

JUNGFRAUBAHN A MOAT AT 3,454 M ABOVE SEA LEVEL

Albin Kistler opinion piece

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The Jungfrau Group is one of the success stories of Swiss tourism. The company combines many characteristics that make for a high-quality company. In an interview with its CEO of many years, Urs Kessler, we gained a fascinating glimpse into its unique business model.

JUNGFRAU RAILWAYS

A MOAT AT 3,454 M ABOVE SEA LEVEL

Export industry tourism

Anyone who believes in quality and safety will create the optimum conditions for compelling investment results in the long term, and avoid unnecessary risks. Such risks can arise particularly in transnational investments in regions and countries with unstable institutions, weak currencies and constitutional shortfalls. In the worst-case scenario, the entire investment may be lost.

With its political stability, solid infrastructure and open economic policy, Switzerland offers attractive and stable framework conditions. This manifests in its varied, healthy corporate landscape, which, thanks to its international business activity, shows a far stronger growth dynamic than the stable but leisurely growth of the Swiss economy might suggest.

Considerably stronger economic growth is, on the other hand, being observed in the so-called 'emerging economies'. Thanks to their growing integration into international economic flows, amongst other things, these countries are making impressive economic progress. These gains in prosperity are leading to rising wages, greater purchasing power and new needs, such as the desire for leisure experiences and distant foreign holidays. Switzerland enjoys an enduringly high appeal as a holiday destination in this regard.

It is thus not only the Swiss pharmaceutical, chemical, machine and watch industries that benefit directly from their transnational business activities: Swiss tourism should also be classified as a major export industry.

The high-quality company of the Jungfrau Railways

Jungfrau Holding, based in Interlaken, is a traditional company active in the Swiss tourism industry. Its successful operational development over the past decades makes the company an excellent example of how to participate in impressive global prosperity gains by investing in a high-quality Swiss company.

We will now show you below the characteristics that make Jungfrau an impressive, high-quality company.

The Jungfrau as a unique selling point

Excellent companies manage to use well-thought-out products and services to create a 'moat' for themselves, setting themselves apart from the competition and securing their market position over the long term. Jungfrau Holding has achieved this.

With its facilities and service offer on the Jungfrau, Jungfrau Holding operates one of the most attractive, year-round alpine destinations in Europe. Together with its very successfully developed adventure mountains (First, Harder Kulm and Winteregg-Mürren), it represents an offering that is hard to copy and experiences demand that is sustainable over the long term. For many international tourists travelling to Europe, a visit to the Jungfrau region is very high on their list of priorities.

Healthy finances

The tourism sector is cyclical. Turbulence such as economic crises or geopolitical conflicts can affect global travel patterns directly.

Fig. 1: COVID outbreak and recovery

	2019	2020	2021	2022	2023
Guests at the Jungfrau (thou.)	1'056	363	365	625	1'007
Total company turnover (CHF m)	223	126	131	214	278
Operating result (CHF m)	68	-11	-11	51	100
Net debt (CHF m)	57	-25	-33	35	89
Equity ratio	78%	72%	72%	75%	73%

Source: annual reports, own calculations

This makes having a healthy financial situation all the more important. In spite of recurrent high requirements for capital to run the mountain railway, the Jungfrau Group has a debt-free balance sheet and a very high equity ratio of over 70%. The

company engages in new, transformational projects only if it has itself generated sufficient funds to do so.

This very reticent approach to borrowing ensures it can continue to trade even in challenging times. The COVID pandemic illustrated this convincingly: The company comfortably withstood the two loss years of 2020/2021 financially (see Figure 1).

Excellent management

As our analysis keeps confirming, one of the essentials for success – possibly even the single most important factor – is the quality of the company’s management (its executive board and board of directors). This is because the management sets the course for everything that happens there – staff, operations and strategy. Good management can be recognised from three attributes:

- The treatment of key stakeholders
- Long-term corporate strategy
- Ambitious in performance, down to earth in communication

Chief Executive Officer Urs Kessler has been in charge of Jungfraubahn Holding since 2008. He is supported in this role by Christoph Seiler, who has been responsible for finances since 2002 and has taken on the responsibility of planning the company’s capital-intensive investments with prudence and foresight so as to accomplish them using as little borrowed capital as possible.

