



Swiss Equity Capital Markets Report

Spring 2023



Swiss ECM Report – Spring 2023

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Welcome to the Spring 2023 Swiss ECM report

As cautious optimism returns to the Swiss equity markets, investors are focused on high quality targets with well-substantiated equity stories and greater level of operational maturities.



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This **Swiss ECM report** provides an overview of the Swiss based CFOs' financial outlook impacting Swiss equity markets, shares key insights for IPO candidates from the Head Primary Markets of the SIX Swiss Exchange and explores current IPO Readiness hot topics.

2022 was a challenging year for global equity markets as investors focused on shoring up their existing assets in response to the macroeconomic shocks and volatility which continued throughout the year. The Swiss equity markets were no exception, with a decrease of 16.7% in the Swiss Market Index ("SMI") over 2022 and the strong IPO pipeline at the start of the year being put on hold.

The SMI increased by 4.2% year to date April 2023. Whilst uncertainty continued to impact Swiss equity markets, which included liquidity challenges faced by Credit Suisse, cautious **optimism has returned to the market outlook for the second half of 2023.**

Figure 1: Global Indices Performance Jan 2022 – Apr 2023



Source: Refinitiv (30 April 2023), Nasdaq (30 April 2023)



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According to our Swiss CFO Survey, **CFOs are much more optimistic about the economic development of Switzerland** indicating a potential recovery on the horizon. For businesses playing a "wait and see" IPO strategy, now appears to be a good time to start preparations.

An IPO typically takes 12-24 months of preparation and as emphasized during an interview with **Valeria Ceccarelli from SIX Swiss Exchange**, companies considering an exit in the medium term should begin refining their equity story and assessing their roadmap to readiness now to enable a first mover advantage when the markets open.

Finally, we will share the IPO Readiness hot topics coming from our recently developed **IPO Scanner tool**. This tool provides a comprehensive assessment of your company's IPO readiness across seven key areas in order to ensure a successful IPO process.

We hope you find this ECM report a helpful resource. Our team remains at your disposal for any questions that you may wish to discuss.





Swiss CFO survey

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Swiss CFO Survey

Navigating uncertain times



The Swiss CFO survey was conducted online between 28 February and 27 March 2023 and collected input from over 116 Chief Financial Officers across Switzerland. This report provides an **overview of the Swiss based CFOs' financial outlook**, as well as their views on critical business risks, inflation, strategic priorities, funding and other factors considered vital to success. Many CFOs representing listed as well as privately-owned entities from every major sector of the Swiss economy have contributed to the survey.

Despite continued geopolitical risk and elevated inflation rates, **CFOs are much more optimistic about the economic development of Switzerland** and the country's major trading partners, as compared to the last survey in conducted in the autumn of 2022, which was dominated by worries about macroeconomic instability.

Corporate margins are expected to recover, and companies are responding to geopolitical risks through digitalization, cooperation and 'friend-shoring'.



Marked improvement in the economic outlook

A mild winter has paved the way for a more positive spring, with Swiss CFOs markedly more optimistic than in H2 2022 about the economic outlook for the country and its major trading partners, as earlier fears of energy shortages over the winter have failed to materialise.



Brighter corporate outlook and improved corporate indicators as expectations increase, especially for margins

There has also been a marked improvement in the corporate outlook, particularly in CFOs' expectations for operating margins. The main factor here is sales prices, with many companies apparently well placed to pass their own higher costs on to their customers. Margins are, however, still under pressure from factors such as rising labour costs and higher cost of credit.



Geopolitical risk and labour shortages dominate the risk landscape

There have been marked shifts in perceptions of corporate risk, with fewer Swiss CFOs citing fears of inflation and energy shortages or reporting supply chain problems. However, CFOs are more concerned about geopolitical risk and skills shortages.



Digitalisation, cooperation and 'friendshoring' to tackle geopolitical risk

Companies are taking a range of measures to tackle growing geopolitical risk. The measures most often cited by Swiss CFOs are digital (planning) tools, greater cooperation with suppliers and more scenario planning. 'Friendshoring' – focusing manufacturing and sourcing in countries that are geopolitical allies and have comparable values – is the main strategy adopted by companies seeking to restructure (expand or reduce) their presence in individual markets.



Inflation expectations fall slightly but remain high

Expectations for inflation remain high, although CFOs' perception of the risk posed by inflation has decreased slightly. CFOs expect the Swiss inflation rate to be 2.6% in 12 months' time and to fall back to around 2.0% only in 24 months' time, when they expect it to be 2.2%. Their expectations for average pay growth over the next 12 months slightly exceed expected inflation, at 2.8%.



