



How to Make Your IPO More Efficient and Effective

IPO Guide of the Swiss Stock Exchange

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Foreword



Welcome to the Swiss Financial Center

According to the World Economic Forum, Switzerland has been one of the world's most competitive economies for several years. It has also occupied a top spot in the heart of Europe in terms of innovation and political and economic stability for decades.

Switzerland's appeal is, however, not based on just a few but rather a large number of different success factors that feed into each other. Attractive factors such as business-friendly framework conditions, easy access to official institutions and highly qualified workforce are also beneficial to Switzerland's financial center and lay the foundation for a well-functioning and internationally recognized capital market.

An international capital market with a strong stock exchange that offers transparent, fair and liquid trading as well as efficient access to capital is important in order to finance your growth and successfully implement your strategy in the long-term. The Swiss stock exchange is one of the most important exchanges in Europe and a cornerstone of Switzerland's financial center. With market-oriented regulation, client-friendly services and a network of strong partners, we offer the ideal conditions for raising capital in order to support continuous success.

The decision to go public is one of the most significant decisions a company can take. The sheer number of aspects that need to be taken into account in this context may make going public seem challenging. We firmly believe that you can succeed in this undertaking with the right partners at your side.

It was very important to us to issue this IPO Guide in partnership with IPO experts who have extensive experience in the Swiss capital market. This IPO Guide gives you an overview of the success factors, the most important phases and measures to ensure a successful IPO.

We hope you have an efficient IPO and are able to successfully raise capital on the Swiss stock exchange.

Thomas Zeeb
Head Securities & Exchanges
Member of the Executive Board, SIX

“ The Swiss Stock Exchange Is One of the Most Important in Europe. ”

Financial Strength as the Basis For Raising Capital Efficiently



The Importance of the Financial Sector

Switzerland is one of the world's leading financial centers. The financial sector, which is concentrated in Zurich and Geneva, is of exceptional economic importance to the whole country. Banks and insurance providers make a significant contribution to Switzerland's prosperity.

The financial sector is a cornerstone of Switzerland's economy – be it asset management, lending or the hedging of financial risks. It makes an important and direct contribution to generating value, employment and tax revenue. It also creates persistent demand for upstream services from companies in other sectors such as consultancy, IT services and auditing.

The financial sector, which directly employs around 213,000 people, accounts for roughly 9% of the total value created by the Swiss economy and pays around 8% of the total federal, cantonal and municipal tax revenue. One in ten people working in Switzerland generate their income in this sector. The productivity of the financial sector is about 150% of the average for the economy in general.

Strong Capacity to Adapt and Create Value

The Swiss financial center is highly dynamic and a global leader in many lines of business. It has clearly demonstrated its adaptability in the last ten years. In 2005, the gross value added for banks and insurance providers was around CHF 58 billion, rising to roughly CHF 60 billion in 2017. The number of full-time jobs also rose between 2005 and 2017, from 189,000 to 213,000. This was a

period that included the global financial crisis, the tax dispute with the US, and a great deal of changes and restructuring in the world of banking. While the value added for banks fell slightly, the proportion accounted for by insurance providers has risen sharply, allowing the sector to remain strong and competitive despite all of the challenges it has faced.

Fit for the Challenges of the Future

Looking back, the Swiss financial sector appears enviably resistant to crisis and also adaptable. What is needed now are framework conditions for the financial center that allow it to remain successful in the future. Banks and insurance providers face particularly significant challenges in connection with the persistence of low interest rates, strong international competition with substantial pressure on margins, digitalization and changes in Europe following the UK's withdrawal from the EU.

The fact that the Swiss government is working with representatives of business and academia in order to develop the financial center is therefore to be welcomed. At the same time, it is important not to lose sight of the purpose of these efforts: avoiding unnecessary regulation and working to ensure that the financial center remains fit for the challenges of the future.

Monika Rühl, Chairwoman of the Executive Board
economiesuisse

“ The Financial Sector Is a Cornerstone of the Swiss Economy. ”

Raising Capital Efficiently for a Successful IPO

As one of the most important exchanges in Europe, the Swiss stock exchange offers an attractive international listing venue as well as comprehensive services both prior to and after listing. Companies benefit from an efficient IPO process and gain access to Swiss and international investors with sizeable amount of capital as well as a high level of visibility.

Switzerland is viewed around the world as being politically, economically and socially stable. According to the World Economic Forum it has been one of the world's most competitive economies for several years and is known globally for exceptionally high living standards.

Switzerland's financial center is also very appealing for domestic and foreign companies seeking capital. It occupies a leading position in the world, stands out on account of its innovation, stability and security, and its banks offer substantial placement resources.

The Swiss Stock Exchange – a Strong Network

As one of the most important European exchanges, the Swiss stock exchange offers an attractive international listing venue, a highly modern market infrastructure and comprehensive services both prior to and after listing.

We are one of Europe's biggest exchanges in terms of the market capitalization (free float) of our listed companies. These include Nestlé, Novartis and Roche, three of the five European stocks with the biggest market capitalization. Our customer base comprises a wide range of listed companies, issuers of financial products and trading members.

Added Value of Listing on the Swiss Stock Exchange

In addition to the benefits of Switzerland as a location and the reputation and importance of the financial center, the Swiss stock exchange offers a number of specific advantages.

Access to Substantial Pools of Capital

Switzerland has around 480 banks and insurance providers, as well as more than 1,800 pension funds. With a market share of 24% in 2017, Switzerland plays a leading role in the international private wealth business.

A listing on the Swiss stock exchange provides access to experienced Swiss and international investors with sizeable amount of capital. Listing on the Swiss stock exchange also provides companies access to a broad range of institutional investors, whose investment policies often only allow them to hold equity securities in listed companies.

High Visibility

By going public on a market with a high level of visibility like the Swiss stock exchange, a company can make a clear stand for transparency. Like being included in internationally recognized indexes, which inspires confidence and raises the company's profile among investors.

Another strength of Switzerland's financial center is the presence of a large number of international financial institutions with expert analysis departments. This ensures good coverage by various research studies and attracts constant attention from investors and the media.

International Standards, Strict yet Market-Oriented

The regulatory requirements of the Swiss stock exchange meet the strictest international standards. Thanks to the self-regulation enshrined in Switzerland's financial market legislation, however, they are also market-oriented and enable an efficient listing process and therefore the easy raising of capital by means of an IPO.

Admission Process: Fast and Uncomplicated

Time-to-market is an important criterion for a successful IPO. In order to account for this requirement in the best possible way, SIX Exchange Regulation¹ has a team that checks listing applications and is open to provide support to consultants (recognized representatives). They can also be consulted at any time for assistance with interpreting the Listing Rules or other matters. This means that a listing can be completed in just four weeks.

