

Analysis drives performance.

# Obermatt

Strategy Index

Bonus Index

Stock Analysis

Executives

Board of Directors

Investors



We measure companies: strategies, performance, compensation, shares.

# Obermatt AG

## Obermatt is a Swiss financial research company focused on indexed performance measurement.

Obermatt is the industry leader for indexing operating performance. For twenty years, Obermatt has provided its clients with analysis that drives performance.

Obermatt addresses executives, board members, investors and private investors who want to make their decisions based on facts, reflecting reality and do so with the greatest possible transparency and comparability.

Since 2001 Obermatt has analyzed thousands of companies. This long experience has resulted in a unique expertise that enables companies to objectify their performance in the form of indices and to measure and compare it within their industry universe: the Obermatt Method.

Obermatt works purely statistically and completely eliminates the speculative and irrational momentum in the valuation of companies and their strategies. The sobriety of the method promises greater certainty in the assessment of measurement criteria using effective data and enables the implementation of this market-oriented valuation approach, which is successfully used by leading companies and has been demanded by the majority of stakeholders for quite some time.

The company was founded on August 24, 2001 in Obermatt on Lake Lucerne and since then has concentrated on the unbiased presentation of financial performance. The stock corporation Obermatt AG is majority-owned by the employees.

Obermatt represents the activities, achievements and experiences of its founder and CEO Dr. Hermann J. Stern and his team.

Obermatt has implemented numerous strategy and compensation projects for large corporations since 2001. Obermatt regularly publishes its findings in national and international media such as NZZ, FT, F&W, BBC, SRF, Economist, SHZ, Wiley, CFA, in blogs and on its homepage. Dr. Hermann J. Stern is the author of several non-fiction books on value based management.

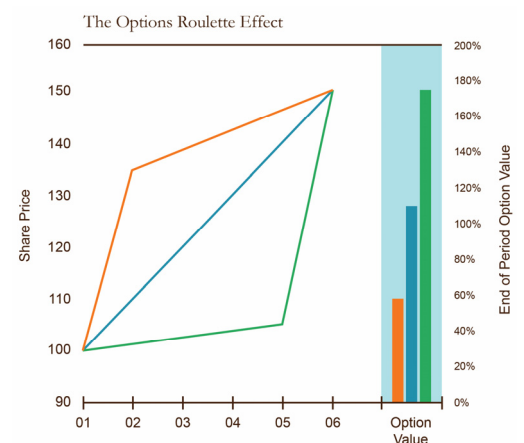
## Analyses for better performance:

- **Company performance**
- **Compensation**
- **Shares**

**Executives** use Obermatt's strategy index for corporate strategy controlling.

**Board members** use the Obermatt bonus index for more stable executive compensation which is more widely accepted.

**Investors** use Obermatt's stock search for an objective view of the stock markets.



Unique database and methodological approach.

## Competencies

### Market-oriented value management

Following the value orientation postulated in the USA by A. Rappaport in the 1980s and the Economic Value Added (EVA) and bonus plans based thereon it established by Joel Stern in the 1990s, Hermann J. Stern postulated market-oriented value management as its further development in 2007.

The exponentially increasing availability of financial data, the growing standardization of accounting and increasing investor activism promote Obermatt's innovative method.

#### Obermatt Method

Although the Obermatt method, metrics and services are new, they are firmly rooted in the proven foundations of management and financial theory and are proven in practice.