The full aggregated result is available [here](#)



SIX

Insights from SIX Swiss Exchange

3 An interview with Valeria Ceccarelli, Head Primary Markets at SIX Swiss Exchange

Suggestions for prospective IPO candidates: Be well prepared, start early, choose experienced partners and define your unique selling proposition.



What makes SIX Swiss Exchange unique for IPO-candidates?

Switzerland is one of the leading financial centres in the heart of Europe, known for its **innovation, competitiveness** and **political and economic stability**. These are prerequisites for healthy capital markets. According to the Swiss National Bank, about USD 7 trillion of assets are managed in Switzerland (as at end of November last year) and about USD 2.5 trillion, according to BCG, are cross-border assets, which ranks **Switzerland no. 1 in respect to global cross-border private wealth management**. The capital-rich and international investor base creates a very good base for IPOs. Size and liquidity are some of the most important characteristics when choosing a stock market.

SIX Swiss Exchange is one of the major European exchanges in terms of free float market capitalization of its listed companies at CHF 1.6 trillion. Putting this number in context of the Swiss economy, it shows the importance of the Swiss equity capital markets when compared with other countries.

SIX Swiss Exchange is home to many large multinational companies, such as Nestlé, Roche, Novartis, three of the top ten European companies by market capitalization and leads in various industry sectors beyond the large blue-chip companies. SIX is also known for a fast and efficient listing process.

As for listing segments, the Swiss stock exchange has a **variety of offerings** in addition to its main market. We are proud of the activities carried out and novelties introduced in the listing space. Among others, some of the recent additions include **Sparks**, our market dedicated to small and medium enterprises (SMEs), a tailored solution conceived for the entrepreneurs eager to lead their SMEs through their next growth phase and create lasting businesses. Sparks is suitable for SMEs with a minimum free float market capitalisation of CHF 15m up to a total market cap of CHF 500m at listing.

The **China-Switzerland Stock Connect**, launched in July 2022, provides a cross-listing framework between Chinese and Swiss exchanges. It allows Chinese companies to raise capital by issuing and listing Global Depositary Receipts (“GDRs”) on SIX Swiss Exchange.

For you, what does it take for an IPO-candidate in order to achieve a successful listing?

What companies should consider when thinking of going public is very simple: be well prepared, by starting early, choosing experienced partners, and clearly defining their unique selling proposition:

- Companies that succeed **prepare early for their IPO journey**. They start acting like public companies before the IPO by implementing critical changes to their strategic planning, management team, corporate governance, financial accounting, reporting and internal control systems.
- A **strong management team** and **experienced advisors** are fundamental ingredients for IPO readiness and optimal execution.
- Building a compelling investment case for investors or, as everybody says in the capital market – **a compelling ‘equity story’** – is really the basis of any successful IPO. The equity story creates a vision for the organization and serves as a solid rationale for why investors should be interested in investing in the company.



Valeria Ceccarelli
Head Primary Markets
SIX Swiss Exchange

Valeria Ceccarelli is Head of Primary Markets and a Member of the Executive Board at SIX Swiss Exchange AG.

Valeria has over twenty years of experience in the financial sector. In her function, she and her team are responsible for the origination of new listings (equity and bonds) and for the relationship management with SIX Swiss Exchange listed companies as well as for maintaining and developing the offering for listing candidates and listed companies.



3 An interview with Valeria Ceccarelli, Head Primary Markets at SIX Swiss Exchange

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What are the 3 top pitfalls you see that companies should look out for prior to embarking on the listing process?

Every company has its own challenges and its specific transformational journey towards an IPO. Nevertheless, I would answer the same way I answered the previous question. In order to overcome or better prevent the challenges that the IPO journey might bring along: 1) **start early to be prepared, do not rush the process**, 2) choose **an experienced and motivated team**, both internal and external, and 3) have clear your company's **unique selling proposition**.

How does SIX Swiss Exchange help IPO-candidates along the journey?

SIX Swiss Exchange has a dedicated primary markets team which supports IPO candidates, their shareholders and the wider eco-system, including bankers, lawyers, auditors, and consultants. For us, it is key to inform and educate potential candidates about the benefits of going public, the listing requirements and the process of listing at SIX Swiss Exchange as well as providing the capital market network to companies who are looking to list.

