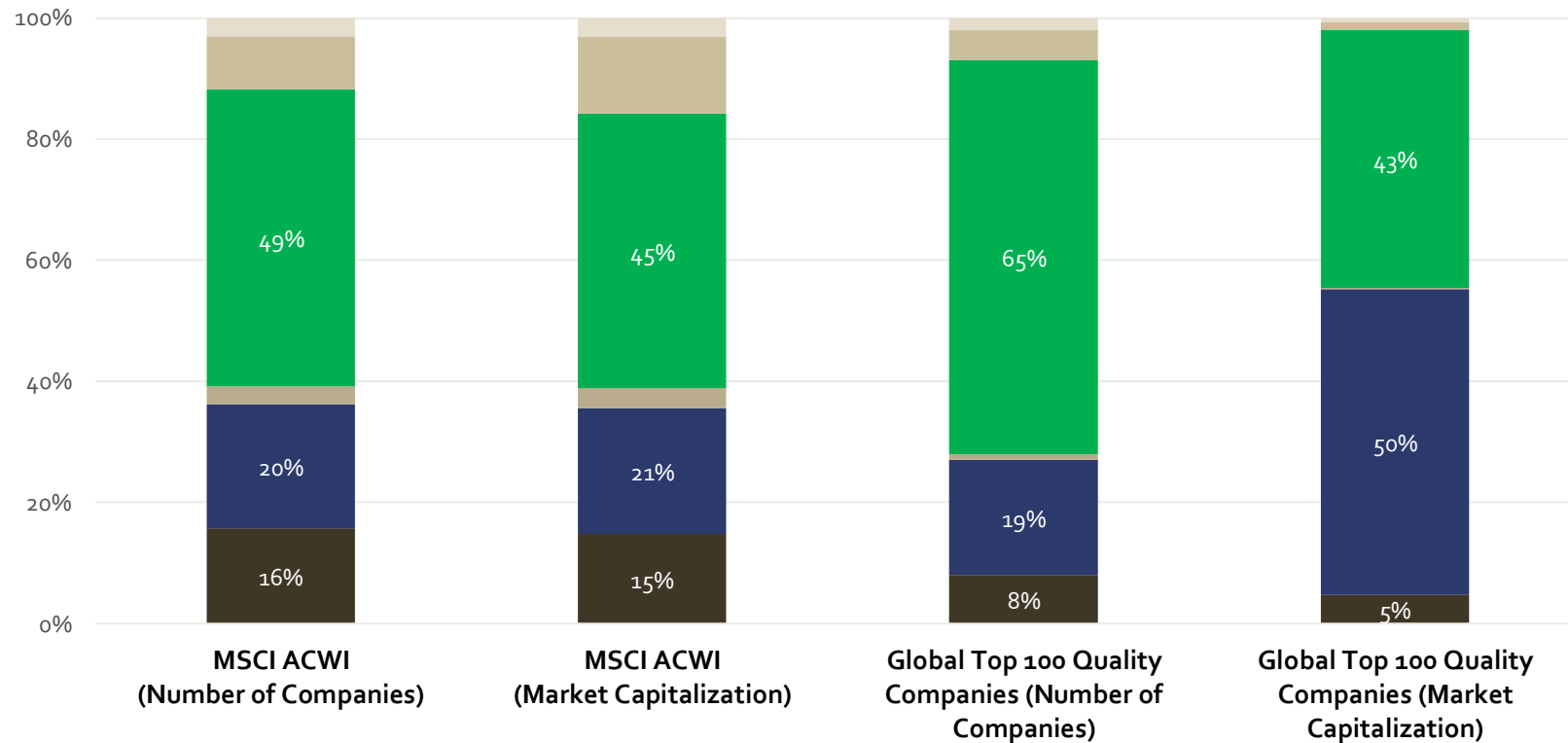
**Consumer Staples sector** - companies that are less sensitive to economic cycles

**Consumer Discretionary sector** - encompasses those industries that tend to be the most sensitive to economic cycles.

# Geographical distribution of the Global Quality Top 100 companies

However, most of the Global Quality TOP 100 Worldwide companies come from the Emerging Markets (by nr) and USA (by Market Cap)

MSCI All Country World Index Distribution /  
Global Top 100 Quality Companies



■ Europe ■ USA ■ Canada ■ Emerging Markets ■ Japan ■ Asia Pacific (Developed)



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CE Award 2022:  
Global Winner, Winner in Europe & Winner in the UK

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# Worldwide Winner and Winner in USA – Marketaxess Holdings Inc (2<sup>nd</sup> year in a row)



Electronic bond trading innovator



- Leading electronic fixed-income trading platforms
- Services 85% of the dealer-to-consumer market
- MarketAxess has developed strong client relationships with market participants over time
- Long-term tailwinds from increasing regulatory requirements and transition to electronic trading (currently ~30%)
- Diversified away from Commission revenues (88.8% vs 92.1% in 2020) by growing alternative data and post-trade revenue streams by aggregate 43% over the last year

## FY'2021 Highlights:

Continued business growth after a strong demand in 2021

## Sales

+1.4% (USD 699 mn),  
after 35% growth in 2020

## EBIT Margin

48.3% (-613 bps)

## Net Income

-13.9% (USD 258 mn)

EBIT Margin = operating margin

# Worldwide Winner and Winner in USA – Solid financials over the years (1)

## FINANCIAL CONDITIONS

MKTXO	Balance Sheet	Income Statement	Cash Flows	Total FCC Index
31/12/2021				
31/12/2020				
31/12/2019				
31/12/2018				
31/12/2017				
31/12/2016				
31/12/2015				
31/12/2014				
31/12/2013				
31/12/2012				

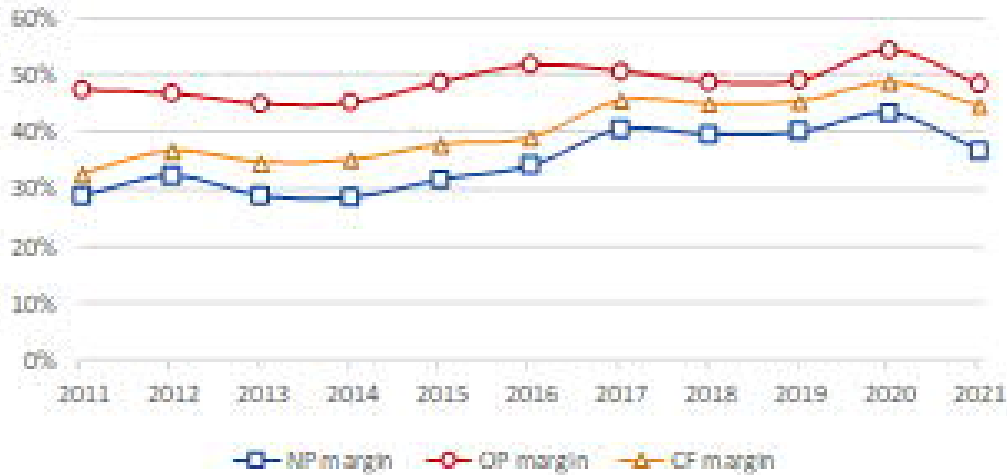
## EARNINGS QUALITY

	Profitability	Business Efficiency	Capital Management	Earnings Structure
31/12/2021				
31/12/2020				
31/12/2019				
31/12/2018				
31/12/2017				
31/12/2016				
31/12/2015				
31/12/2014				
31/12/2013				
31/12/2012				