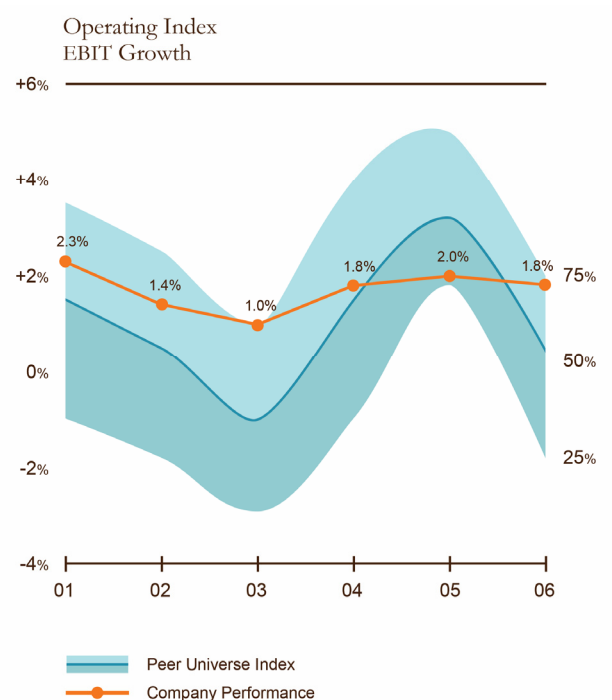
Obermatt goes beyond simple benchmarking. An index is created that makes long series of figures comparable by normalizing a company's operating performance and making it independent of external factors. Benchmarking is an important aspect of performance measurement, which is itself a key process of performance management.

**Value-based management** is the most widespread and implemented form of modern performance management. Indexing operational performance by means of operational alpha and operational rank is the next step in value-based management.

#### Financial ratios become Obermatt ranks

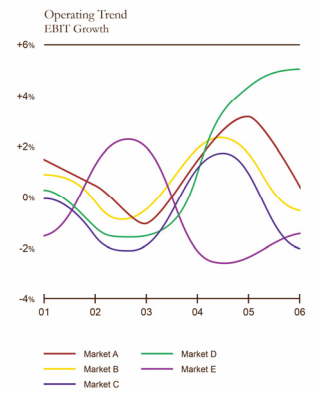
This methodology is the basis for Obermatt's unique benchmarking, which makes companies comparable in terms of performance, strategy, compensation and stock valuation.

As in sports, where only absolutely comparable data counts, Obermatt creates ranks. This system is objective, easy to use, fair, transparent and clearly communicable: for the board of directors, management, shareholders and stakeholders.



Experienced, passionate.

# Team



**Dr. Hermann J. Stern**  
**CEO**

Dr. Hermann J. Stern is the CEO and the creator of the Obermatt Method. Prior to founding the company in 2001, he held finance positions at Compaq and Swisscom.



**Nicole Dollé**  
**Head of Service Contracts**  
is Head of Service Contracts. Prior to that, she studied engineering at the University of Berkeley, USA, and completed an apprenticeship in the health-care sector.

**Carola Repky**  
**Marketing & Sales**

supports Obermatt in customer acquisition. She has held management positions at SBB and Sandvik and is involved in Swissmem and the Swiss management organization SKO.



**Jürg Schmidt**  
**Marketing & Sales**  
supports Obermatt in Sales and Marketing. He was product manager and marketing head at companies such as Sihl, Océ Switzerland and SMEs.

**Daniel Wiederkehr**  
**Head of Analysis**

is Head of Analysis and Special Projects. Prior to this, he graduated from a trinational (F, GE, CH) business administration program and completed a commercial apprenticeship.



**Michelle Cordes-Kraft**  
**Account Manager**  
is Account Manager and responsible for marketing. Previously she was with McKinsey & Company and built up her own trading company.

**Hans Münch**  
**Compensation Advisor**

is an expert for compensation issues and consulting projects. Prior to Obermatt, he held management positions at UBS, Swiss Re and Towers Watson.



**Dr. Candace S. Cheng**  
**Financial Services Expert**  
is a Co-Founder and Financial Services Expert with many years of experience at Swiss Re, Mattel, USA and UBS.

Numbers can mislead.  
Relative performance reveals the reality.

# Indexed Corporate Governance

## Analyses for better performance

Obermatt makes performance visible so you get more out of it. Executives get more company performance, investors receive more return on their invested capital.

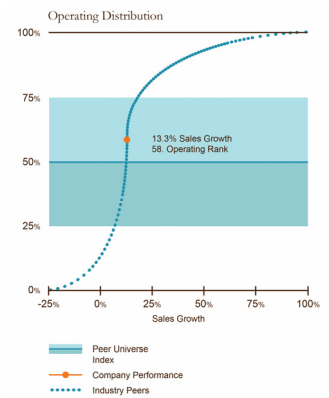
Indexed performance measurement steers the company by comparing company performance with market performance. Instead of measuring performance as target deviation like in Management by Objectives, performance is assessed as a market deviation.