Support Through Personal Assistance and First-Class Services

The SIX Primary Markets team also offers issuers comprehensive services on the day of and after the IPO. We will assist you with the marketing of the IPO and, should you wish, with the organization of a press conference in the premises of the Swiss stock exchange immediately after the IPO. Traditionally, the conclusion of the transaction and the IPO are celebrated by the company's management ringing in the trading of the new issuer's shares, followed by brunch.

Our various platforms for issuers are aimed to help making your being public simple and focused. These include workshops for listed companies, as well as information and networking events like the annual SIX Investor Relations Conference. You can also use these events to establish new contacts or maintain existing business relationships.

In 2016, SIX launched the Stage Program; a service aimed at helping small and medium-sized enterprises raise their profile on the capital market. The service includes research by one or more established banks.

IPOs on the Swiss Stock Exchange – Varied and Successful

More than 130 companies have opted to list on the Swiss stock exchange since 2000, thanks in no small part to this wide range of benefits. The average market capitalization of these companies based on the closing price on the first day of trading was around CHF 1.3 billion, with the average transaction volume (including the green-shoe option) amounting to almost CHF 300 million.

These figures cover a wide range of companies, varying in size and sector. The smallest IPO since 2000 had a transaction volume of CHF 18 million for a market capitalization just under CHF 40 million. The biggest had a volume of around CHF 3.3 billion.

¹ SIX Exchange Regulation is responsible for approving securities for trading and for listing on the Swiss stock exchange.

Around a third of the listings on the Swiss stock exchange were pure listings with no capital raised, which are seen more often in more volatile times. These also include the biggest listing in terms of market capitalization (Transocean), with a volume of CHF 32.9 billion.

Companies from a wide range of sectors have opted to list on the Swiss stock exchange. The exchange's sector clusters such as Life Sciences, Financial Securities, Real Estate or High Technology can be a major positive factor in the decision regarding the choice of a listing venue.

Valeria Ceccarelli
Head Primary Markets
Securities & Exchanges, SIX

The Swiss Stock Exchange – Gateway to the International Capital Market

The Swiss stock exchange is one of the most important exchanges in Europe. We connect companies from around the world with international investors and traders, and create particularly market-oriented framework conditions for listing and trading in our highly liquid product segments. The Swiss stock exchange is an ideal listing venue for companies of any origin, size and sector. We maintain a close dialog with both our domestic and foreign customers, working intensively with them to create optimal conditions for their success. We also help them access a strong global network.

The Swiss stock exchange is part of SIX and offers services that are first-class in an international comparison in the fields of securities listing, trading, clearing and processing, as well as financial information and payments.



Your Benefits at a Glance:

- A leading global financial center
 - International investors with a sizeable amount of capital
 - Strong placement resources of local banks
 - Efficient raising of capital thanks to extensive professional network and personal support
 - First-class services and fast listing process
 - Targeted information packages
 - Strong presence among investors, analysts and media
 - Access to an extensive network of stakeholders
-

Reasons to Go Public

There are many different reasons to go public, including a need for capital, the desire of a major shareholder to cut ties and raising a company's profile. In most cases, the decision to go public is based on a combination of different factors.

An IPO opens up a private company that had previously been controlled by one or more shareholders to a wider group of investors. The shares are listed on the Swiss stock exchange and new shares are issued (primary shares), and/or existing shares are sold by existing shareholders to new investors (secondary shares). As part of a book building process, the shares to be placed are offered publicly by a consortium of banks on behalf of the issuer and/or the selling shareholders.

There are many different reasons for going public, and they can essentially be divided into three categories:

Finance and Balance Sheet Structure

- Additional capital required for organic growth, which cannot or is not intended to be covered by existing shareholders or internal financing
- Capital required for external growth (acquisitions)
- Shares as an acquisition currency for takeovers (instead of or alongside cash payments)
- Improved access to the capital market for pending rounds of financing
- Reducing debt capital or bolstering the equity ratio

Structure of Ownership and Control

- Reduction of investment by or departure of one or more investors; possible medium-term succession arrangement
- Broadening or diversifying the group of shareholders
- Investment opportunity for management, employees, customers, the general public (in the case of privatizations) or other stakeholders

Publicity and Governance

- Publicity effect, raising of profile
- Research coverage by banks, increased transparency
- Publication requirements improve the availability of information and boost efficiency (reduced monitoring activities for owners)
- Ease of trading: there is very rarely a market for unlisted equities
- Easier recruitment of new key personnel or employees in general

When primary shares are placed, the company receives the proceeds, the intended purpose of which is described in the listing prospectus. An analysis of the listing prospectuses for IPOs involving the placement of primary shares on the Swiss stock exchange since 2006 underscores the aforementioned reasons for going public. The purposes most often cited for use of the proceeds are:

- Organic growth
- External growth/acquisitions
- Reducing debt capital/repaying liabilities to banks or bridge financing
- Financing general business activities

Dr. Andreas Neumann, Head Equity Capital Markets and Tobias Bertschinger, Equity Capital Markets
Zürcher Kantonalbank

Prerequisites for a Successful IPO

The success of an IPO depends on a range of factors. In addition to answering the fundamental question of why a company is seeking to go public, an objective analysis of the company's status quo is required. The prerequisites described below are to be considered against the backdrop of regulatory requirements, investors' expectations and general conditions in the capital market.

Attractive Investment Case

The investment case describes the main attributes supporting an investment in the company as part of the IPO. This makes it the central element of any IPO. Ideal attributes for an IPO could include, for example, a leading position in an attractive market, attractive prospects for growth or as a yield investment, substantial barriers to market entry or advantages over competitors, sustainable profitability and cash flow generation, or experienced management.

Realistic Proposed Valuations in Relation to Comparable Alternative Investments

No matter how good an investment opportunity is, it becomes less appealing for investors if they consider the requested purchase price to have too little or no potential for increased value, or if there is a comparable, established investment opportunity with a more favorable risk/return profile available. Realistic proposed valuations are therefore a key requirement for a successful IPO. Established owners, companies and new investors benefit in equal measure from a price increase following a listing. Any new company coming onto the market must first gain the confidence of investors. A rapid drop in price following an IPO is therefore doubly counter-productive.

Not only does it eliminate market value, it also results in a massive loss of confidence among investors from which companies generally only recover from slowly and with difficulty.

Specific Use of Proceeds

In order for an IPO to be successful, the proposed use of the proceeds from the IPO must be clearly set out. Investors are generally critical of raising funds "for the future", and it is not recommended. The situation is similar for the sale of existing shares by established investors, in which case the funds go to the previous shareholders rather than the company itself. In this case, convincing argumentation is required for why established investors, as insiders, want to sell their shares. For more risky investment cases, established investors are in fact expected to inject additional capital as part of the IPO as a sign of confidence (insider participation).