We have been in regular contact with company representatives over the past few years and have always been convinced by the quality of their company management. Mr Kessler is to step down as CEO of Jungfraubahn Holding in 2025. He has shaped the company significantly. Below, we provide a glimpse into the discussion that we had with Mr Kessler during our visit to the company in April 2024.

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“Not even I thought we would gain so much market share.”



Urs Kessler, CEO, Jungfraubahn Holding

Albin Kistler: Jungfrau Railways posted record results in 2023. That is great. Based on our impression of the company, however, you will not spend long celebrating before looking to the future.

Urs Kessler: Correct. Today's success is tomorrow's greatest threat.

During the pandemic, Jungfrau Railways, like many other companies, saw that things can rapidly take a different turn.

We were accustomed to success and had never known a crisis. The humility that this event brought was good for all of us. We have become much more productive.

Did you also use the crisis to have a thorough look at everything from the ground up to see how you could become better and more efficient?

We did. We did things that we could never have achieved without the crisis. We went through each individual cost item and optimised the whole chain. For example, we consolidated certain responsibilities and now plan the use of rolling stock and train personnel on a more short-term basis according to weather forecasts. Previously, this would have been unthinkable.

So there were some adjustments to the organisation. What is the situation with regard to positioning? In order to be a market leader, you have to set yourselves aside from other providers.

We have been taking advantage of a series of options for a while now. This came to the fore again during the crisis. The most important thing that a company can do at a time like that is to show appreciation for its customers. We always look for direct contact. Not only with the people who come here, but also with travel operators abroad. I don't know of any companies that visited customers around the world during the crisis. I did that. This allowed us to gain additional market share after the pandemic, although not even I thought we would gain that much.

Visitor numbers at the Jungfrauoch – Top of Europe have exceeded 1 million for the first time since 2019.

That's right, and they weren't all solo travellers: group tours returned as well. However, we are still seeing 120,000 fewer group tourists from China and Japan. So not everything has returned to the way it was, but we have been able to compensate that thanks to South East Asia, India...

...and travellers from America.

Yes, that was a pleasant surprise. We've accomplished a lot there, and since the beginning of 2024 we've had our own agency in Portland. We've had someone in Brazil since 2012. We appointed a person in Rio because of the 2016 Olympic Games – an event to which people travelled from many different countries. This means that South America is also covered. The agencies on the American continent help us to be less dependent on Asia.

But you've had agencies in Asia for longer?

In 1997 and 1998, in the middle of the financial and economic crisis, we became the first Swiss mountain railway company to set up agencies across Asia. Incidentally, almost all the people we hired for those agencies at the time still work for us today. This has been a great help to us. It was an important measure in terms of using a long-term strategy to achieve market success.

What is your view of the competition?

I naturally keep an eye on what they have to offer. But I always believe that, rather than talking about our competitors, we should focus on ourselves. And

on our visitors. If you want to be innovative and creative, contact with your customers is essential.

Bringing in visitors is one thing. Meeting their needs as well as possible once they are here takes additional effort. Can you cite some examples of how Jungfrau Railways have succeeded in this?

In 1996, I was in India. I knew that the preferred travelling season there was in April, May and June – we needed guests for that period. So I made sure they travelled to us.

When they arrived, we noticed that they had brought their own food. Rösti, bratwurst and fondue did not appeal to them. You have to respect that. We therefore decided to open the Bollywood Indian restaurant on the Jungfrauoch. It made all the media and became world-famous, which multiplied the number of visitors from India in no time at all. If all you do is sit in your office, without being active on the market, you will never have ideas like this.

But that was a special case. We have a few special dishes on our menu for guests from other countries, for example, or we cater for group menus. Of course it is impossible to cover everything. Deciding what to offer and what not to is always a balancing act.

Jungfrau Railways have also come up with some other surprising marketing tools.