With indexed performance measurement, company performance can be better evaluated because it shows performance independent of external factors, such as economic or business cycles, the ups, and downs of exchange rates and raw material prices and extraordinary events such as mergers & acquisitions.

Such disruptive factors dilute the target and budget deviations used in traditional performance measurement, which leads to false signals, especially in highly volatile markets. These errors are avoided with indexed performance measurement.

### Methods of indexed corporate governance

Indexed performance measurement uses a range of instruments to measure performance in a market-oriented manner. The principle is always the same. Instead of agreeing on goals that later serve as a reference point, it measures - as in sport - how valuable the performance is compared to similar performances.



## Obermatt's indexing operating performance service offerings

Indexed performance measurement is used in performance-related compensation and in the assessment of strategy implementation:

### ▪ Indexed Compensation

Indexed compensation compares company performance with a market index. This indexed performance measurement **motivates for profitable growth** that target-based compensation systems typically hinder, even if growth targets are used.

### ▪ Indexed Strategy Controlling

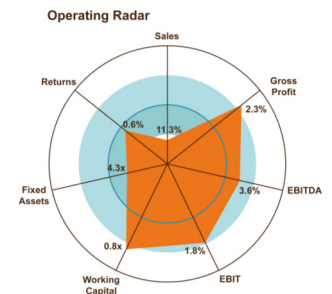
Indexed strategy controlling expresses performance relative to the market which makes strategic controlling independent of the business cycle which classic strategic controlling cannot achieve.

## Evaluations of indexed performance measurement

The indexed performance measurement uses relevant benchmark companies for relative performance comparison. Such relevant peers for indexed operational performance measurement are called peer companies. A group of peer companies is called a **peer universe**.

Unlike benchmarking, the perspective of indexing is that of the investor, since the objective of indexing is to measure performance. This performance is determined by investor behaviour: If an investor regards a company as a peer, then this company is part of the peer universe for indexing.

External factors distort your numbers.  
Relative performance uncovers the truth



## Strategy Index

### Recognize performance better

The Obermatt Strategy Index puts performance in perspective. Companies recognize how their growth and restructuring projects perform, even when markets are highly cyclical or far from home base. Companies that have been using the Obermatt Strategy Index for over a decade benefit from fewer performance inhibitors, better overview and more growth.

1. **Fewer performance inhibitors:** Performance-inhibiting target and budget negotiations are mitigated because their significance in performance assessment is reduced.
2. **Better overview:** Lesser-known markets and regions become more transparent thanks to direct regional and segment performance comparisons.
3. **More growth:** The overemphasis on cost reduction programs is mitigated through growth-oriented performance measurement

These advantages result in a more performance-focused orientation, which previously suffered from performance inhibiting target- and budget-based controlling methods.

### Measure performance simpler

The Obermatt Strategy Index makes controlling and financial reporting easier and more transparent. Because company performance is measured relative to the market, CFOs and controllers can create more effective and relevant financial reports. You benefit in three ways:

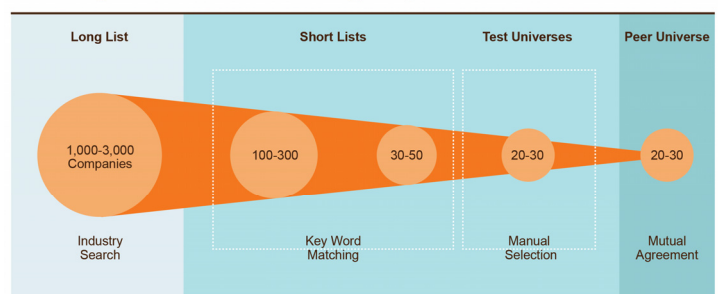
1. **Neutrality:** Indexing neutralizes the influence of external factors for an unbiased and transparent view of your company's performance. This helps to eliminate misleading signals.
2. **Comparability:** Management reporting becomes universally comparable and therefore more meaningful.
3. **Simplicity:** Visual presentations and simple rankings make financial reports easy to understand and therefore more useful for managers outside the financial world.

