

# Is Time Up for Swatch? Inside a Family Feud Worth Billions

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## Contents

1. Reading Passage
2. Explanation
3. Key Terms Glossary
4. Reading Comprehension Quiz (10 questions)
5. Answer Key with Explanations

*Note: the original article is provided as a separate file (attached to the email or downloadable from the website).*

## 1. Reading Passage

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In May 2026, chaotic scenes broke out from New York to Tokyo as collectors scrambled – and occasionally brawled – for a \$450 plastic watch. The 'Swatch Royal Pop,' a collaboration between Swatch Group and luxury watchmaker Audemars Piguet, sold out within hours. It was a reminder that few companies understand hype like the Swiss conglomerate behind sixteen brands, from cheap plastic Swatches to ultra-luxury Breguet timepieces. But the hype masked a crisis. Swatch's net profit had just collapsed almost 90%, to a meager SFr25 million in 2025, following a 75% drop the year before. Its market capitalisation now sits below where it stood more than a decade ago.

This financial slide has ignited a governance war. Swatch is controlled by the Hayek family – CEO Nick Hayek and Chair Nayla Hayek, the children of founder Nicolas Hayek, who rescued the Swiss watch industry in the 1980s by inventing the affordable plastic Swatch. The family operates through a 'pool,' meaning they vote their shares as one bloc. Here's the twist: the Hayek pool owns about 26% of Swatch's economic equity but controls roughly 44% of its voting rights. That gap exists because of a dual-class share structure – a system in which two types of stock are issued, with one class carrying outsized voting power.

Enter Steven Wood, an American activist investor whose firm, Greenwood Investors, holds just 0.5% of Swatch. Wood has tried twice to win a board seat representing 'bearer shareholders' – the non-family public investors whose holdings aren't registered to the Hayeks. He argues Swatch should focus more aggressively on its luxury brands like Breguet and Blancpain, modernize its governance, and develop a real succession plan: Nayla Hayek is 74 and Nick Hayek is 71. The family has refused. In May 2026, Wood lost a second shareholder vote, with 79.6% rejecting him overall. But among bearer shareholders specifically, he won 80% support – a striking signal of how isolated the family has become from its public investors.

The activist isn't alone. Influential proxy advisers ISS and Glass Lewis – firms whose recommendations guide how large pension and mutual funds vote – both backed Wood and urged investors to oppose the re-election of Nick Hayek, Nayla Hayek, and her son Marc. Even Swiss pension funds, traditionally polite about domestic corporate disputes, have grown publicly critical. Vincent Kaufmann of Ethos, a Swiss pension-fund advisory group, has called Swatch one of the worst governance setups in Switzerland.

The Hayeks counter that critics are obsessed with 'short-termism.' They argue that family control allows for long-horizon investment in Swiss manufacturing, vertical integration, and brand heritage that fickle outside shareholders would destroy. Nick Hayek has even hinted he could take Swatch private. But the underlying business is wobbling: sales in China – once the engine of luxury growth – have weakened sharply, and rival Richemont, which owns Cartier, has continued to grow while Swatch contracts. Analysts believe Omega, long second only to Rolex in prestige, has slipped behind Audemars Piguet and Patek Philippe. The deeper question lurking beneath the Swatch fight isn't really about watches. It's about whether founding families, dual-class shares, and Switzerland's quietly clubby version of capitalism can still deliver in an era of impatient global capital – or whether 'long-termism' has become a polite name for refusing to change.

## 2. Explanation

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*Imagine inheriting the world's biggest watch empire – then watching your stock crater 75%, an American activist storming your boardroom, and Swiss pensioners calling you the problem. Welcome to Swatch.*

### What's Going On?

Swatch Group – the Swiss giant behind Omega, Longines, Tissot, Breguet and the plastic Swatches your parents wore in the 80s – is in the worst slump of its modern history. Net profit collapsed almost 90% in 2025 to just SFr25 million, and the share price is down to levels last seen over a decade ago.

The founding Hayek family, which controls the company through a special share structure, says critics are obsessed with short-term profits. Outside investors – led by American activist Steven Wood of Greenwood Investors – say the family is hoarding power, ignoring shareholders, and dragging a once-iconic brand into irrelevance.

### How To Think About It

This is a fight about who actually owns a public company when the founding family holds the steering wheel but other people paid for most of the car.

- Think of a group project where one student did the original brilliant work years ago, still grades everyone else's contributions, and refuses to let the team vote – even though most of the work is now being done by others.
- Or think of a restaurant where the founder's kids inherited the kitchen but the dining room is owned by the neighborhood: customers can complain all they want, but the kids decide the menu.

