There Are No Accidents

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In the recently published FY2024 annual report, Chair Nayla Hayek at Swiss listed founding family controlled **Swatch** explains why they elected to publish one version of their annual and sustainability reports in a *miniaturized* format. As she put it "*These are not exactly gigantic figures* [re their financial results]. ***All jokes aside*** *, the history of watchmaking has always been a constant quest for miniaturization*"

I admire their innovation and the courage of their convictions. The problem with saying 'jokes aside' is the reality that most people do not put jokes aside; and especially not when they are shareholders that have experienced a painful 63% share price decline over the past two years. To those shareholders this is probably the worst possible time for the executive to be cracking jokes. I think making jokes is best left to professional comedians. Unless, of course, there might be another intention.

I will never forget when one of the wisest and most successful long-term business entrepreneurs in South Africa visited in person 23 years ago to talk about his small cap listed company, that my former employer owned a large minority shareholding block in. The stock seemed deeply undervalued, so I really wanted to be in that meeting. Even now I can clearly recall how tough things seemed to be going. To me, he literally came across as being down and out, with no fight left in him. There was not even a hint of a shred of positivity in his words or body language during that meeting. It was only later on that I realized that he was in the stock market buying blocks of shares for himself – *at the same time*!

In the brilliant movie Kungfu Panda, the old teacher Oogway says to his disbelieving protégé: '*Master Shifu, there are no accidents*'.

One interpretation of Swatch's seemingly ill-timed attempt at humour is simply that they made a silly public relations mistake. I think, in time, we will realize that this interpretation is naïve.

Another interpretation could be ‘there are no accidents’. A few clear facts assists me, namely:

1. Swatch shares are trading below their all time low historical valuation multiples.
2. The entire market cap of Swatch is currently priced in the stock markets at below the carrying value of its inventory alone; and there is no debt on the balance sheet.
3. Multiple Swatch company executives have, since October last year, consistently been buying tens of millions of Swiss Francs’ worth of Swatch shares in the stock market – paid for in cash.

Source: Google Finance

Our work continues…

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