Capitalization and Tradability of Securities (Liquidity)

For many investors, tradability (a stock's "liquidity") is a key factor in their investment decisions. The liquidity inherent in a security is directly linked to the company's market capitalization and the proportion of the shares in free float. The lower the market capitalization, the more investors focus on the free float. A free float of at least 20% of share capital is required on the day of the initial listing. Investors generally want a higher share of free float, however, in order to be able to liquidate their shares, if necessary, without influencing the share price. The proportion of free float must not be underestimated as a factor in the success of an IPO.

Professional Corporate Governance and Organization

An efficient organizational and legal structure as well as good corporate governance are important cornerstones of a successful IPO. The impartiality of board of directors members (representing third parties) is crucial in order to engender confidence on the capital market. Professional financial reporting also falls under this topic. Appointing a respected auditing firm is another bonus in the eyes of investors. These professional structures must be put in place by the company when preparing for going public at the latest.

Targeted Resource Planning and Coordination

An IPO is an important milestone in a company's development. The route to the market is more of a marathon than a sprint. The preparation phase, from the kick-off to the first day of trading, typically lasts between four and six months. The project occupies a significant portion of a company's management resources during the preparation phase. The management is also supported in this process by various third parties such as syndicate banks, lawyers, auditors and PR consultants. It is important to give careful thought to the selection and coordination of these third parties in order to create a focused and efficient project working group in partnership with the company and its shareholders. The high priority of the IPO project should be reflected in the commitment of all parties.

Confirmation of Expectations Following the IPO

The success of an IPO cannot be judged purely on the basis of the initial listing. A price increase in the first weeks and months after the IPO, ongoing compliance with the stock exchange's regulations and the utilization of proceeds for the proposed use are examples that show that the success of an IPO goes beyond the day of the initial listing. The ability and desire to communicate, and the maintenance of relationships with investors and banks that publish independent equity research on the company, are also important factors for the positive perception of an IPO.

Friedrich Dietz (MD), Kalina Scott (MD),
Marius Zuberbühler (MD) and
Lukas Keuerleber (Associate), Formerly Corporate
Finance Team of Bank am Bellevue

“ An IPO Is an Important Milestone in a Company's Development. ”

**Strong Partners
Provide
Peace of Mind**



An IPO Requires Professional Partners

A company needs professional partners that can make a significant contribution to a successful IPO. Choosing the right partners is key. The partners involved include the lead manager, the consortium of banks, IPO consultants, lawyers, auditing firms, investor relations agencies and the stock exchange.

All of the relevant negotiations should be conducted by an experienced project team from the very beginning and each task must be clearly defined. When putting together the team of consultants it is important to make sure that at least one party is recognized as an expert representative of the issuer as prescribed by Art.43 of the Listing Rules.

The Lead Manager and the Consortium of Banks

IPO candidates usually engage a lead manager who acts as the main party in connection with the placement of shares. The lead manager proposes the other members of the consortium and appoints them with the company's approval. The lead manager leads the consortium and coordinates the entire IPO process. At the end of the process the lead manager allocates the shares to the other consortium members and investors.

The responsibilities of the lead manager and the consortium of banks include, among others, validating the business plan and carrying out a valuation of the company. They carry out due diligence and draft the specific investment case for the investors. They also structure the offer, prepare research reports and market the investment case to investors. Finally, the lead manager and the consortium place the shares with interested investors.

The pricing of the shares to be placed and the subsequent placement are usually carried out by means of a book building process. Lead managers are chosen based on a variety of criteria:

- Experience in IPOs
- Knowledge of the financial industry
- Issue strategy (national/international)
- Quality and number of investor contacts (placement capacity)
- Quality of equity research
- Voluntary market-making following the IPO
- Supporting and advising the company following the IPO
- Issuance performance and costs
- Existing relationships with an investment bank

Lawyers

Lawyers are a company's indispensable partners during the IPO process, as transaction lawyers and legal consultants. They are also necessary as strong partners for the lead manager. Lawyers have two main tasks in connection with an IPO:

Legal Due Diligence

This kind of due diligence comprises a legal appraisal of the company (contracts, capital increases, intangible rights, etc.). During this process legal risks should be identified, documented in the issue and listing prospectus, and tested in conjunction with the lead manager based on legal (technical and disclosure) opinions.

Prospectus

Lawyers usually work with other consultants to draft the prospectus used in connection with the IPO. Liability for the information contained in the prospectus means that all of the notices issued by the company or other parties involved in the transaction must be subjected to a legal review. The following criteria should be taken into account when choosing a lawyer:

- Expertise/reputation
- Experience of transactions
- Range of services and fees in connection with an IPO
- Support and advice in connection with listing
- Existing relationships with law firms

IPO Consultants

Independent IPO consultants can help companies prepare for an IPO well in advance. They can also offer impartial recommendations for choosing advisors, the valuation of the company and the auditing of corporate governance structures.

Audit Firms

Audited annual financial statements for a company's last three fiscal years and unaudited interim financial statements are generally required for an IPO. The auditors work with the company to establish whether interim financial statements are required in addition to the audited financial information. As part of its due diligence, the consortium of banks requires a "comfort letter" from the audit firm. This audit certificate is usually updated by means of a "bring-down letter" when the lead manager transfers the funds raised through the IPO to the company.

The issuer must meet the requirements of the Swiss Federal Act on the Admission and Oversight of Auditors when appointing and during the continued engagement of the audit firm. The law stipulates that only audit firms approved and regulated by the Swiss Federal Audit Supervisory Authority (RAB) may provide services for the purposes of listing. The auditors for foreign issuers are exempt from the RAB's approval and oversight provided they are regulated by a foreign audit supervisory authority that is recognized by the Swiss Federal Council. If this is not the case, the foreign issuer's auditors must be approved and regulated by the RAB in Switzerland.

Investor Relations Agencies

Before, during and also after an IPO, as a listed company, it can be beneficial to consult experienced financial communications experts who support the entire communications process. The agency is responsible for handling all matters relating to capital market communications requirements. It helps clarify the company's profile and raise awareness of it on the market. It can also help organize conferences for analysts and the media, and handle communications with investors, shareholders, analysts and the financial media. The following criteria should be applied when selecting an investor relations agency:

- Experience with the capital market/recommendations
- Experience in IPOs
- Comprehensive range of services offered
- Good contacts within financial industry (analysts, investors and financial media)
- A presence in international financial centers
- Support for listed companies
- Corporate reporting

SIX – a Reliable Partner

SIX provides support to companies throughout the entire IPO process. Companies can arrange an informal meeting with the SIX Primary Markets team if they wish, in order to get to know the market landscape and get an understanding of what is expected of them during an IPO. SIX is a reliable partner throughout the IPO process and assists companies with any questions they have in relation to listing on the stock exchange.