Our activities span from **one-on-one meetings, organisation of events and providing educational tools**. We of course also cooperate with the capital markets intermediaries and constantly look at developing our service offering for listing candidates and listed companies.

One specific offer, we are very proud of, is our **Sparks IPO Academy**, launched in November 2021 as first edition: this is an exclusive training program designed to prepare executives working at high-potential, fast-growing SMEs ahead of a potential Sparks IPO. It is organised by the Swiss stock exchange in cooperation with expert capital market participants. Our participants include companies, spanning sectors from robotics, to medtech, biotech, industrials, media and fintech, and boasting several former winners of the Top 100 Swiss Startup Award.

Which activities SIX Swiss Exchange planned for the year 2023?

We always strive to look at all fronts to further increase our exchange offering for listing candidates and listed companies based on clients' needs and market developments. Among other things, in January 2023, we organised with the Swiss Biotech Association a workshop on IPO Readiness for biotech companies and we have been a partner of the **Swiss Biotech Day** event at the end of April. We are expanding our ESG training offering to help our listed companies meet the rapidly-evolving disclosure demands from investors and regulators. In 2022, we organised TCFD training sessions with UN Sustainable Stock Exchange Initiative ("UN SSEi") for our listed companies, and this year we are offering **GRI trainings organized by UN SSEi and GRI**. Continuing with our ESG workshops and conferences, we will address topics, such as sustainability reporting focused on Swiss regulation. We also continue to expand the capital markets catalogue with IR and ESG services. Our catalogue is a **one-stop shop of services and providers that can help companies raise capital and get the most of the public markets**.

At the beginning of March, we announced a collaboration with **University of St. Gallen's** Institute of Public Finance, Fiscal Law and Economics to offer a new education **program for board members** to contribute to good corporate governance practice with first class running from October 2023 to June 2024.

With Sparks, SIX Swiss Exchange aims to facilitate access to the capital market in Switzerland for SMEs by developing a functioning public stock market specialised in such companies. We will also continue to explore avenues to further strengthen and growth such SME ecosystem. The continual support of the broader financial centre is and will be key in this respect. **Applications for the third edition, 2023/2024, of our Sparks IPO Academy are open!**



Valeria Ceccarelli
Head Primary Markets
SIX Swiss Exchange

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Considering an IPO during challenging markets?

IPO readiness: critical questions to ask

Challenging macroeconomic conditions over the past year have delayed the majority of IPO processes globally. However given the long lead time to prepare for IPO, performing a readiness assessment now provides companies with the chance to exploit first mover advantage when markets reopen. Below we answer some key questions for companies that are considering going public.

When is the right time to start preparations for an IPO?

In our experience you should start **12-24 months prior to target listing date**. IPOs are transformational events, so starting readiness activities at least a year in advance allows sufficient time for any mitigation needed to be ready for listed company life, plus the time needed for the IPO execution phase, which is typically around six months.

By formally assessing your readiness to IPO early you can run a well-structured process allowing proper consideration of the strategic options, and following a phased roadmap to address any gaps identified. This will help lessen the impact of preparations on business as usual, reduce transaction costs, and minimised execution risk of your IPO.

What are the most important areas to evaluate when planning an IPO?

Some key topics to consider for an IPO:

- the **equity story and growth strategy** which will underpin the investor marketing process;
- **completeness of the business' financial, operational, and legal dataset** supporting the equity story, and diligence of the historical track record;
- the adequacy of existing governance and internal controls, including **finance processes and controls, as well as reporting**;
- the **tax efficiency** of the listing structure, including existing shareholder tax implications of IPO; and
- incremental resourcing requirements and **IPO project management**.

Whilst the rules differ by listing venue, having a fully developed plan and financials are fundamental value drivers for a listing or dual track process.

Are there any common pitfalls or areas that businesses most frequently need to address?

Our benchmarking of historical readiness reviews has highlighted these **key activities which companies have needed to undertake pre-IPO**:

- prepare their **financial track record** – with significant work often being required due to complex financial track records resulting from recent acquisitions;
- enhance their **internal control environment** – in particular ensuring proper documentation of the existing control environment;
- consider their **executive remuneration and proposed incentive structure** post-IPO;
- augment their **management reporting** – to be 'fit for purpose' for a public company; and
- develop their **corporate governance framework** – including board composition and committee structures through to specific new policies.



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Considering an IPO during challenging markets?

IPO readiness Q&A



What does an IPO readiness review involve and what are the outputs?