### Application Peer Universe

Peer universes are custom-built per company depending on the requirement of analysis. Thus for one company, different peer companies could be relevant for the sales analysis rather than for the analysis of capital efficiency of the same company. Obermatt builds between three and eight peer universes per company and business division.

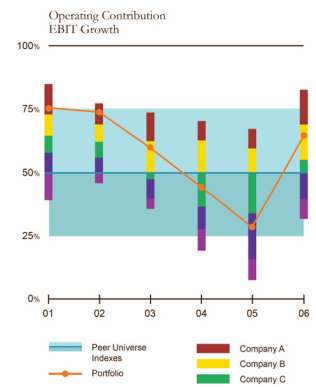
The peer universe is validated by Operating Trends. Parallel developments of Operating Trends indicate that the peers are similar from an investor perspective. This means that the peer universes of similar Operating Trends could be consolidated for indexed operating performance assessment. Obermatt determines whether this is the case, individually with each client and the responsible manager.

Obermatt peer identification methodology and process





Bonus targets can misdirect. Relative performance motivates in every situation.



## Bonus Index

### Universally accepted compensation

The Obermatt Bonus Index puts an end to the bonus debate as executives receive stable payouts and shareholders are more likely to accept these payments. In fact, key stockholders' representatives, known as proxy advisers, explicitly use the indexed operational performance measurement underlying the Obermatt Bonus Index to assess the appropriateness of executive compensation.

Why is the bonus debate ending? Because of the characteristics of indexed performance measurement: payouts are stable, performance measurement is transparent and compensation levels are in line with expectations because gut feeling always thinks relative.

### Stability and acceptance

Managers want stable remuneration that is in line with the market, and shareholders want transparency of performance. The Obermatt Bonus Index delivers both in a simple and sustainable way.

Companies that have been using the Obermatt Bonus Index for many years report three key benefits:

1. **Stable payouts:** Payments are more stable over time because indexed performance fluctuates less than prior year, budget or target comparisons.
2. **No Sandbagging:** Sandbagging in goal setting and budgeting processes ends because compensation is no longer linked to it.
3. **More acceptance:** The remuneration results meet with more understanding internally because they are not dependent on subjective target negotiations and can therefore be better represented externally.

These advantages lead to more satisfied employees and neutralize the biggest mistakes of goal- and budget-based compensation procedures.

### End of the bonus debates

The Bonus Index makes executive compensation stable - which is what beneficiaries want - and fully transparent for everyone - which is what shareholders demand. At the same time, the level of compensation is in line with the expectations of both beneficiaries and shareholders. This effectively ends all bonus debates, because when everyone gets what they want, there is no need for further discussion. Last but not least, peer review is a better motivator than compensation based on fixed targets or formulas.

### Stable compensation - for executives

Indexation neutralizes economic cycles, raw material price moves and exchange rate fluctuations, so that only those performances are measured that executives control. This gives executives more control over their performance and allows them to precisely manage fluctuations in the bonus payments. Using operating financial indicators for bonus payments further reduces volatility in pay than compensation plans based on fixed targets or relative total shareholder return which often changes more dramatically than people think. Less fluctuation means more satisfied executives and fewer bonus debates.

### Full transparency - for shareholders

Indexed compensation systems provide stable compensation with full transparency because all information is public by definition. Published performance is compared to peer companies. This has the advantage that the entire system can be disclosed to all parties at any time. Shareholders can even vote in advance on the bonus index, which gives executives compensation security.

Obermatt is recognized.

## Testimonials



### Bonus Index



Adecco has been using the Obermatt Bonus Index for several years now. What I like is that the performance measurement is relevant and at the same time follows a "simple" logic. This makes communication very easy.

*Dirk Stienaers, Head Compensation & Benefits, Adecco*



At LafargeHolcim we chose Obermatt as our service provider for measuring the relative component in our STI and LTI plans because this method provides better incentives and we have had good experiences with Obermatt as a competent market leader.