Once the team of consultants for the IPO has been finalized, a kick-off meeting is held at the Swiss stock exchange. At this official meeting with SIX Exchange Regulation, the team discuss the intended transaction, the financial data and other points that may be of interest (such as the time line and exceptions from the Listing Rules) with the company. The listing application must then be submitted in writing by a representative recognized by SIX Exchange Regulation. It may be written in English, German, French or Italian. The application must be submitted to SIX Exchange Regulation at least 20 trading days prior to the intended date of listing. It must include a brief description of the transaction and an application pertaining to the intended first day of trading.

The following documents must be submitted together with the application:

- Listing prospectus
- Official notification
- A statement from the issuer regarding the printing of equity securities or proof of ownership of book-entry securities
- Excerpt from the commercial register
- Articles of association
- Proof of compliance with the Audit Oversight Act
- Statement from the lead manager regarding the free float in accordance with Art. 19 of the Listing Rules
- Statement from the issuer pursuant to Art.45 of the Listing Rules and declaration of consent

The listing application is checked by SIX Exchange Regulation, which drafts an application (with recommendation) to the Issuer Committee. The Issuer Committee is part of the Regulatory Board, which is responsible for setting the group's rules. Its responsibilities include enacting rules for issuers (regulations and directives) and participants (trading rules and directives).

Valeria Ceccarelli
Head Primary Markets
Securities & Exchanges, SIX

**“ SIX Is a Reliable Partner
Throughout the IPO Process. ”**

Phases of the IPO Process

The IPO process can be divided into three phases. During the preparation phase, all relevant clarifications are made and the company is prepared for going public. In the subsequent marketing and implementation phase the intention to go public is announced, the search for investors begins and the phase ends with the setting of the price and the start of trading. Other tasks that arise immediately after the IPO fall under the follow-up phase.

The most important tasks and events during the three phases are discussed below.

Preparation Phase

An IPO entails significant changes for most companies. Companies that had previously been in private hands are suddenly subject to a wide range of regulations and must satisfy the critical demands of professional investors. An IPO can only succeed with support from experienced partners and the best possible planning of processes. The lead bank makes an essential contribution to achieving the most important goals. These include successfully positioning the company as an investment case, a high-quality shareholder group, an appropriate placement price and a stable market for the placed shares that is as liquid as possible.

At the start of the preparation phase, a rough concept is drawn up and the relevant external parties such as the lead bank, lawyers, auditors and investor relations agency are determined or engaged. It is essential to engage specialists at an early stage because they offer recommendations on how to structure the transaction following an in-depth analysis of the financial and legal aspects. The implementation and success of the IPO

depend to a large extent on factors such as the company's business model (business case) and structure, positioning among new investors, the funds required and the intentions of existing shareholders. It is therefore not uncommon for companies to restructure in preparation for an IPO. Common issues relate, for example, to the company's domicile, decisions regarding financial reporting standards (including Swiss GAAP FER, IFRS or US GAAP) and the choice of stock exchange or stock exchange segment. An initial estimated valuation is also prepared without the involvement of the research analysts who will write the IPO report later on.

Once the engagements have been agreed and initial deliberations have been carried out, a kick-off meeting is held with all involved parties. A time line featuring important milestones is defined at the meeting. One factor that requires consideration is the timing of the first day of trading. The periods immediately following the publication of financial data (i.e. between March and May or from September to November) are ideal. Following the kick-off, various different work streams run in parallel under the coordination of the lead bank. Since the volume to be placed is usually in the hundreds of millions (tens or thousands of millions are more of a rarity on the Swiss stock exchange), additional banks are engaged as syndicate partners. The banks help place the shares within their network of investors and provide additional appraisals prepared by their analysts. The additional analyst opinions support the credibility of the subsequent valuation.

Investment Case

The investment case is drawn up as a key foundation. It must be possible to inspire interest and enthusiasm among investors regarding the IPO candidate based on the company's business model and USPs. Is it a growth story with significant upside potential for the price? Or is the business model more conservative, suggesting an attractive dividend yield? Why should anyone invest in this company in particular, rather than a company with a similar business model that is already listed? The success of the IPO depends to a large extent on the quality and credibility of the investment case, and it should therefore be treated as a priority.

Pilot Fishing

Initial appraisals are obtained from larger investors on a confidential basis during the preparation phase. In this process, which is known as "pilot fishing", investors are asked whether they can imagine the company's IPO in

principle and what they particularly like about the investment case. More critical investors are asked what other factors would need to be in place for them to be interested in an investment. Initial ideas for prices (for example, multiples such as EV/EBITDA or P/E) are also usually obtained.

Pilot fishing allows an early assessment of success to be made. If investors' responses are more on the negative side, targeted amendments are made to the investment case and transaction structure based on the feedback received. At this point an IPO can be postponed or even (in rare cases) cancelled if the investors do not express enough interest or the conditions on the market are unfavorable.

IPO Process



Due Diligence and Listing Prospectus

During the due diligence the company is examined with a focus on business-, financial-, legal- and tax-related risks. The relevant findings are presented as risk factors in a listing prospectus together with other information on the company and details of the transaction structure. This document is important in connection with the IPO because it provides information to investors and because it is also the document that is usually used as the basis for investment decisions.

IPO Research

Another important work stream comprises the assessments and evaluations of research analysts, who analyze and evaluate the company independently of the advisory capital market teams of the banks involved. This independence is ensured by means of “Chinese walls” within the bank that control the flow of information and ensure that analysts only receive information that is publicly available and their evaluations are not influenced by the company. In addition to in-depth analyses of the business models, the situation on the market and competitors, analysts arrive at ranges for the fair valuation of the company based on best-practice valuation methods such as discounted cash flow calculations and/or the multiples of comparable companies. The resulting valuation ranges help the capital market team and the IPO candidate to define a price range prior to the book building (please refer to the “Marketing and implementation phase” section). The analysts also use studies on the relevant sectors as a basis in addition to the information provided by the company. The final reports are provided to investors on the day of the intention to float at the earliest.

Other Aspects of the Preparation Phase

During the preparation phase, the company should set up an internal investor and media relations team or outsource the task to a specialized investor relations agency. Functioning communications and/or maintaining a close dialog with investors are particularly important during and after the IPO. The team handles issues for both existing and potential investors, and interacts with analysts and the media.

There is no clearly defined end to the preparation phase because various different work streams continue running and are not completed until the subsequent phase. However, the marketing and implementation phase starts with the publication of the intention to float.

Marketing and Implementation Phase

Once the intention to float (the official announcement of the planned IPO by means of a press release) has been published, the attention focused on the company increases noticeably and the relevant phase begins.

