PILFOR
LENDING SOUNDNESS

April 2021

# Monthly Market Insights

## Stock Market

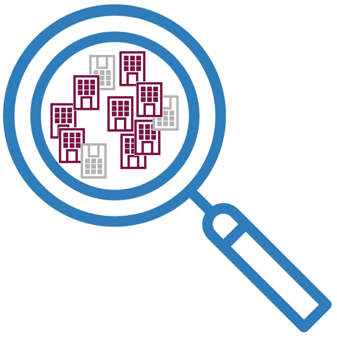
When the massive pandemic tidal wave lashed out a year ago, BEACH stocks (booking, entertainment, airlines, cruises, and hotels) were thoroughly pulled under water. Their market capitalizations drowned faster than the falling tide. Spurred by vaccine breakthroughs and recent roll-outs, massive central bank liquidity, and peoples' desire to return to the beach for holidays, the tide has definitely moved in favor of many BEACH companies. The saying “what you lose on the swing you gain on the roundabout” definitely holds true for many BEACH companies, as their stocks outperformed the S&P 500 (+43.7%) during the same period. However, pandemic-related trends turned some of the companies into leaders such as online betting, while making others into laggards such as airlines and hotels. Despite the continuing fundamental challenges, valuation levels of many BEACH stocks hint towards a return to beach holidays in the not-too-distant future.

**BEACH leaders and laggards**


## Capital structure

Estimates point to 20% of all SMEs may be reaching negative equity by the end of 2021, seriously challenging the affected SMEs, creditor banks and public authorities alike. The different distribution of viability within the pool of distressed firms and the inapplicability of normal parameters to assess viability due to the exceptional nature of the Covid-19 crisis complicate the pending “triage” and decisions on financial support for restructuring or solvency support. Further, solvency support requires more differentiation than the broad-based liquidity support initially granted. The required comparison between going concern and liquidation value will also challenge the actors of viability screening with public authorities suffering congestion, and creditors and firms themselves facing uncertainty about economic prospects at the micro and macro level. Decisions for the next months with high stakes for employment and financial stability.

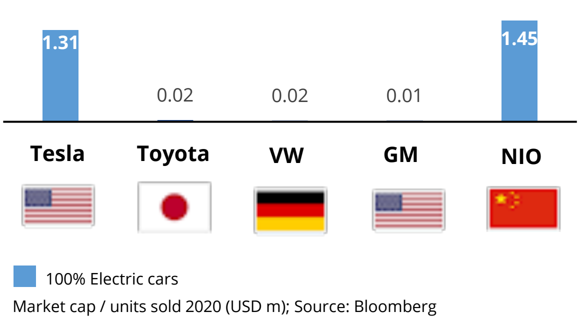
**Identifying and supporting the viable SMEs**



## ESG

After Tesla 2020 rose to become the undisputed giant of the automotive industry with its market capitalization despite its modest number of vehicles sold compared to the leading providers, established business models within the industry were strongly questioned. Apple's announcement in December 2020 that it would launch its own car by 2024 also caused a corresponding stir. The development towards a purely electric drive and thus a clear ESG orientation can no longer be stopped. A new era has begun for the automotive industry. The fundamental and rapid ESG-related orientation of large and smaller suppliers towards new technology, infrastructure and the development of better battery cells, as well as the associated investments, are indispensable prerequisites for future success. Capital - as the examples of Tesla and NIO show – is seriously focusing on this development.

**Capital & ESG in the focus of automobile manufacturers**




Market cap / units sold 2020 (USD m); Source: Bloomberg

PILFOR is an independent and specialized debt & capital advisor establishing and optimizing funding access - financial flexibility - financing costs

**PILFOR AG**
Fürstensteinerstrasse 9
CH - 4053 Basel