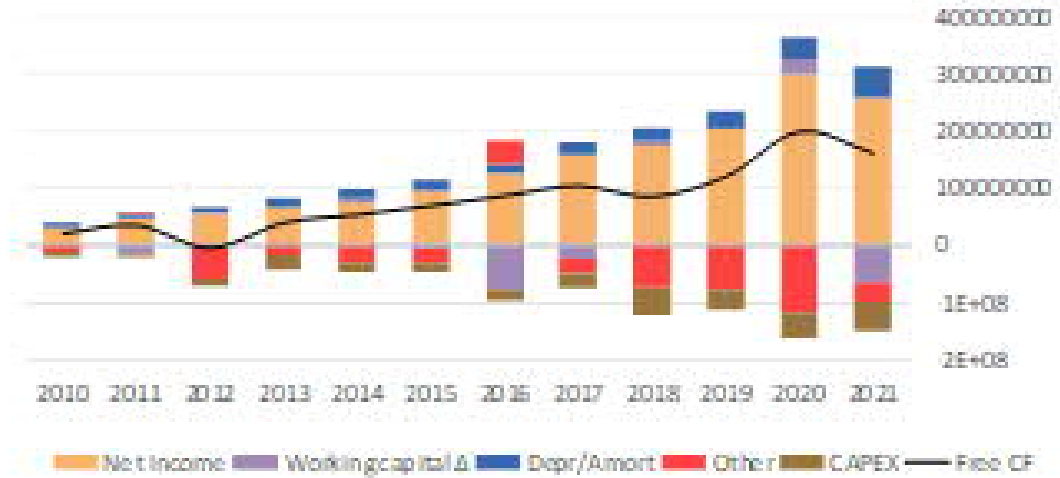
Strong Balance Sheet and High quality of earnings

# Worldwide Winner and Winner in USA – Solid financials over the years (2)

MARGINS



FREE CASH FLOW BREAKDOWN



CEA Winners achieved via strong margins and expanding free cash flow

## Worldwide Winner and Winner in USA – Solid financials over the years (3)



... and leading position at the forefront of secular shift to electronic bond trading

- Advantages of full dedication to credit markets and **visionary leadership by the founder-CEO**
- Reported **13 consecutive years of all-time highs for revenue** and raised the dividend consistently through the same period
- Company's offerings improve market visibility, price transparency and add liquidity

# Europe Winner and Winner in Switzerland – Partners Group



Asset manager with outstanding track record



- Second biggest alternative asset manager globally after Blackstone
- Investment approach is based on «thematic sourcing» driven by global megatrends
- Offers broad base of institutional clientele to invest in four major asset classes, largest of which is private equity (49% of Assets under Management)
- Well diversified geographically, with tilt towards Europe and Switzerland as a largest single market (16% of AuM)
- 70-80% of revenues stem from management fees (20-30% from performance fees)

**FY'2021 Highlights:**  
Firing from all cylinders

**AuM**  
+17% (\$ 127 bn)

**EBIT Margin**  
62.8% (+8obps)

**Net Income**  
+82% (\$ 1.46 bn)

EBIT Margin = operating margin

# Partners Group – an exceptional example of Corporate Excellence (1)

## FINANCIAL CONDITIONS

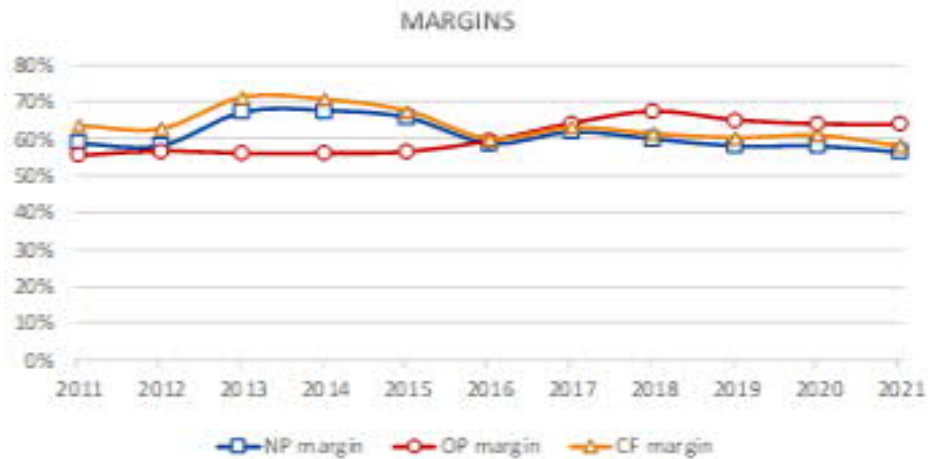
PGHN.S	Balance Sheet	Income Statement	Cash Flows	Total FCC Index
31/12/2021				
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31/12/2018				
31/12/2017				
31/12/2016				
31/12/2015				
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## EARNINGS QUALITY

	Profitability	Business Efficiency	Capital Management	Earnings Structure
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31/12/2017				
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31/12/2015				
31/12/2014				
31/12/2013				
31/12/2012				

Strong Balance Sheet as company harvests growth organically

## Partners Group – an exceptional example of Corporate Excellence (2)



Consistently high margins and good track record of top-line expansion



## Partners Group – an exceptional example of Corporate Excellence (3)



... which marks Partners Group a rare gem in the sector

- Since 2012, company **has grown its Assets under Management by 15% every year** on average
- Substantial part of **client commitments are locked-up** in close-ended programs for 10-12 years, which offers very good visibility into Partner's affairs
- Company **rides structural trend** of rising allocation towards private markets

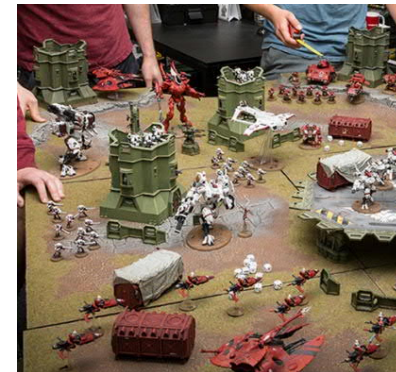
# Winner in the UK – Games Workshop



A giant in the world of miniatures



- The most unique business model among European winners – the company has virtually created its own market in the board games segment
- Focused on younger audience and family-oriented market, develops and produces fantasy miniatures, creating fantasy worlds with medieval specifics
- Is riding the global trend of fantasy worlds, also fueled during the pandemic
- Enjoys dominant position with no distinct competitors



**FY'2021 Highlights:**  
Extraordinary profitability

**Sales**  
+31% FY 2020/2021  
+2% 1H 2021/2022

**Recurring EBIT Margin**  
43%  
(46% 1H 2021/2022)

**Net Income**  
+71% (GBP 122m)  
-2% 1H 2021/2022

EBIT Margin = operating margin

# Games Workshop – an excellent example of Corporate Excellence

## FINANCIAL CONDITIONS

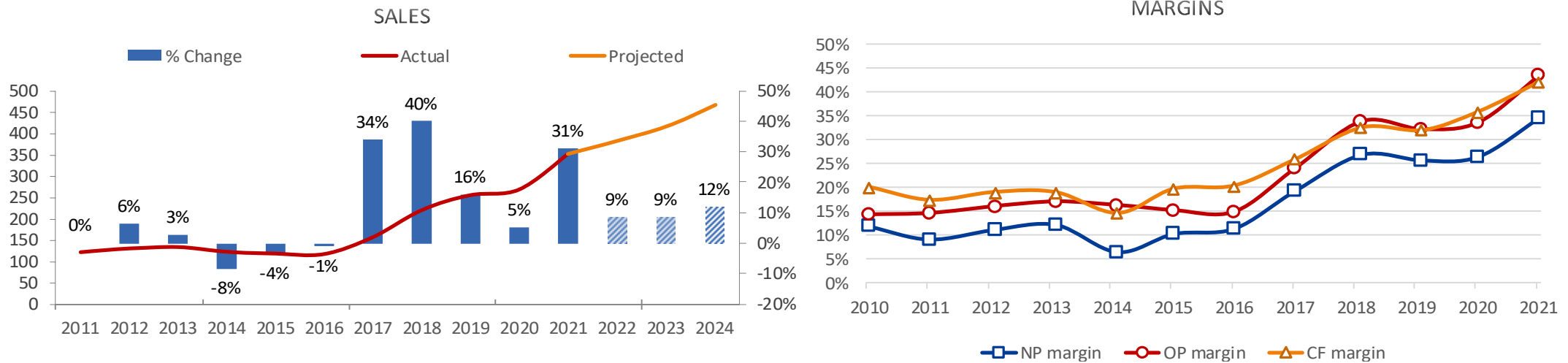
gaw.l	Balance Sheet	Income Statement	Cash Flows	Total FCC Index
30/05/2021				
31/05/2020				
02/06/2019				
03/06/2018				
28/05/2017				
29/05/2016				
31/05/2015				
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## EARNINGS QUALITY