### Key Things To Know

- The Hayek family pool owns about 26% of Swatch's equity but controls roughly 44% of voting rights through a dual-class share system – economics and power don't match.
- CEO Nick Hayek (71) and Chair Nayla Hayek (74) are siblings; their father Nicolas rescued the Swiss watch industry in the 1980s by inventing the cheap-but-cool plastic Swatch.
- Activist Steven Wood's Greenwood fund owns only about 0.5% of Swatch but won 80% support among 'bearer' (non-family) shareholders – and still lost, because the family's votes outweigh them.
- Proxy advisers ISS and Glass Lewis – the referees institutional investors trust – both sided against the family, a major reputational blow.
- Most people assume 'one share, one vote' is universal. It isn't. Many European and tech companies (Meta, Ford, LVMH) use dual-class structures specifically to protect founder control.

### Why It Matters

If you ever buy a stock, work at a startup that IPOs, or hold an index fund (your future 401k will), you're a shareholder – and dual-class structures decide whether your vote actually counts. Swatch is also a case study in a bigger question facing luxury, tech, and family businesses everywhere: when does 'long-term thinking' become an excuse for ignoring decline? China's slowdown is hammering luxury

brands globally, and how Swatch responds will signal whether heritage companies can adapt or become museum pieces.

### **The Bigger Picture**

Wood lost the May 2026 vote but has hinted at legal action, and Swiss pension funds are starting to grumble publicly – rare in a country that prizes corporate quiet. Watch (pun intended) for three things: a possible Hayek move to take Swatch fully private, a generational handoff to third-generation Marc Hayek, and whether China's luxury appetite recovers. The deeper drama is whether Switzerland's clubby, family-led capitalism can survive in an age of activist investors, ETF voting power, and impatient global capital.

### 3. Key Terms Glossary

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#### **Dual-class share structure**

A setup where a company issues two types of shares – one with extra voting power (usually held by founders/family) and one with normal voting rights (held by the public). It lets a minority of equity owners control a majority of decisions.

#### **Activist investor**

A shareholder, often a hedge fund, who buys a stake specifically to pressure management into strategic changes – like firing executives, selling divisions, or returning cash to shareholders.

#### **Bearer shares**

Shares whose ownership is tied to whoever physically holds the certificate rather than a registered name. At Swatch, 'bearer shareholders' refers to the broad public investor base, distinct from the registered Hayek family pool.

#### **Proxy advisers**

Firms like ISS and Glass Lewis that analyze shareholder votes and recommend how big institutional investors (pension funds, mutual funds) should vote. Their endorsements carry serious weight.

#### **Market capitalisation**

The total dollar value of a company's shares – share price multiplied by number of shares outstanding. A common measure of a public company's size.

#### **Operating margin**

Operating profit divided by revenue, expressed as a percentage. It measures how much of each dollar of sales the company keeps as profit before interest and taxes – a key efficiency metric.

#### **Short-termism**

A criticism that companies (or investors) sacrifice long-term health for quick quarterly results. Family-controlled firms often invoke it to justify resisting outside pressure.

#### **Vertical integration**

When a single company owns multiple stages of its supply chain – for Swatch, that means making its own watch movements, cases, and components rather than outsourcing.

## 4. Reading Comprehension Quiz

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Circle the best answer for each question.

**Q1.** The passage primarily argues that Swatch is best understood as:

- A) A successful turnaround story driven by family leadership
- B) A public company operating like a private family fiefdom
- C) A victim of Chinese economic policy and trade barriers
- D) A pioneer of modern corporate governance reforms

**Q2.** According to the passage, the Hayek family's voting power exceeds their economic ownership because:

- A) They recently bought additional shares on the market
- B) Swiss law gives founders extra votes automatically
- C) A dual-class share structure concentrates voting rights
- D) Other shareholders chose not to vote at meetings

**Q3.** Which choice best states the central conflict described in the passage?

- A) Swiss tradition versus Asian manufacturing competition
- B) Activist demands for change versus family insistence on continuity
- C) Plastic Swatch watches versus luxury Breguet timepieces
- D) Pension funds versus retail investors over dividend policy

**Q4.** As used in the passage, the word 'pool' most nearly means:

- A) A reservoir of water
- B) A collective voting bloc
- C) A shared swimming facility
- D) A game played with cues

**Q5.** As used in the passage, the word 'bearer' most nearly means:

- A) A messenger carrying news
- B) Someone who endures hardship
- C) A shareholder whose holding isn't registered to family
- D) A person who supports a heavy object

**Q6.** Which statement about Steven Wood can most reasonably be inferred from the passage?

- A) He owns more shares than the Hayek family combined
- B) His support is broad among non-family shareholders despite losing
- C) He wants to liquidate Swatch and sell off its brands
- D) He has the backing of the Swiss government

**Q7.** The passage suggests that proxy advisers like ISS and Glass Lewis matter because:

- A) They have the legal power to override family votes
- B) They guide how large institutional investors vote
- C) They are appointed by the Swiss government
- D) They own significant stakes in Swatch directly