As I always say, I am confident that we can market any product – if the product is good. It's purely a question of marketing. And marketing is not merely a matter of money. For example, when we arranged for the pianist Lang Lang to play at the Jungfrauoch, it cost us precisely 50,000 Swiss francs, but it allowed us to generate 650 million media contacts. Social media in particular are an important advertising channel. Brazilian football legend Ronaldo came to visit us in January this year. He has 30 million followers on Instagram. You can do marketing with relatively simple things.

You already brought famous people to the Jungfrauoch a while ago.

I once bumped into Andy Hug on a flight to Tokyo. He wasn't yet famous in Switzerland at the time, but he was already a star in Japan. I brought him to the Jungfrauoch, where he performed the 'Andy kick' in a traditional Swiss shirt. We took photos and he signed them. Jungfrau Railways invited him over for a weekend and he did promotional activities for

us in Japan in return. Other activities where innovation and creativity are required, like football, tennis and traditional Swiss wrestling, have also come to the Jungfrauoch. Whereas others invest millions in advertisements, we get more out of the activities we run.

But you do run conventional marketing activities as well?

Obviously, we do things like market research and representative surveys on a large scale, but we also talk to people individually. Our findings included the fact that Italian guests' favourite attraction is the ice palace, or that many guests appreciate getting a little chocolate from the train attendant during their journey. These are the sorts of small things that you only find out when you talk to people and ask really specific questions. And when it becomes clear that we really value feedback.

All this attentiveness is laudable, but, at the end of the day, the company has to function – and Jungfrau Railways' latest annual results convincingly demonstrate that it does. It is often said that winter sports are not very profitable. Is it really such a poor business?

No, ever since we have had the V-Cableway, that has no longer been the case. Guest numbers are rising again and the 2023/2024 winter season was the second-best in the last ten years. We are now back in the 'champions league' of winter tourism. It is true, however, that winter involves a lot of expenditure.

The V-Cableway project encompasses two cable cars, a new public transport link, a car park and a spacious terminal as a valley station as well as a modern summit station with a connection to the historic Jungfrau Railway. The Eiger Express tricable gondola lift takes guests from Grindelwald Terminal to the new Eiger Glacier station in 15 minutes. It's a huge project.

It kept us busy for a long time, yes. It was clear that we needed to do something: we were no longer competitive, and winter sports guests were spending far too long queuing at our resort. We identified the problem and tackled it. And we succeeded: feedback has shown that we exceeded guests' expectations and set a new benchmark, with the high quality of the service, the impressive terminal and, of

course, a reduction in travel time of up to one hour.

Nonetheless, you make most of your turnover from summer tourism.

We need four strong seasons. Then we can generate enough financial resources to shore up investment in the infrastructure on the one hand and pay out decent dividends on the other.

What are your next major projects?

Renovating the First Aerial Cableway is very important. This cableway is highly significant and has developed gratifyingly over the past few years, particularly in the summer, thanks to cross-marketing with the Jungfrauoch. Now, however, it is time to find the right moment to bring it up to date with current requirements and circumstances.

The renovation of the First Aerial Cableway is planned for 2030. You've already had 80 discussions about it, as we've heard.

Yes, the whole thing must be ready by 2030, as the concession runs out in 2034. Recently, we communicated our decision that we will be pursuing the variation with a new valley station directly at Grindelwald railway station. This will save guests time and allow them to travel in greater comfort: a 15-minute interval on public transport, the Bernese Oberland Railway (BOB), from Interlaken to Grindelwald, and then they will be on the mountain within just 15 minutes after that. We have already ordered ten new trains for the Bernese Oberland Railway, to be delivered in 2025 and 2026.

The discussions often involve identifying requirements or concerns, explaining matters, and so on. Sometimes, for example, we can solve an existing problem encountered by the population as a way of convincing them. Here too, a wealth of ideas are needed.

Some 100 million Swiss francs have been budgeted for the project.

The first thing we had to do was show that we are emerging from the crisis. We did so in the 2023 financial year by recording the best annual results in our history. Now, we can get stuck into this new project.