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29/05/2016				
31/05/2015				
01/06/2014				
02/06/2013				
03/06/2012				

Debt free Balance Sheet and High quality of earnings

# Games Workshop – an excellent example of Corporate Excellence (2)



Consistent top line expansion and extraordinary margins

## Games Workshop – an excellent example of Corporate Excellence (3)

- Unique intellectual property & outstanding product quality ensure long-lasting customer loyalty and dedication
- GW has 523 own retail stores in 23 countries (20% of total sales)
- Royalty income is expected to grow and become company's largest source of income (currently 11%)



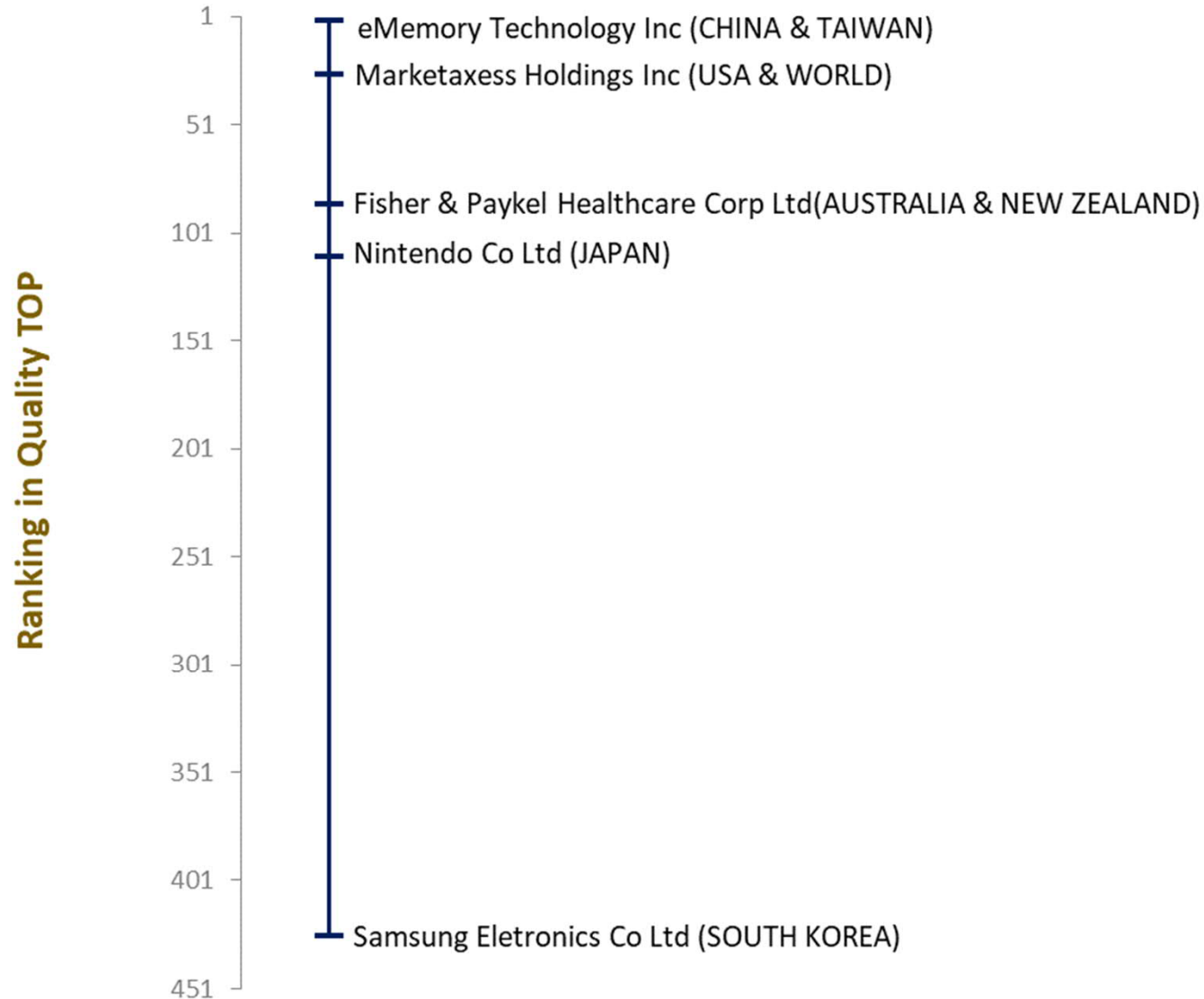
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# Structural Information on the Excellence Award Global Winners

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# CEA Global winners from USA and China & Taiwan were at the top of Ranking

## Ranking of the Excellence Award Winners on a Global Level in 2022



## We saw 10 new names among CE Award winners in 2022

Region	2022	2021
TOP World	Marketaxess Holdings Inc	unchanged
TOP Europe	Partners Group AG	last year winner - BioGaia AB
AUSTRIA	Austrian Post	last year winner - Mayr-Melnhof Karton AG
DENMARK	Simcorp A/S	last year winner - Chemometec A/S
FINLAND	Revenio Group Oyj	last year winner - eQ Oyj
ITALY	MonCler SPA	last year winner - Diasorin Spa
SPAIN	VISCOFAN SA	last year winner - Zardoya Otis SA
SWEDEN	MIPS AB	last year winner - BioGaia AB
SWITZERLAND	Partners Group AG	last year winner - Ems-Chemie Holdings AG
JAPAN	Nintendo Co Ltd	last year winner - Shionogi & Co Ltd
SOUTH KOREA	Samsung Electronics Co Ltd	last year winner - NCSOFT Corp.
CHINA & TAIWAN	eMemory Technology Inc	last year winner - TSMC Ltd.



# CE Award winners hold mostly dominant market positions

Pioneer and market leader with a growing share of 13-14%



Market share of 1-1.5%, #2

70% market share of Respiratory Humidification Device market, 15% market share of Sleep Apnea Device market



One of 3 key players in the Console Industry, 54% market share by units in 2021

Global leader in a wide range of consumer electronics and industrial products: 29% global market share in TVs, 20% in mobile, 44% in DRAM memories, 12.3% in Display panels