After potential investors have obtained preliminary information from the research report, analysts present the IPO candidate to interested investors during the investor education process. Analysts maintain relationships with institutional investors and their objective opinion regarding an IPO candidate is highly valued. Following these presentations, the sales forces of the banks involved obtain detailed feedback from the investors.

Once the investor education is finished, the IPO candidate or selling investor sets a range for the placement price (usually a middle value $\pm 5\%$ – 10%) in partnership with the lead bank. This is not an easy task because a balance must be struck between the interests of existing shareholders, the company and investors. While selling investors and usually the companies as well tend to prefer a higher placement price, new investors are naturally interested in a favorable price. There are, however, other relevant factors such as the longer-term time frame, any subsequent transactions or the desire for a successful IPO. It is customary, for example, for the placement price to be an average of around 10% below the theoretical fair value (depending on the sector). One of the aims of this IPO discount is to compensate investors for their involvement, for example the feedback provided during the pilot fishing process or bearing certain risks shortly after the company goes public, and to ensure that the price of the new company's shares performs well initially on the stock market.

Following the publication of the listing prospectus, the company's management present the company to a wider circle of investors by means of a roadshow. From the start of the investor education process, analysts are subject to a blackout period in which they are prohibited from publishing any financial studies or making any comments regarding the company for 40 calendar days from the start of trading. This ensures a strict separation between research and the listing prospectus.

The book building process, i.e. filling the order books with purchase offers from investors, starts during the roadshow. The order book usually remains open for up to ten trading days. In isolated cases the book building process can be terminated early due to lively interest from investors.

Once the book building has finished, the order book should ideally be oversubscribed at the upper end of the price range. When setting the placement price, it is not just the absolute placement volume that is relevant – soft factors such as the desired investor mix also play a role. Shares are allocated by the lead bank on the basis of directives issued by the Swiss Bankers Association. The allocation guidelines ensure that investor orders are treated fairly and impartially.

The highlight of the implementation phase for the IPO candidate comes on the first day of trading, when representatives of the company meet at the Swiss stock exchange together with the banks, lawyers and other consultants involved, and open trading at 9 am with the traditional bell-ringing.

The volumes traded on the first day of trading are typically high. An average of just under 20% of all placed shares were traded on the first day of trading following IPOs on the Swiss stock exchange in the last five years. This can be attributed among other things to the fact that price reductions after trading opens lead to adjustment purchases and sales.

Follow-Up Phase

The share price can be stabilized by the lead bank during the initial phase of trading. The lead bank does this by allocating more shares during placement than had originally been provided for in the base tranche (typically up to 15%). It technically takes a short position by lending out securities. The lead bank may acquire the loaned and additional placed shares from selling shareholders (secondary shares) or the company (primary shares) at the placement price at a later date in order to cover the short position. This is known as the “over-allotment” or “greenshoe” option.

Once trading has started there are two trading scenarios for the lead manager:



1 If the share price rises following the IPO, the lead bank exercises the call option with respect to the granting parties within 30 calendar days in order to cover the short position. Once the over-allotment option has been exercised in full, up to 15% more shares have definitively been publicly placed than were provided for in the base tranche.



2 If the share price falls following the IPO, the lead bank can cover its short position by buying shares back via the stock exchange. The bank’s purchasing activities have a stabilizing effect. If the over-allotment option is not exercised, only shares from the base tranche will ultimately be publicly placed.

Listed companies must also fulfill certain maintenance obligations:

– *Recurring obligations*
The stock exchange’s maintenance obligations require the publication of annual and interim financial statements (every six months). There is also an obligation to issue regular reports containing technical and administrative information on the shares or issuer. Furthermore, information is required regarding corporate governance, including the composition of and compensation paid to the board of directors and executive management.

– *Event-driven obligations*
Developments with potential relevance to the share price such as mergers and takeovers, changes in profits or personnel changes in the board of directors or executive management must be communicated by means of ad hoc reporting. All stock exchange transactions conducted by the company’s management and board of directors, and equity investments held by individuals or groups of people that exceed or fall short of certain voting rights thresholds (3%, 5%, 10%, 15%, 20%, 25%, 33⅓%, 50%, 66⅔%) must also be reported and published.

This is later supplemented by analyst presentations, general shareholder meetings and potentially also investor conferences. The importance of the maintenance of good relations with investors by the investor relations team or an external specialist is not to be underestimated. The faith of investors is particularly necessary for subsequent transactions, because being involved in the capital market opens up new opportunities for raising funds (debt and equity capital).

Dr. Andreas Neumann, Head Equity Capital Markets and Tobias Bertschinger, Equity Capital Markets
Zürcher Kantonalbank

Listing Without Placement of Shares

Instead of a conventional IPO, companies that are going public have the option to apply for listing and admittance of their shares to trading without placing any shares with new investors. Opting not to place any shares means that the company's listing can be carried out more flexibly, more affordably and irrespective of conditions on the capital market. The absence of this liquidity event also makes it more difficult to improve the quality of the investor base, however, because in the absence of a placement offer, new investors can only build up an equity position by trading.

Variants of Listings Without Placement of Shares

Listings without placement offers can take many different forms in practice:

Direct Listing

A company applies for the listing and admittance of its shares to trading on the Swiss stock exchange.

- Practical example: Listing of ASMALLWORLD on the Swiss stock exchange (March 2018).

Dual Listing

A company whose shares are already listed on a foreign stock exchange applies to also be listed and for its shares to be admitted to trading on the Swiss stock exchange.

- Practical example: Dual listing of the NASDAQ-listed shares of ObsEva on the Swiss stock exchange (July 2018).

Relisting

A company transfers the existing listing of its shares on a stock exchange or from a different market segment to the Swiss stock exchange.

- Practical example: Transfer of the listing of Laliq from BX Swiss to the Swiss stock exchange (July 2018).

Spin-offs

A company whose shares are already listed on the Swiss stock exchange (or have been) applies for the shares of its constituent entities to be listed and admitted to trading on the Swiss stock exchange. The constituent entities' shares are allocated to the company's existing shareholders.

- Practical example: Spin-off of Idorsia from Actelion (June 2017).

Reverse Merger

A private operating entity acquires a corporate shell, i.e. an entity whose shares are already listed on the Swiss stock exchange, by means of a reverse merger. The private entity's shareholders exchange their shares for new shares in the shell corporation.

- Practical example: Reverse merger of Kuros Biosciences with Cytos Biotechnology (January 2016).