*Natascha Haegy, Group Head of Compensation & Benefits, LafargeHolcim*



Sika seeks committed employees who strive to reach high strategic goals based on an inner drive. Variable compensation plans complement this aim. These plans are based on success in the marketplace. The Obermatt Bonus Index meets our needs for neutral assessments of market success.

*Ernst Bärtschi, CEO, Sika*



Our Board of Directors value the Obermatt Index for the transparency and fairness it brings to our executive compensation. The Index forms the basis for a capital market oriented and sustainable compensation for our management team.

*Dr. Iñigo Natzel, Corporate Vice President Group Human Resources, Symrise*

### Strategy Index



Obermatt's indexed Peer Group Benchmarking gives us an important external perspective and assessment of our management team's actual performance.

*Andreas Lindner, CFO, Ricola*



External reference benchmarks are often not available for a family-owned company with a complex range of services. In this regard, Obermatt's approach adds an important contribution to our performance assessment and fits perfectly into our flexible control concept.

*Jörg Kampmeyer, CFO, Hilti Aktiengesellschaft*



We use the Obermatt Bonus Index at Tesa, because it provides the entire organization with a strategic and long term focus on the competition.

*Jan Christoph Teetz, Finanzvorstand, tesa SE*



Obermatt's Strategy Radar provided a Value Based investor perspective for our planning and management processes.

*Helmut Elben, Head of Corporate Planning, Georg Fischer AG*

### Experts



Universität  
Zürich

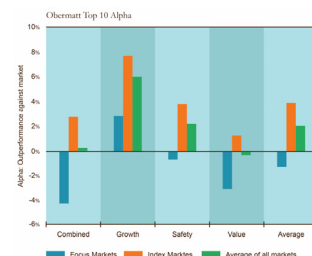
The Obermatt Bonus index eliminates arbitrary stock price movements. This approach is convincing for management compensation.

*Prof. Peter Forstmoser, University of Zurich*



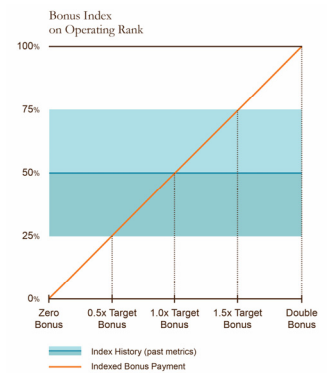
One thing that is not used as often as it should be used is benchmarking the relative performance of the company to other companies in that sector.

*Prof. Steven D. Levitt, University of Chicago*






Proven for years. Sustainable success with the index method.




## Our valued clients

|                       |                  |
|-----------------------|------------------|
| Adecco                | Raiffeisen       |
| AdvalTech             | Ricola           |
| Altana                | Schaffner        |
| Bank J. Safra Sarasin | SGS              |
| Bucher Industries     | Siegfried        |
| CapVis                | Siemens          |
| CPH                   | SIKA             |
| Dätwyler              | Sonova           |
| Dormakaba             | Swisscom         |
| ELMA                  | Swissgrid        |
| Georg Fischer         | Symrise          |
| Hilti                 | Tesa             |
| Jacobs Foundation     | Toyota Textile   |
| LafargeHolcim         | VAT              |
| Leica Geosystems      | Vetropak         |
| Lonza                 | Vitra            |
| Meyer Burger          | Wartec Invest    |
| Mikron                | Zehnder          |
| Panalpina             | Zumtobel         |
| Phoenix Solar         | Zürich Flughafen |

 For CEOs and other members of the Executive Board I recommend Board members to implement indexed bonus programs that are based on financial and non-financial metrics and to reward short and long term performance likewise. Thus, the operative performance is being measured reliably, cycles neutral and in an integrated way.

*Prof. Martin Hilb, University of St. Gallen*

 There is long battle to be fought to overturn the flawed orthodoxy concerning executive compensation. But it is a battle worth fighting because current practices are bad for shareholders and bad for economic growth and prosperity. Hermann Stern is an important and positive voice in this battle. I admire and respect what he says and does and highly recommend his Bonus Index blog.