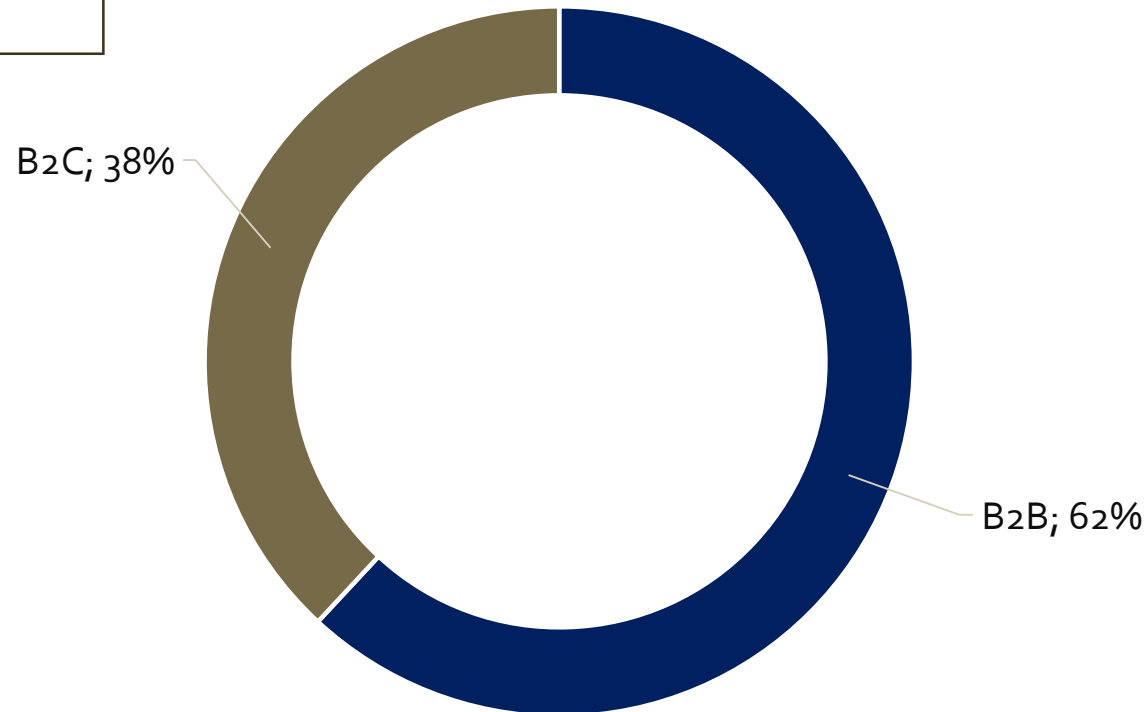


Niche player with 90% share in OTP (one-time programmable) market

# Focused business model and operations mostly in one industry group

**CEA Winners 2022**

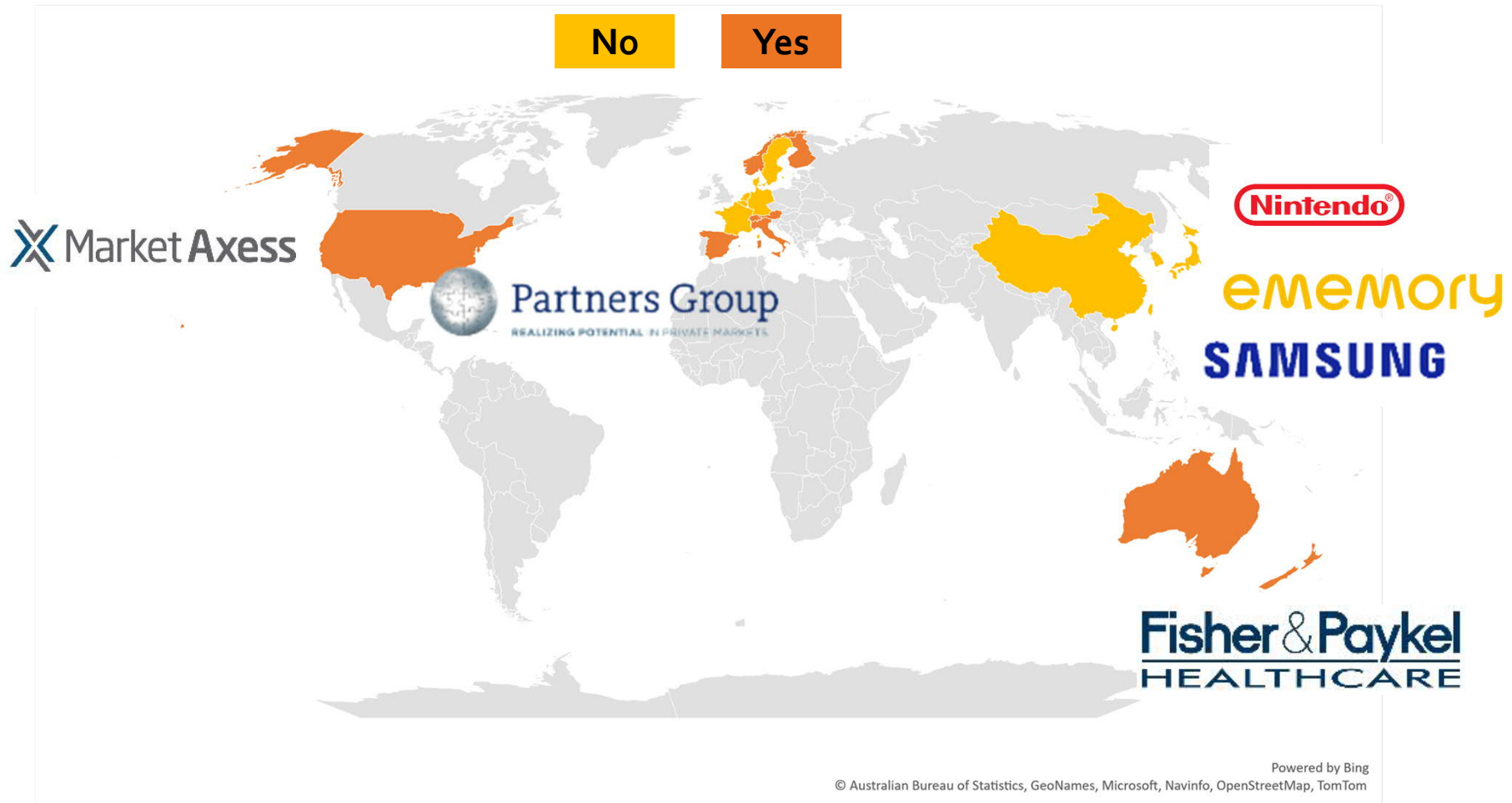
B2B vs. B2C



B2C: business-to-consumer

B2B: business-to-business

# 10/18 CEA winners come from less regulated sectors



## Excellence Award Winners had a predominantly organic growth

Country	Company	Acquisition Costs in Relation to Capital Expenditures*
TOP World	Marketaxess Holdings Inc	69%
TOP Europe	Partners Group AG	0%
AUSTRALIA & NEW ZEALAND	Fisher & Paykel Healthcare	0%
JAPAN	Nintendo Co Ltd	0%
SOUTH KOREA	Samsung Electronics Co Ltd	5.2%
CHINA & TAIWAN	eMemory Technology Inc	0%

\*Average figure for the last 5 years

## Winner companies CEOs have a longevity

Region	Company	CEO Level*	CEO Tenure (in years)	BoD Meeting Frequency (in a year)
TOP World & USA	Marketaxess Holdings Inc	1	22	9
TOP Europe	Partners Group AG	1	3	5
AUSTRALIA & NEW ZEALAND	Fisher & Paykel Healthcare	1	6	8
JAPAN	Nintendo Co Ltd	1	4	12
SOUTH KOREA	Samsung Electronics Co Ltd	1 & 2**	0.25 & 0.08**	10
CHINA & TAIWAN	eMemory Technology Inc	1	0.75	7

\*CEO classification based on "Hérens Quality CEO Study"

\*\*Samsung has 2 CEO's

# Harvard Business Review article on HQAM CEO Study (2015)

## Many CEOs Aren't Breakthrough Innovators (and That's OK)

by [Felix Barber](#) and [Julia Bistrova](#)



Dr. Julija Bistrova  
Head of HQAM  
Research Center in  
Riga, Latvia

### Few of the Top High Tech CEOs Oversaw Breakthrough Innovation

RANK	CEO	COMPANY	Annual outperformance*	Oversaw breakthrough innovation	Had specialist background
1	Steve Jobs	Apple	+19%	Yes	Yes
2	Michael Dell**	Dell	+15	No	Yes
3	Stephen Luczo	Seagate	+11	No	No
4	Michael Ruetters	EMC	+11	No	No
5	Irwin Jacobs	Qualcomm	+10	No	Yes
6	John Wendell Thompson	Symantec	+10	No	No
7	Jen-Hsun Huang	NVIDIA	+9	Yes	Yes
8	Daniel Warmenhoven	NetApp	+8	No	Yes
9	Bernard Girod	Harman	+8	Yes	No
10	Tim Koogle	Yahoo	+8	No	Yes

\*MEASURES VALUE OF CEO OUTPERFORMANCE DURING TENURE AS ANNUAL EQUIVALENT OVER 20 YEARS OF THE STUDY.