Criteria for Omitting the Placement Offer

The same listing standards apply to listings without placement of shares on the Swiss stock exchange as for conventional IPO candidates. This means that listing criteria such as the minimum free float (20%) and minimum market capitalization (CHF 25 million) must be met when the company goes public, irrespective of whether a placement of shares is made. Only companies that already meet the listing criteria, are not experiencing an acute need for equity funding and whose existing shareholders do not intend to sell large blocks of shares as part of a listing may go public without placing shares.

Increased Flexibility and Independence from Conditions on the Capital Market

Opting not to make a placement of shares gives the company greater flexibility when it comes to planning its IPO, irrespective of the prevailing conditions on the capital market. An IPO typically takes between four and six months to prepare and implement, from the start of the project through to the first day of trading. During this time, conditions on the capital market may change to the disadvantage of the issuer and expectations of the company and/or its shareholders with respect to demand and prices in connection with the placement of shares may not be met. This can delay the IPO.

Since it is not necessary to place any shares with new investors, the company can also have its shares listed on the stock exchange and admitted to trading in volatile capital market conditions that make IPOs difficult. It is therefore not necessary to delay the listing until the next capital market-friendly IPO window, and the placement of shares that was not carried out upon listing can take place at a later date if necessary.

Expansion and Diversification of the Investor Base and Successful Commencement of Trading Made More Difficult in the Absence of a Liquidity Event

Even without a placement of shares in connection with a listing, companies expect to benefit from the appeal of the trading venue and its market participants as a result of listing their shares on the Swiss stock exchange. The hope is that the listing will raise the company's profile, expand (i.e. diversify) the company's investor base and generate a good volume of share trading.

Without the marketing measures implemented by the syndicate banks for the placement of shares as part of the IPO, such as (pre-deal) research coverage or management roadshows, it is more difficult for the company to attract the attention of institutional investors with a long-term focus on the capital market. Without the increase in trading liquidity associated with the expansion of the investor base, the issuer also reduces the stock's appeal for capital market investors. An insufficient volume of trading makes it more difficult for investors to reduce existing equity positions, too.

One way to measure the success of an IPO is to look at the trend for the share price during the first few days of trading. In the case of a listing with no placement of shares, SIX Exchange Regulation's requirement for the recognized representative to provide an initial reference price for the share prior to the first day of trading presents a challenge. In the case of an IPO, this reference price corresponds to the placement price. When going public without a placement of shares, there is no such price available, which makes it difficult to determine a market-based reference price and therefore increases the risk that the share price will fall and the listing will be judged to be unsuccessful.

To summarize, a listing with no placement of shares is a viable alternative to a conventional IPO depending on the situation and objectives of a company and its shareholders.

Friedrich Dietz (MD), Kalina Scott (MD),
Marius Zuberbühler (MD) and
Lukas Keuerleber (Associate), Formerly Corporate
Finance Team of Bank am Bellevue

Underwriting Agreement and Offering/Listing Prospectus

There are various documents that need to be produced as part of the IPO process. The two most important documents for issuers are the underwriting agreement and the offering and listing prospectus.

Underwriting Agreement

Significance of the Underwriting Agreement and Contracting Parties

The issuer in an IPO receives support from various different parties including banks, who assist the issuer throughout the process and handle the placement of the shares. In the case of smaller IPOs this can be just one bank (the “lead bank”), while for bigger IPOs a syndicate of banks led by the lead bank or banks is used. Unlike in other jurisdictions, in Switzerland the lead bank usually also acts as the IPO consultant, which makes the selection of a lead bank and the negotiation of contracts with the lead bank crucially important.

The issuer concludes two agreements with the banks: an engagement letter at the start of the process and the underwriting agreement the day before the offer period begins. The underwriting agreement is therefore only concluded at the end of the process once all parameters – apart from the offer price and potentially also the volume – have been set. The offer price is normally not set until the end of the offer period, and is set out in a supplement to the underwriting agreement (the pricing supplement). If shareholders would like to sell shares in connection with the IPO then they are also party to the underwriting agreement. The underwriting agreement governs the parties’ rights and obligations, and allocates risk between the parties with respect to their liability for the information contained in the prospectus in particular (please refer to the “Liability for the prospectus” section).

Offered and Placed Shares

In the underwriting agreement, the parties first agree on the number of shares to be placed. Some of these are new shares issued by the company (primary offering), and the proceeds from placing them flows into the company and is used to develop its business (key points are the use of the issue proceeds and the equity story, please refer to “Contents of the offering and listing prospectus” section). Existing shareholders may also want to sell shares as part of the IPO in order to exit from their investment (secondary offering).

The offer may either comprise a fixed number of shares to be placed or a maximum number (“up to” offer). The issuer and/or any selling shareholders usually grant the banks a greenshoe or over-allotment option. This allows the banks to place more shares than there are available and to potentially cover their resulting short position by exercising the over-allotment option.

Offer Price and Share Allocation

The offer price is usually determined by means of a book building process. During the “pre-marketing” period, the banks obtain information from potential investors regarding the issuer and its valuation. This information is used to set the price range for the book building that takes place in the offer period. During this time, offers are collected from investors in order to be able to determine an offer price at the end of the offer period. For the issuer it is not simply a question of achieving the highest price possible, but rather laying the foundation for the sustainable growth of the share price if possible. This is also the goal of the allocation of shares. The allocation criteria are based on objective criteria and should be defined based on the allocation directives for the new issue market published by the Swiss Bankers Association.

Other Provisions

In addition to provisions regarding the offer and the timeline and processing of the IPO, the underwriting agreement also contains provisions regarding the compensation paid to banks, the guarantees offered by the issuer (and potentially also the selling shareholders to a lesser extent) to the banks in case the offer fails, and liability (including indemnification), particularly for the information contained in the prospectus (please refer to the "Liability for the prospectus" section). The banks usually receive various commissions for their services, which are usually structured as a performance fee and can also include a discretionary component for the issuer. The banks' obligations depend on the fulfillment of certain conditions by the issuer, but also on certain market conditions that make it possible to place the shares in the first place.

Offering and Listing Prospectus

Obligation to Issue a Prospectus

Anyone who wants to publicly place shares in Switzerland and have shares listed and admitted to trading on the Swiss stock exchange must prepare an offering prospectus in accordance with the requirements of the Swiss Code of Obligations (OR) and a listing prospectus in accordance with the Listing Rules of SIX Exchange Regulation.

The requirements imposed on an offering prospectus by the OR are much less strict than the requirements for a listing prospectus. The OR also does not require a prospectus to be registered or assessed by a regulator, although this will change with the introduction of the new Financial Services Act (FIDLEG, please also refer to the "New Financial Services Act" section). The contents of the listing prospectus, on the other hand, are similar in the European Union even though the EU's Prospectus Directive does not apply in Switzerland.