**Q8.** The author's tone in describing Swatch's governance is best characterized as:

- A)** Openly hostile and condemnatory
- B)** Detached and purely statistical
- C)** Skeptically analytical, weighing both sides
- D)** Admiring and broadly supportive

**Q9.** Which can be inferred about dual-class share structures generally?

- A)** They are illegal outside Switzerland
- B)** They make founders' control resistant to outside pressure
- C)** They guarantee a company's long-term profitability
- D)** They are required for all family-run businesses

**Q10.** Which choice provides the best evidence for the answer to the previous question?

- A)** 'Net profit collapsed almost 90% in 2025 to just SFr25 million'
- B)** 'CEO Nick Hayek (71) and Chair Nayla Hayek (74) are siblings'
- C)** 'The Hayek family pool owns about 26% of Swatch's equity but controls roughly 44% of voting rights'
- D)** 'China's slowdown is hammering luxury brands globally'

**My Score:** \_\_\_\_\_ / 10

## 5. Answer Key with Explanations

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**Q1.** The passage primarily argues that Swatch is best understood as:

**Answer: B**

The passage's central thesis is that Swatch is publicly traded but governed as if private – the Hayeks control voting power disproportionate to their equity stake. (A) reverses the article's tone (it's about decline, not success). SAT Tip: For 'central idea' questions, find the claim the entire passage keeps returning to, not just one paragraph's topic.

**Q2.** According to the passage, the Hayek family's voting power exceeds their economic ownership because:

**Answer: C**

The passage explicitly attributes the gap between economic and voting power to the dual-class share structure. (D) is Trap C – plausibly true in many AGMs but never stated in the passage. SAT Tip: 'According to the passage' questions require explicit support – if you can't point to the sentence, the answer is wrong.

**Q3.** Which choice best states the central conflict described in the passage?

**Answer: B**

The passage frames the conflict as outside investors pushing for change while the Hayek family defends its long-term strategy. (A) appears as background context but isn't the core dispute. SAT Tip: Distinguish between the article's setting (Swiss watchmaking) and its argument (governance fight) – central-conflict questions ask about the argument.

**Q4.** As used in the passage, the word 'pool' most nearly means:

**Answer: B**

In context, 'the Hayek family pool' refers to family members who pool their shares to vote together as one bloc. (A) is the common meaning – Trap A: the obvious dictionary definition that doesn't fit context. SAT Tip: On vocab-in-context, substitute each option for the word in the sentence – only the right answer preserves the sentence's meaning.

**Q5.** As used in the passage, the word 'bearer' most nearly means:

**Answer: C**

In the passage, 'bearer shareholders' are the non-family public investors distinct from the registered Hayek pool. (A) is the everyday meaning but wrong here. SAT Tip: Finance and law repurpose common English words – always trust the passage's usage over your gut definition.

**Q6.** Which statement about Steven Wood can most reasonably be inferred from the passage?

**Answer: B**

The passage notes Wood won 80% support among bearer shareholders even though he lost the overall vote – implying broad non-family support. (C) is Trap B – uses passage vocabulary (brands, sell) in a way the passage never claims. SAT Tip: Inference answers must follow logically from stated facts, not from what activists 'typically' do.

**Q7.** The passage suggests that proxy advisers like ISS and Glass Lewis matter because:

**Answer: B**

The passage describes proxy advisers as influential because their recommendations shape institutional investor voting. (A) is Trap A – right scope (influence on votes) but wrong direction (they advise, they don't override). SAT Tip: Distinguish between 'influence' and 'control' – passages often carefully use one and not the other.

**Q8.** The author's tone in describing Swatch's governance is best characterized as:

**Answer: C**

The author presents the Hayeks' defense of long-termism alongside critics' concerns about decline and entrenchment, weighing each. (A) overstates the tone – the author reports criticism but doesn't condemn. SAT Tip: When choosing tone, look for adjectives the author chose – neutral reporting plus pointed phrases ('hoarding power', 'museum pieces') suggests skepticism, not hostility.

**Q9.** Which can be inferred about dual-class share structures generally?

**Answer: B**

The passage shows the Hayek family using such a structure to repel an activist despite owning less than half the equity – demonstrating resistance to outside pressure. (C) is Trap C – true-sounding but unsupported; Swatch's profit collapse actually contradicts it. SAT Tip: On inference questions, eliminate any option that requires a leap the passage doesn't justify.

**Q10.** Which choice provides the best evidence for the answer to the previous question?

**Answer: C**

The 26%/44% split is the direct evidence that dual-class structures let minority owners maintain majority control – exactly what Q9 asks about. (A) describes financial decline, not governance mechanics. SAT Tip: On evidence-pairing questions, ignore the option that 'sounds important' and pick the one whose words literally match the claim from the previous answer.