\*\*REFERS TO HIS FIRST TENURE AS CEO.

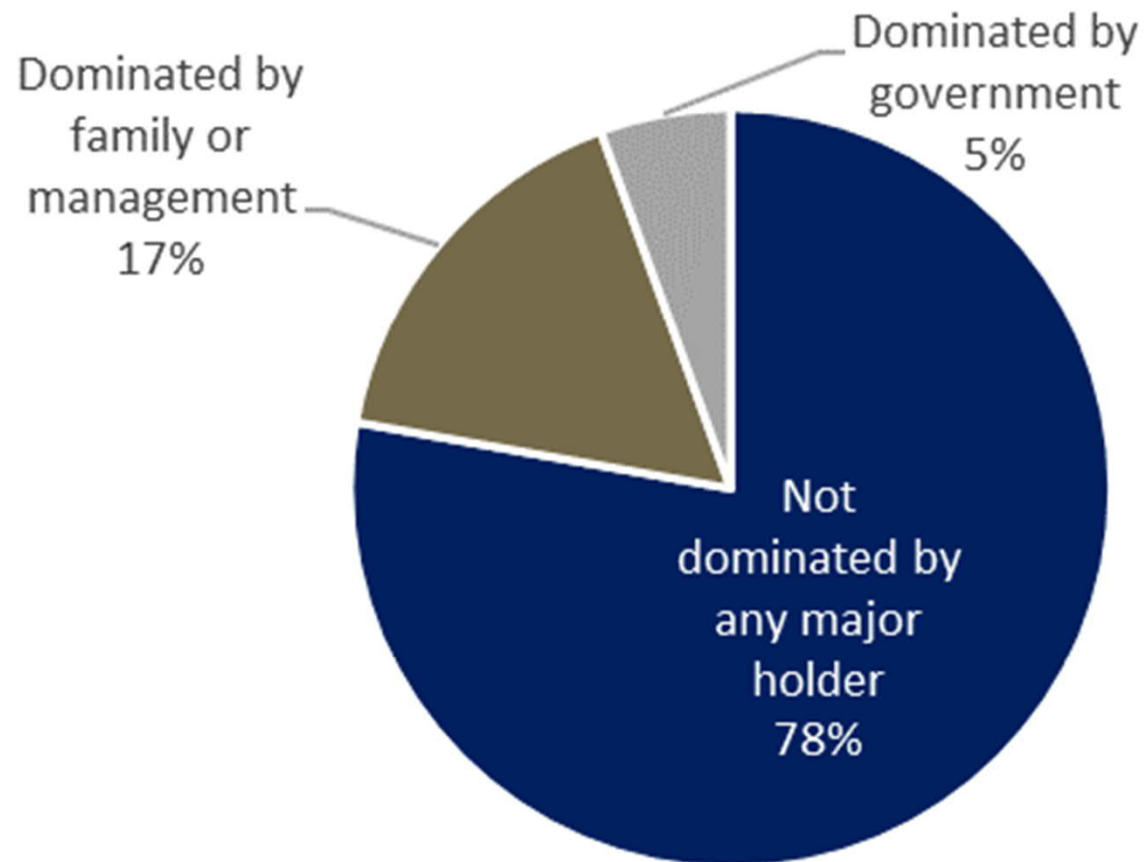
NOTE STUDY INCLUDES CURRENT AND FORMER CEOs WHO SERVED BETWEEN 1995-2014.

SOURCE ANALYSIS BY ASHRIDGE/CEAMS

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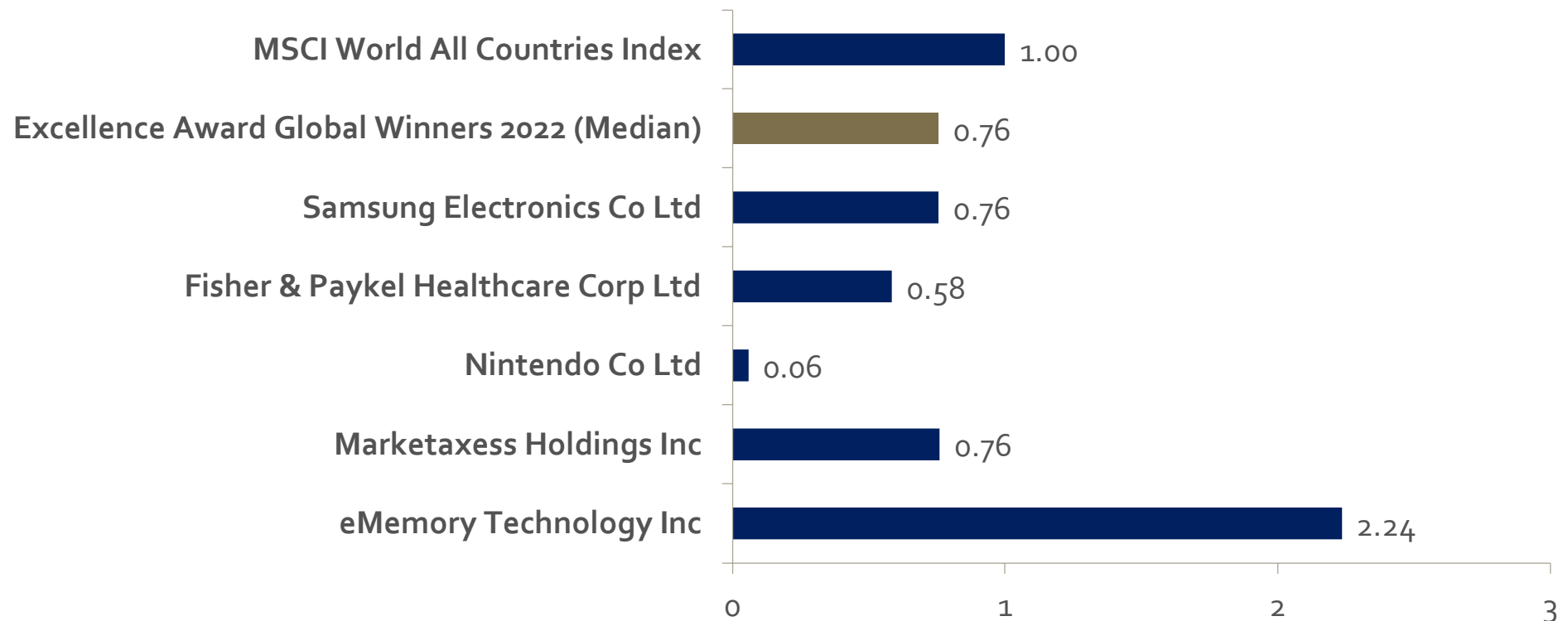
# 78% of the CEA Winners 2022 do not have dominant ownership structure



\* Dominated by family members or management: family members/management hold at least 25% of share capital/voting rights in the company.  
Dominated by government: government holds at least 25% of share capital/voting rights in the company.