A readiness review comprises a **series of meetings with your C-suite and senior team** – including finance leadership team members. Typically conducted as series of **one- to two-hour meetings, held over the course of a few weeks, to establish the ‘as-is’ state** – typically without the need to prepare new information or documents in advance.

Recommendations are then fed back to management in a focussed presentation or report, with prioritised findings clearly matched to next steps and an illustrative **roadmap for listing**.

Our newly-launched **IPO Scanner** – highlighted on the following page – provides an even more **immediate initial gauge of your IPO readiness**.

What are the benefits of an IPO readiness review?

The **clear and practical plans set out in an IPO readiness review** enable management to focus attention on priority and identify lead time requirements for the listing process, as well as post-IPO demands.

A structured plan to address challenges early and efficiently enables remediation to be progressed ahead of the execution process. This output also **facilitates the role of various IPO stakeholders** (e.g. investment banks, regulators, auditors), for example by **reducing advisor diligence costs, improving speed to market**, and **ultimately lessening the impact on business as usual** – essential at a time when it will be under close investor scrutiny.

Can an IPO readiness review consider more than one listing venue or multi-track processes?

With companies increasingly looking beyond their domestic market to consider listing venues worldwide, an effective IPO readiness assessment will **bring in relevant experts to advise on the impact of market and regulatory requirements of any overseas listing venues** which are being considered.

Similarly, companies regularly consider a number of exit strategies in parallel – most notably as a dual track, where an IPO is explored concurrently with a private sale or auction. A **Readiness assessment can assess both M&A and listing preparedness** to establish the genuine feasibility of each track and advise on how best to prepare for a process that should maximise both deal value and certainty.

What changes or trends in IPO preparation have you observed in recent years?

Two noticeable trends over recent years have been the use of consultants or contractors for focused support as:

- **Assist advisors** – appointed by the management team to provide ‘in-house’ technical advice or resource support with implementing the necessary transaction or IPO preparations. This will typically be an advisor other than the auditor.
- **Transaction Management Office (TMO) support** – recognising the need for dedicated project management skills to help de-risk and efficiently deliver an IPO. Often sourced as a contractor or from a professional services firm, TMOs are most effective when appointed ‘within’ the business, leveraging prior deal experience to identify risks early, work collaboratively with all stakeholders, and free up management time to focus on business as usual.

Whilst these trends are most apparent at the larger end of the market they are relevant across all deal types, especially if there is a particularly compressed timeline or complex set of issues. We therefore expect both of these trends to continue as companies seek efficient and effective ways to be ready to IPO and respond to the market at the right time.



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Are you ready to go public?

Introducing the Deloitte IPO readiness scanner

Are you a founder, CEO, or CFO considering taking your company public? Do you have a clear understanding of what an IPO entails, and how your company can ensure it is ready for not only the IPO process but also life as a listed company?



Early preparation is key to a successful transaction and ensuring your business is able to attract the right investors and achieve the value your business warrants. Our team helps you to clearly identify the key actions and resources required, so your company can set out a practical and realistic roadmap to IPO.

What is the IPO Scanner?

Our free and easy-to-use **IPO Scanner** provides you with a headline assessment of your company's readiness to IPO, with analysis across seven key categories – including equity story, diligence and working capital, financial reporting, risk and controls, and more.

Once you have completed the **IPO Scanner**, you will receive a PDF report outlining your company's preparedness across these seven categories. The report includes commentary and best practice to help you start your journey towards an IPO.

Next steps

Our team is also available to discuss the findings with you in more depth, supporting you through the development and implementation of a bespoke plan and practical solutions to get your business fit and ready for life as a listed company.



Submit your name and contact details to start the [IPO Scanner](#)



Click the link in your email to complete the full assessment (this should take about 15 minutes)



Receive your free IPO readiness report – with further detail and commentary assessing your company's readiness across seven key categories



Submit Your Request

HERE





Deloitte Equity Capital Markets

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Deloitte Equity Capital Markets

Common areas we support clients

Independent IPO Advisor



- Truly independent advice throughout the IPO process
- Offer and transaction structuring advice
- Assistance with adviser selection
- Input into equity story
- Project and syndicate management
- Analysis and coordination of investor marketing

Carve out financials



- Support and advice on carve-out design (operational and financial) and implementation
- Support on preparation of carve-out financials
- Support and advice on transaction (ECM or private sale) matters