*Prof. Roger Martin, University of Toronto*

## Shareholders and their representatives



We use the Obermatt Bonus Index to determine the appropriateness of bonus payments according to the legal obligations.

*Ulrich Hocker, President, DSW – Deutsche Schutzvereinigung für Wertpapierbesitz e.V.*



Obermatt's quantitative approach of the Bonus Index is both transparent and objective and puts shareholders and companies on a level playing field.

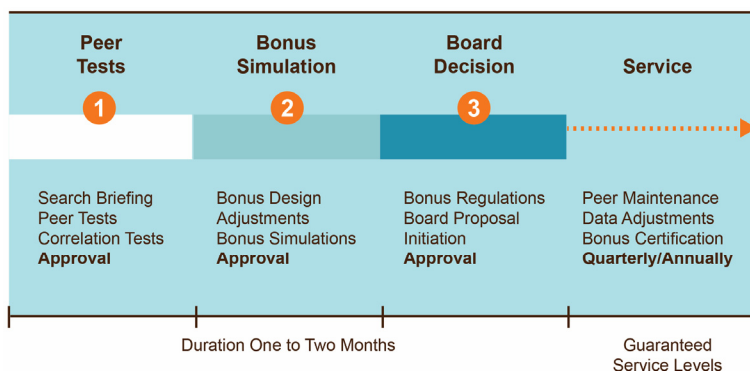
*Sarah Wilson, CEO, The Manifest Voting Agency Ltd*



The Obermatt Bonus Index allows us to compare CEO compensation with relative performance to assess it for the zRating.

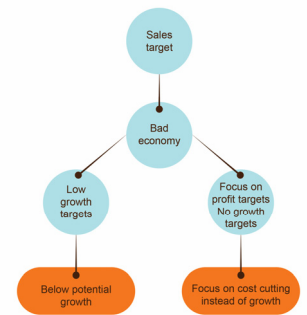
*Gregor Greber, CEO, zRating*

## Overview of the Bonus Index implementation in your company



Obermatt

Indexing gives managers control over their performance.



# Indexed operational performance measurement

## Definition

Indexing operating performance measures internal accounting performance against the performance of industry peers.

## Objective

The objective of indexing is the assessment of operating performance. Without indexing, performance measurement would be distorted by external effects, such as macroeconomic factors.

## Approach

Indexed operating performance measurement applies the same approach to performance assessment that investors or shareholders follow when evaluating key financial ratios. An investor assesses the investment opportunity relative to alternative investment opportunities and thus implicitly assesses relative performance following the principles of indexing operating performance.

## Methodology

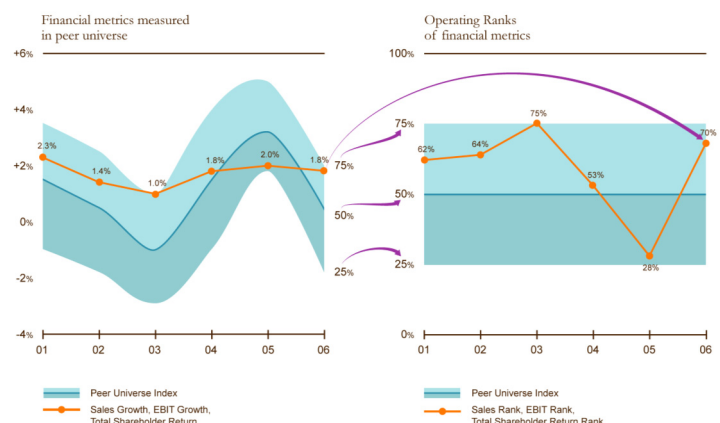
The assessment of indexed operating performance measurement can be implemented in two ways:

1. by comparing the difference of the internal performance with the average or the median of the performance measurements of peer companies. For actual key metrics, this difference is called **Operating Alpha**.
2. by calculating a **percentile rank** of the internal performance relative to peer companies. This percentile rank is called **Operating Rank**.