# CE Award Global Winners have Beta below the market median

## Annualized Beta (EUR)\*

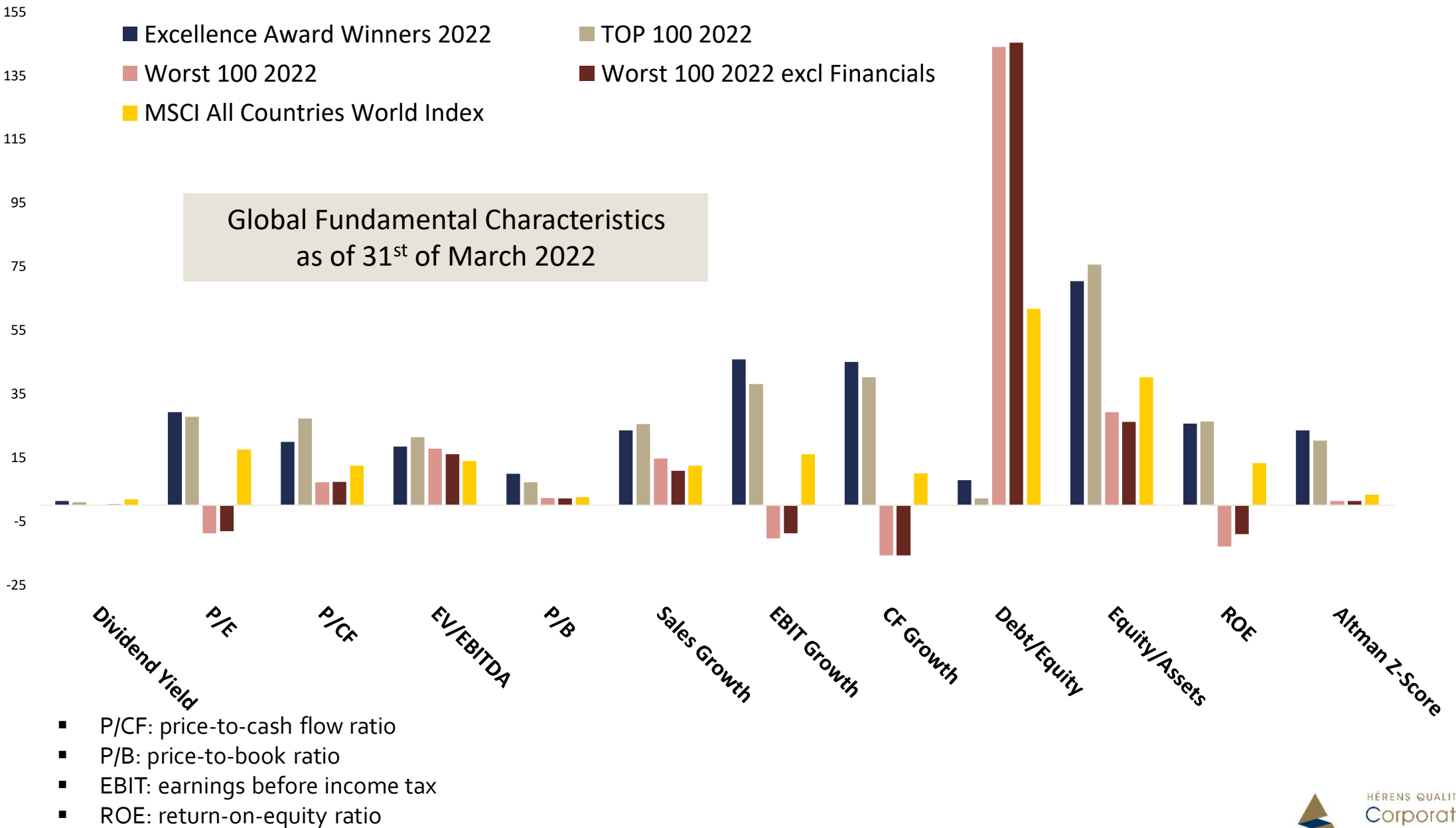


\* - Performance period March 31, 2021 - March 31, 2022  
Benchmark: MSCI ACWI Index

Beta: a measure of the volatility - or systematic risk - of a security or portfolio compared to the market as a whole. Stocks with betas above 1 will tend to move with more momentum than the index; stocks with betas less than 1 with less momentum.



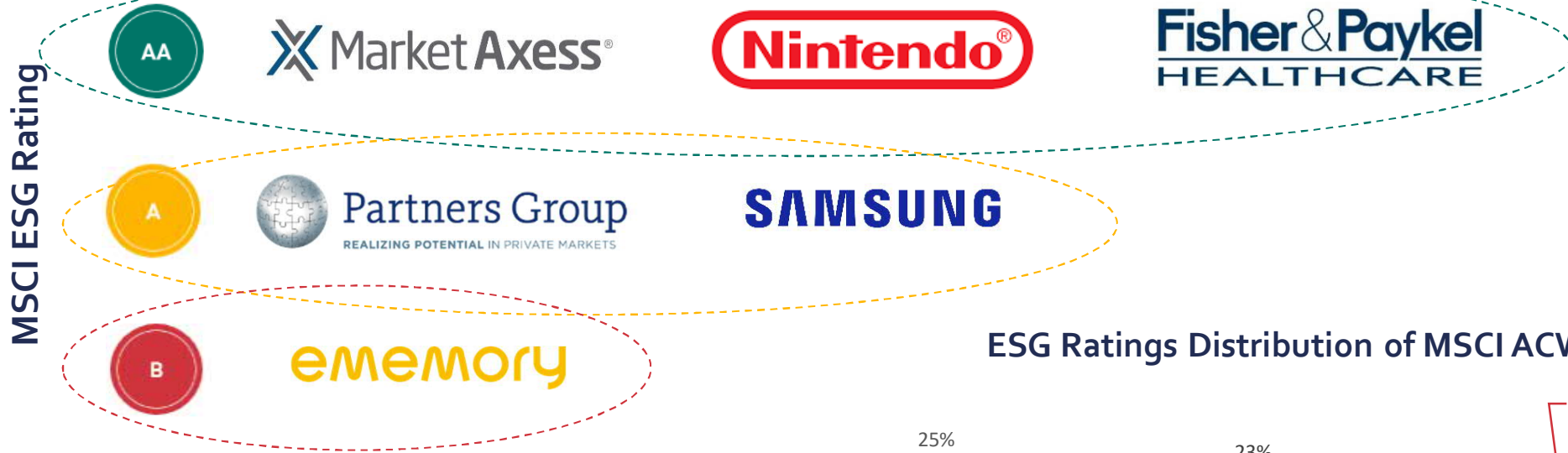
# CEA Winners and Top 100 companies show superior Quality