Public Company M&A



- P2Ps, public offers, hostile takeovers
- Act as lead adviser on either the buy-side or sell-side of the transaction
- Advice on corporate restructurings and demergers
- Support and advice on preparing bid defence procedures

IPO Auditor



- Audit the financial statements included in the prospectus
- Providing comfort to the underwriters
- Assessing the control and governance environment

IPO Assist



- Support and advice where and when needed
- Services include project management, seconding staff, building models and working as an integrated part of the company's team
- Providing advise on ESG reporting structure set-up and implementation

Reporting Accountant



- Underwriter due diligence
- Working capital reporting
- Profit forecast reporting
- Pro Forma opinion

IPO Readiness



- Help companies prepare for an IPO
- Readiness assessment with a key findings report. Identifies deficiencies that may delay or prohibit an IPO
- Scope covers financial and commercial areas
- Design remediation plan to address shortcomings prior to IPO kick-off

Post-IPO Support



- Help management handle the transition to the selected financial reporting framework
- Assist with preparation of first set of public financials, audit of financial statements, ongoing analyst liaison and results announcements
- Ongoing corporate governance advice and support

Tax and Remuneration Advice



- Tax structuring,
- Advice on arranging executive and employee remuneration plans
- Benchmarking remuneration structures against other listed companies
- Implementation and documentation of remuneration plans



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Deloitte Equity Capital Markets

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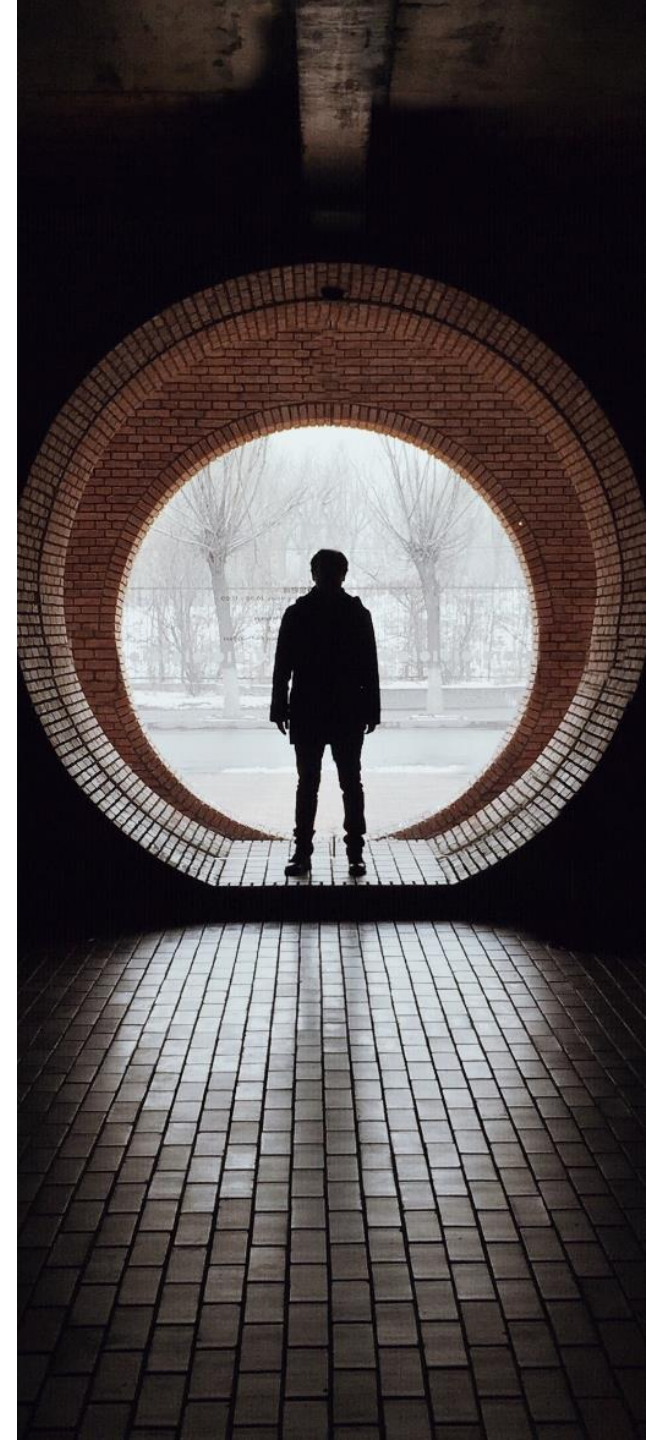
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