Contents of the Offering and Listing Prospectus

The requirements applying to the listing prospectus originate from the Listing Rules and the various different schemes (such as Scheme A for shares) as well as the pertinent directives issued by SIX Exchange Regulation (for example the Complex Financial History Directive, DCFH). An offering and listing prospectus typically contains the following sections:

- Summary (offer, business activities, financial performance indicators)
- Risk factors (description of risks applying to the issuer and its sector as well as the shares)
- Offer (details of the offer, the shares being offered, the listing and processing)
- The volume and use of the proceeds from the issue
- Dividends and dividend policy
- Business activities (description of the business including strategy and strengths)
- Information regarding the issuer (details of the company and group, the company's management bodies, shareholders and articles of association)
- Information on the capital structure and the shares (capital and voting rights)
- Responsibility for the prospectus
- Financial arrangements, and potentially capitalization and MD&A (Management Discussion and Analysis)

The aim is to give potential investors an overview of the issuer's net assets, results of operations and financial position so that they can make an informed decision about whether to subscribe or purchase shares.

Formal Requirements

The prospectus may be written in English, German, French or Italian, and must be submitted to SIX Exchange Regulation at least 20 trading days prior to the listing or the start of the book building process as part of the listing application. The prospectus is always a single, self-contained document, but some information may be integrated in the form of references. Depending on the structure of the offer, the price and/or volume of the offer are published in a supplement to the listing prospectus once the offer period is over.

New Financial Services Act

FIDLEG will enter into force in 2020 at the earliest, and will also overhaul the law applying to prospectuses, among other things. A comprehensive prospectus obligation is to be introduced along the lines of the EU's Prospectus Directive, completing a paradigm shift with respect to Swiss prospectus law. This obligation to issue a prospectus will apply to anyone who intends to launch a public offering for the acquisition of securities (including any secondary offering) or apply for the admittance of securities to trading on a trading venue. There will, however, still be certain exceptions from the prospectus obligation for public offerings, but not for admittance to trading.

The obligation to register and obtain prior approval of the prospectus from a government authority is new. The formal assessment and approval of the prospectuses is to be carried out by FINMA-approved entities, although they will not assess their material accuracy. In the future it will therefore no longer be possible for SIX Exchange Regulation to check the prospectuses itself unless SIX Exchange Regulation obtains approval from FINMA.

Liability for the Prospectus

All parties involved in preparing the prospectus are liable to the purchasers of shares for any losses they incur as a result of information in the prospectus or in similar notifications that is erroneous, misleading or fails to meet statutory requirements. Liability for the prospectus in Switzerland is therefore very extensive. Not only does it cover the prospectus, but also similar notifications. It applies to errors in the prospectus that are both intended and the result of negligence.

While banks may use the "due diligence defense" in the case of errors in the prospectus as a result of negligence, this defense is ruled out for intentional errors in the prospectus. Due diligence defense means that the banks can show that they exercised the necessary care when selecting consultants, investigating the facts and verifying the confirmation received (such as legal opinions and comfort letters).

Liability for the prospectus is why consultants (are required to) conduct commercial, financial and legal due diligence in connection with an IPO. This circles back to the underwriting agreement mentioned at the beginning, in which the banks among other things demand extensive warranties from issuers and indemnification in the event of claims based on liability for the prospectus.

Dr. Wolfgang Müller MBA, Partner
Meyerlustenberger Lachenal AG

Selected Aspects Relating to Financial Reporting

In many cases, the transition from a privately held to a public corporation starts with the publication of detailed financial information. This information is an important factor in any decision to invest. The main requirements with respect to a company's financial reporting in connection with an IPO are described below.

Historical Financial Statements

One prerequisite for an IPO candidate is the existence of a financial track record, i.e. historical financial information for the three full fiscal years prior to listing¹. Young companies or companies that are listed in accordance with certain standards (such as real estate companies) may apply for exemptions to be made to this rule. SIX Exchange Regulation specifies which recognized financial reporting standards are required for which standards², for example:

1. International reporting standard: IFRS, US GAAP
2. Swiss reporting standard: Swiss GAAP FER (FER), reporting standards in accordance with banking law
3. Standard for investment companies: IFRS, US GAAP
4. Standard for real estate companies: IFRS, FER

The financial reporting standards differ in terms of their scope and complexity, but all of them aim to provide a true and fair view of actual circumstances. While IFRS allow a comparison with foreign companies and are more suitable for companies with international investors, FER is less complex and time-consuming. The choice of the suitable standard for the company is therefore the first step in the reporting process in connection with an IPO.

These standards apply to the consolidated financial statements. For most transactions the prospectus also includes the issuer's separate statutory financial statements. The annual financial statements must be audited by auditors who are approved by the Swiss Federal Audit Supervisory Authority (RAB) or regulated by a foreign audit supervisory authority that is recognized by the Swiss Federal Council.

If the listing is taking place more than nine months after the reference date for the most recent set of audited annual financial statements, SIX Exchange Regulation requires an additional set of interim financial statements to be prepared for the first six months for the purposes of the prospectus³. There is no legal requirement for the interim financial statements to be audited or reviewed by the company's auditors.

Reporting on Complex Historical Financial Information

There are cases in which the issuer's corporate structure has changed significantly or the issuer intends to conduct a major transaction such as a takeover or spinning off certain business activities. If this kind of structural change is material and has not been reflected in any audited financial statements, additional financial data is required in the prospectus in order to give investors a clear impression of the issuer's financial situation⁴. The materiality of a structural change is assessed based on a comparison of the company's annual net profit, sales and total assets before and after the change.

Depending on the nature of the structural change, the additional financial information may take the form of pro forma financial information or certain historical financial statements such as carve-out or combined financial statements. Carve-out financial statements are used if only part of an organization such as a division is carved out and listed. Combined financial statements are used in the absence of consolidated financial statements by combining the separate financial statements of individual companies under the same management so that they can be treated as a single reporting unit. Carve-out or combined financial statements must be prepared in accordance with recognized financial reporting standards and audited.

Pro forma financial information, on the other hand, is used to illustrate the issuer's hypothetical financial situation as if the material structural change or transaction had taken place at the start of the last fiscal year covered by the historical financial statements. To this end, the historical financial statements (balance sheet, income statement, earnings per share) for the last fiscal year are adjusted based on appropriate assumptions. Pro forma adjustments are presented in the form of a tabular reconciliation. The principles on the basis of which the financial statements were prepared and each individual pro forma adjustment must also be described in detail. Independent auditors must issue an assurance letter regarding the preparation of pro forma financial information.