# Environment-Social-Governance issues were addressed by all CEA winners

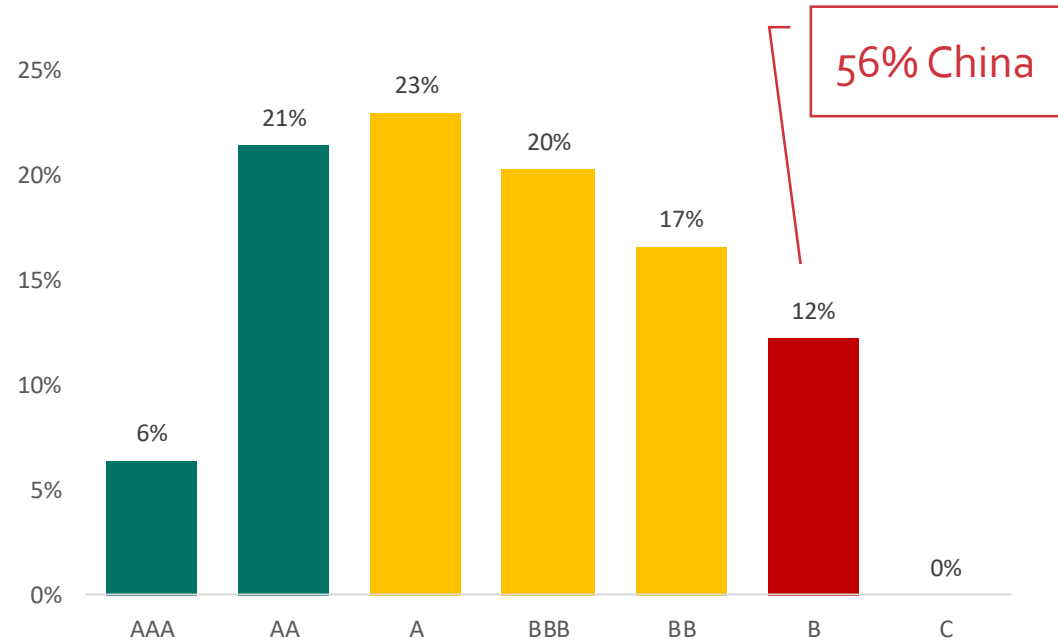


# Regional winners score an average higher ESG rating than the market



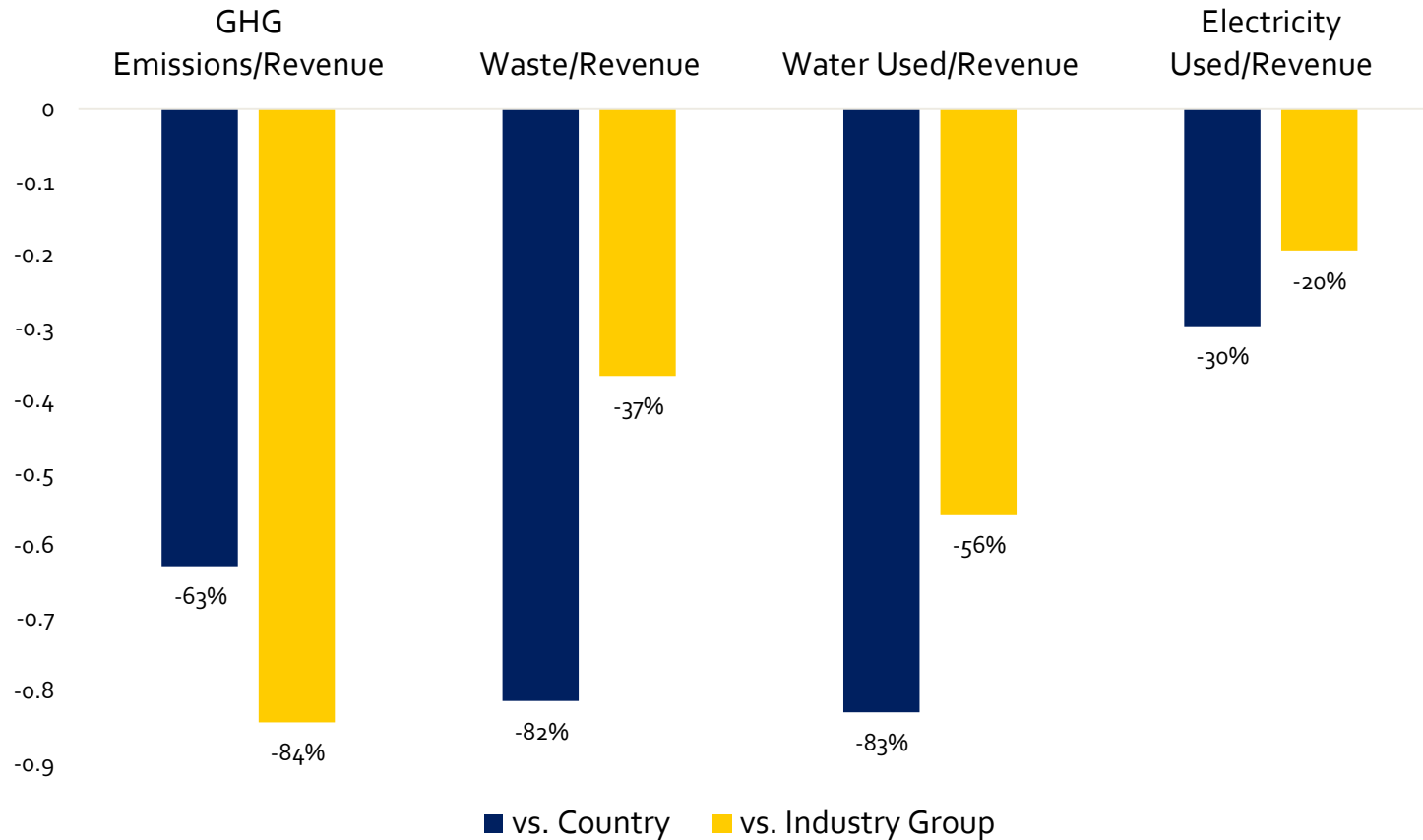
China still lags its Western peers in terms of ESG

ESG Ratings Distribution of MSCI ACWI Index



# ESG Profile of Global Quality Companies vs. MSCI World All Countries Index

## Environmental Ratios of CEA Winners vs. Country/Industry Group Average



CE Award Winners have better environmental KPIs, compared to their respective industries and countries of headquarters

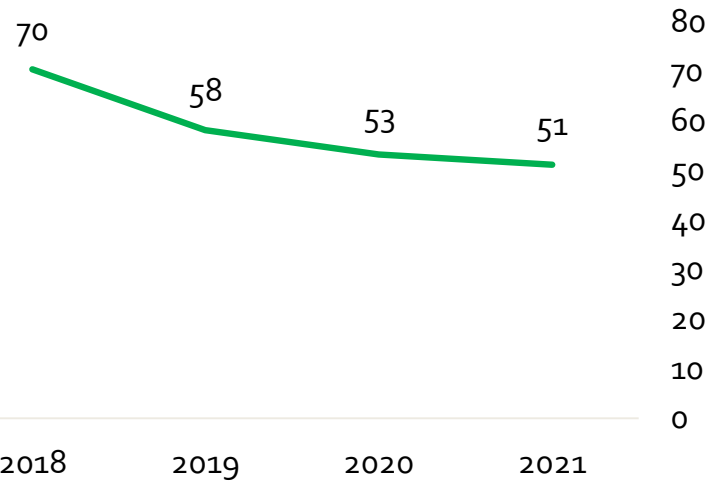
\* Median Value

(KPI: key performance indicator)