After all, Christopher Seiler, Head of Finance and IT at Jungfrau Railways, would not be happy if it involved a lot of borrowed capital.

Indeed! He is obviously initially very cautious, by virtue of his role, when it comes to cost-intensive innovations, and he examines every idea carefully. Having someone on board who can apply the brakes a little and challenge things is brilliant. But we want to finance our projects without borrowed capital as far as possible, and at the moment we can.

Do you have other projects?

One other project aside from the mountain railways is a booking platform: Top of Travel – All in One for Switzerland. Imagine that you travel to Switzerland and can book everything from the same place at once: tickets for trains and mountain railways, overnight stays, adventure outings – clearly, simply and with attractive package deals.

This offers great added value for visitors, gives us a competitive advantage and involves only minimum risk and expenditure. I sketched out the idea on a notepad while flying home from Asia during the pandemic. It should be up and running within a year, in time for the winter season.

That's a clever strategic move. And that's not even all that's in the pipeline, is it?

We're working on implementing a series of other important projects: the Eiger Express summit station is set to become Top of Eiger, with a 'vertical experience' museum as its highlight. We are going to position the station at the Eiger Glacier as an additional destination, ideally by 2027.

The 'First Glance' ('Erster Blick') project on the Jungfrauoch is another very important one: the Jungfrauoch mountain lodge is to be adapted to meet our new standards. When guests reach the top of Europe, they should experience a 'wow' factor when they come into the entrance hall.

How do you maintain your high standard in general?

We are constantly looking for areas in need of adjustment or improvement. For example, we renovated our shop on the Jungfrauoch and give people the option of reserving a seat when they book a trip to Jungfrauoch from Eiger Glacier or Kleine

Scheidegg, which eliminates waiting time when changing trains.

The shop seems to be doing well. Do people prefer to shop on the mountain, instead of in the terminal below?

They would rather shop on the mountain, yes. The small Lindt & Sprüngli shop on the mountain has the highest turnover per square metre in the world, and it was also recently renovated.

The stores renting their premises in the terminal also operate under fixed leases, instead of sales-based leases. This must have helped you during the pandemic as well.

Yes. I can thank Stephan Widrig, former CEO of Zurich Airport and current CEO of Allreal, for that. He advised us to do it. This is just one example that shows how important external input is. Talking to people and gathering opinions takes time, but it is worth it.

When we were building the terminal, I got thoroughly involved with it myself. I invited the business developer from Europa-Park in Rust, Germany, and the logistics director of Coop here, and we then spent two days going through the plans. For example, 13 ticket counters had been planned. This was unnecessary in the wake of digitalisation, so we built only six. The toilets had been planned for the basement level; now, they are on the same level as the shops, the terminal and so on, where people spend time.

You should never feel that you know everything better; instead, you should get other people – specialists – involved.

So many adjustments, changes and optimisations... how can you make sure in such a large company that the staff will go along with them?

It takes a lot of communication. During the crisis of the COVID years in particular, however, I was able to take the time to do that. I popped in everywhere, talked to people and asked for their opinion. This was to make sure they did not feel that the decisions were being taken over their heads, and that they could contribute ideas themselves. As I always say, anyone who is not brought on board will generate resistance.

What is important to you?

Being obsessed with detail is very important to me, and I try to pass that on to everyone in the company. It starts with the smallest things, such as not leaving slips of paper on the ground in the terminal. I pick them up, and some people are naturally amazed by the fact that the boss is picking up litter. But these are the details that make up the overall impression.

The culture and identity of the company needs to be passed on. How can that be done?

For that, you need role models who continue to embody them.

You are stepping down in June 2025. Would you like to sit on the Board of Directors after that?

No, I was too dominant at the firm; it would not be a good idea. I will stay out of things, and I am also not involved in the search for my successor. I actually already wanted to step down in 2021, but the pandemic and the resulting uncertainties meant that it was not a good time. I wanted to stay on until business had returned to normal in all areas. It has now done so, in a very gratifying way! (laughs)