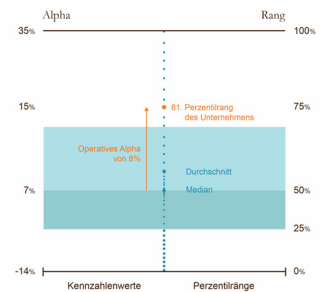
Furthermore, indexing operating performance uses a series of specific methods of analysis, such as Operating Index, Operating Trend, Operating Radar, Operating Ranking, Operating Contribution and Operating Distribution.

## Differentiation in benchmarking

Indexing operating performance differs from traditional benchmarking in its approach. Traditional benchmarking does not apply the investor perspective but focuses primarily on peer companies with similar products or business processes. Conversely, indexing considers companies with similar sales or supply risks in the peer universe; these peers are therefore exposed to similar operating risks from a shareholder perspective. The research company Obermatt chooses a different approach by compiling peer universes for its clients from an investor perspective. The primary goal of benchmarking is the enhancement of particular products and processes to achieve a benchmark ("best in class"). The aim of indexing is the performance assessment of operating activities which exclude the impact of external factors, such as business cycles, resource price changes or customer demand.



Rewards performance even in a downturn.



# Advantages of Indexing

## Indexing operating performance has two distinct advantages:

### 1. Rewards growth and outperformers

The well-known but problematic focus on profits rewards activities in restructuring, cost reduction and outsourcing of production to lower cost regions, because savings generate profits faster than investments in future growth. These usually take longer to bear fruit. Outperformers with ambitious goals receive less compensation due to higher expectations. In indexed performance measurement, outperformers are rewarded for their willingness to perform.

### 2. Measures independent from external factors

Measuring performance relative to an external index neutralizes all factors affecting all competitors. This eliminates external influences in the performance record of executives. They have more control over their performance assessment because executives are no longer penalized by the economic cycle, fluctuations in material prices, exchange rates or unexpected events. Therefore performance is worthwhile even during a downturn because it is recognised in difficult times and effects higher compensation.

These two advantages enhance operating management tasks in three areas:

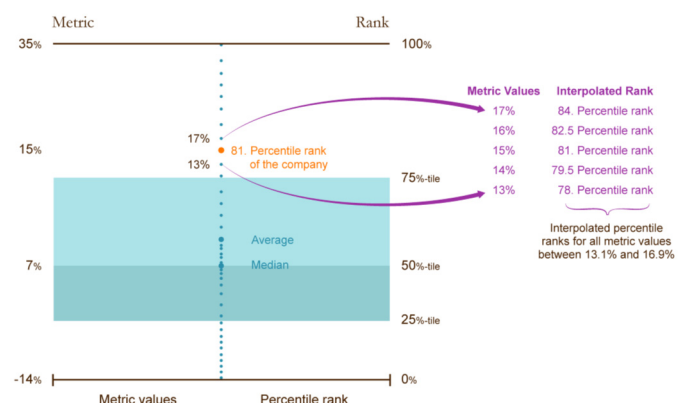
in **compensation programs**,  
in **strategic planning**  
and in **investment analysis**.

### Benefits of Bonus Programs

- In indexed bonus programs, objectives would not be set as absolute targets but as indexed bonus targets. The advantage is the elimination of the impact of external factors on the bonus target.
- The bonus target eases when the operating index decreases and rises when the operating index increases. Thus, true operating performance is compensated and not the effect of economic cycles.
- As a neutral party, Obermatt maintains Operating Indices for its clients to link their bonus targets to an objective, third-party Operating Index.

### Benefits in strategy and investment analysis

- In strategic and investment decisions, key figures are not compared as absolute values but as Operating Alpha or Operating Rank (as a percentile rank).
- The advantage is the direct comparability of dissimilar key metrics in dissimilar businesses and in dissimilar reporting periods. By expressing a key metric as a percentile rank, an objective assessment of the key metric is obtained which illustrates how a company really performed compared with its peers.
- Obermatt provides the required indexed performance measurement data for strategic planning and controlling on a regular basis so that strategic planners and controllers can focus on the planning, modeling, and interpretation of performance.



# Obermatt

Obermatt AG  
Langstrasse 21  
CH-8004 Zürich  
+41 44 576 42 30  
[obermatt.com](http://obermatt.com)