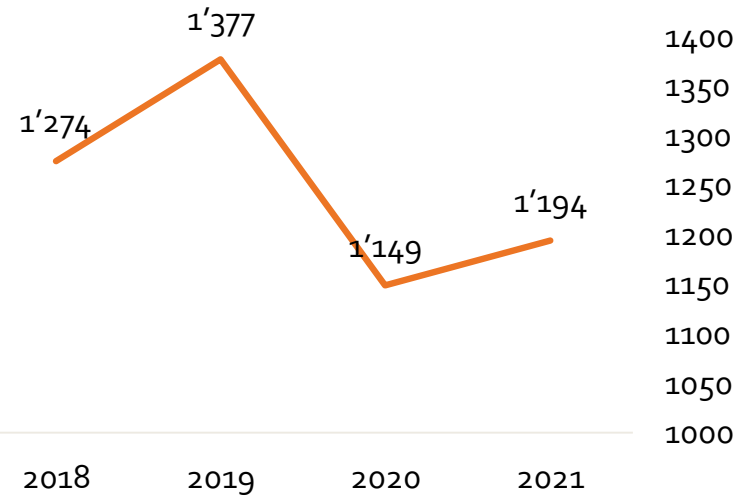
Source: HQAM CE Research, Reuters

# CEA winners are continuously reducing their footprint

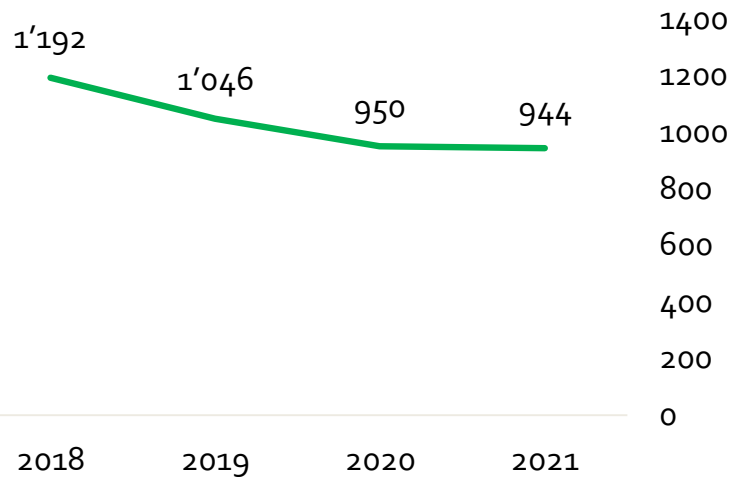
### GHG Emissions/Revenue



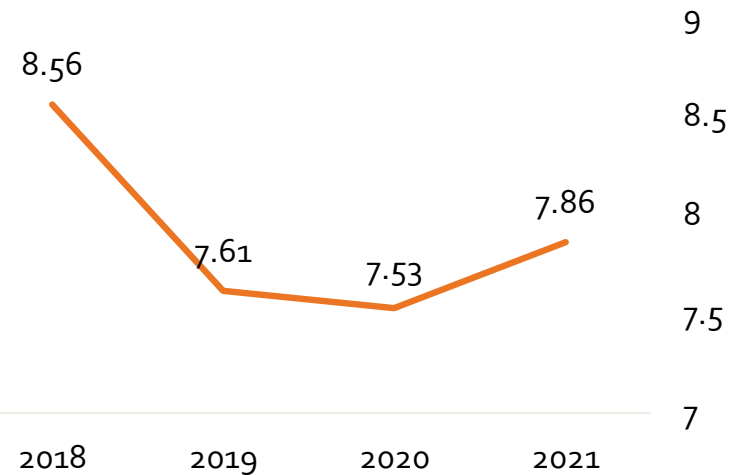
### Water Used/Revenue



### Electricity Used/Revenue



### Waste/Revenue

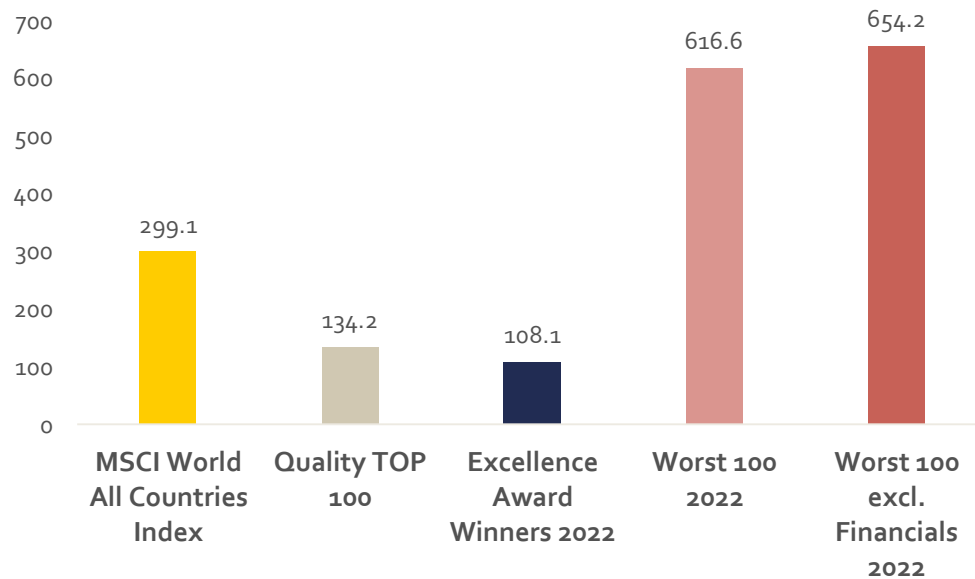


\* Median Value

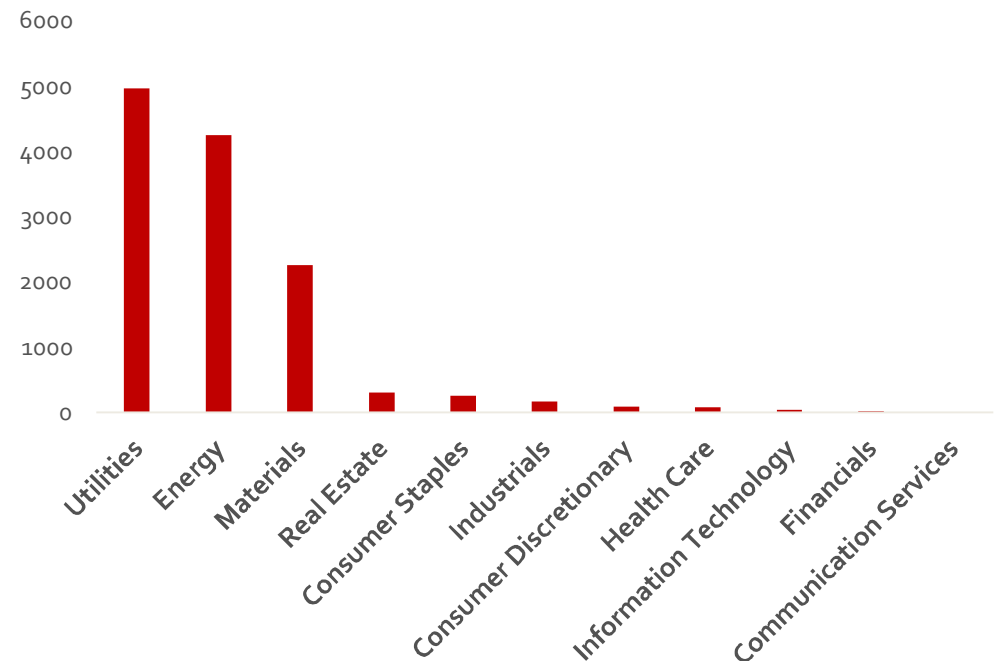
Source: HQAM CE Research, Reuters

# ESG Analysis of CO<sub>2</sub> Emission Exposure

CO<sub>2</sub> Emission (in tons) / Sales (in mn USD) Excellence Award 2022 Comparison\*



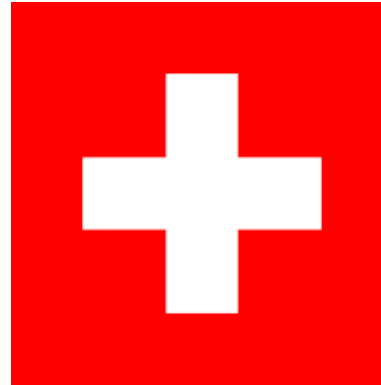
CO<sub>2</sub> Emission (in tons) / Sales (in mn USD) Comparison by MSCI ACWI Index Sectors\*



CE Award Winners 2022 had better CO<sub>2</sub> Emission score than the market and Quality Top 100 companies. Sectors with the best CO<sub>2</sub> emission score are Financials, Communication Services and IT, while the worst are Utilities, Energy and Materials.

\* Median Value

Thank you for attention!



## Contacts:



Diego Föllmi, CEA Jury Member

- [d.foellmi@ce-award.com](mailto:d.foellmi@ce-award.com)
- +41 43 222 31 41



Colinne Bartel, AC Innovation GmbH

- [colinne.bartel@acinnovation.com](mailto:colinne.bartel@acinnovation.com)
- +49 170 7345 775

Presentation available on [www.ce-award.com](http://www.ce-award.com)

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# Q&A Session

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# Vocabulary

- Consumer Staples sector - comprises companies whose businesses are less sensitive to economic cycles. It includes manufacturers and distributors of food, beverages and tobacco and producers of non-durable household goods and personal products
- Consumer Discretionary sector - encompasses those industries that tend to be the most sensitive to economic cycles. Includes automobiles and auto components, consumer durables and apparel (household durables, leisure products, textiles, apparel and luxury goods), consumer services (hotels, restaurants, and leisure, and diversified consumer services) and retailing
- KPI or Key Performance Indicators - a set of quantifiable measurements used to gauge a company's overall long-term performance
- Beta - is a measure of the volatility - or systematic risk - of a security or portfolio compared to the market as a whole

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