Practical Information

The transition to becoming a public company and the associated transparency regarding the company's financial situation pose a challenge to many companies. The published "guidance" (e.g. targets for sales and EBIT) must be based on an accurate budgeting process. Firstly, segment information must be published in order to provide a more in-depth insight into the performance of the individual divisions. It is therefore advisable to conduct a gap analysis (known as an IPO readiness check) in important areas such as financial reporting, governance and compliance, and legal and taxation, at an early stage. There will be more or less actions required depending on the company's maturity. This makes it all more important to start preparing the necessary financial information in good time. It may be necessary, for example, to switch to a different financial reporting standard. Success requires a thorough time line and the allocation of sufficient resources.

Daniel Haas, Partner, Accounting Advisory/Audit and Martin Stevka, Senior Manager, International Accounting and Reporting KPMG AG

¹ Listing Rules, II. Listing, 1. Requirements for issuers (4/4/2018) and the SIX Exchange Regulation Track Record Directive (3/20/2018)

² Financial Reporting Directive (3/20/2018), SIX Exchange Regulation

³ Scheme A, Equity Securities (5/1/2018), SIX Exchange Regulation

⁴ Complex Financial History Directive (3/2/2016), SIX Exchange Regulation

The Equity Story – the Core of Investor Relations

In the run-up to an IPO and for the entire duration of a company's listing, the equity story is the most important basis for communication with the capital market. Rapid changes in framework conditions and increasingly frequent changes to business models and strategies mean that the equity story has to be regularly assessed and constantly adapted in response to new circumstances. The equity story reflects the company's current situation and indicates the potential for the future.

The equity story gives analysts, investment advisors, investors, journalists and other target groups key information that allows them to gain the most comprehensive view possible of the company. Important factors for a decision to invest are a company's growth drivers and its potential to increase its value within its sector. These form the core of the equity story. Growth drivers can include technological innovations, advantages in terms of quality, the cultivation of new markets, demographic trends or the use of new sales channels. Value can be increased by optimizing the company's cost structure, insourcing or outsourcing, partnerships, smart pricing, increased sales and higher margins.

Identifying New Horizons

Preparing an equity story is no easy task. The greatest challenge lies in not simply using the past as the basis for determining a company's potential. Instead, it is important to develop a story that identifies new horizons and prospects for the future. Less is more. While the listing prospectus must contain "sufficient information for competent investors to reach an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the issuer, as well as of the rights attached to the securities" (Art. 27 of the Listing Rules [LR]), the equity story can be briefer and more succinct. It summarizes why it could be worth investing

in a particular company. It must nevertheless tie in with the information contained in the mandatory documentation, such as the listing prospectus, or other means of communication. There is no place in the equity story for unrealistic promises or "bigging up" the company's attributes, for liability reasons if nothing else. Only those who fulfill their promises will build up credibility and confidence.

Hard and Soft Factors

The first, essential equity story is usually developed in preparation for an IPO, i.e. in a situation in which the advising lawyers, banks and auditors exercise a lot of influence. Their task is to guide the issuer onto the stock exchange as directly as possible, subject to strict compliance with the applicable regulations, directives and customs. This gives rise to a preference for factual information or "hard factors". Content is prepared in such a way that it does not present any angles of attack for any lawsuits from investors or other target groups. The story is dominated by descriptions of the strategy, structures, processes and systems, supplemented by figures and factual information.

On the other hand, the equity story also has to "sell" the company, which only works in combination with soft factors. These include the corporate culture, the quality of management, the treatment of employees, proximity to the customer, brand loyalty, quality of experience, reputation and the quality of after-sales service. Although none of these factors are easily quantified, their value is undisputed and must be conveyed. The equity story must clearly set out why a particular (ideally unique) business model makes sense and the chosen strategy is particularly promising. The company must be presented in the context of its market and competition in such a way that an interested investor recognizes and wants to participate in its potential.

Unlike the listing prospectus, the equity story may also use language that mainly focuses on readability. It is about presenting complex issues and relationships in a way that is clear, understandable and accurate.

Story with an Expiration Date

While it was only a few years ago that equity stories could be assumed to apply for a substantial amount of time, this only applies to a limited extent now. New laws, new technologies, changed consumption patterns and innovative competitor business models can quickly render an established business model obsolete. Consider, for example, the impact of booking portals and Airbnb on hotel chains, or online channels on retailers and retail banking. Changed framework conditions require the companies affected to adjust their strategies and business models, and therefore also to revise their equity stories as a result.

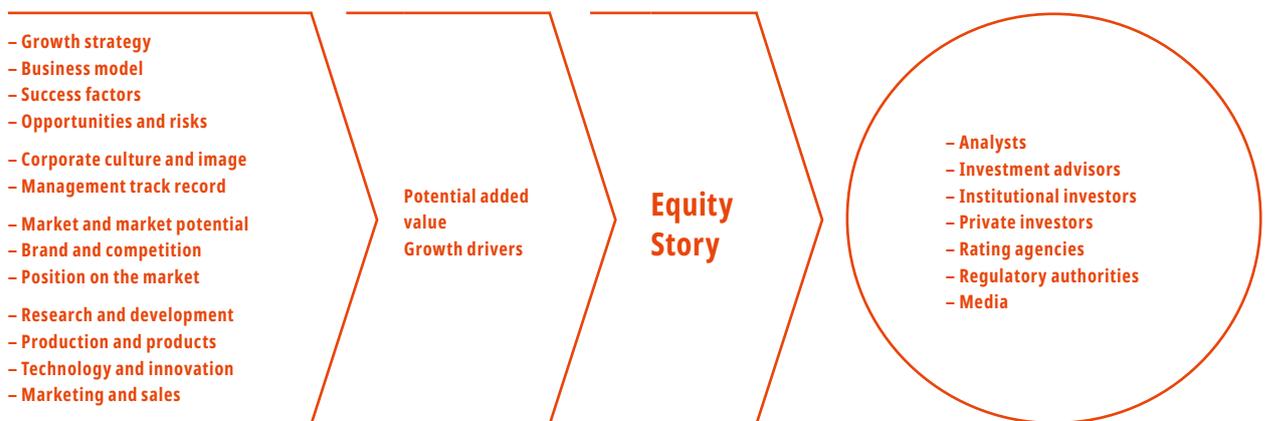
The need to change the content of the equity story grows in proportion to its scope and degree of detail.

While a comprehensive equity story offers capital market participants clear insights into a company's strategy and its implementation, it also forces them to invest a relatively long time in reading it. It can no longer simply be assumed that investors will be willing to do this. It is therefore necessary to start by summarizing the equity story with a handful of core statements, before going into them in detail individually.

It is in any case good to examine an equity story from time to time and to adjust it if necessary. Adjustments are a sign of strength. They indicate that the company's management anticipate changes and are constantly working to make the company more competitive and appealing.

The Preparation Process

The preparation of an equity story is at least as important as the equity story itself. It offers the company's management an ideal opportunity to critically examine existing structures, to check the continued validity of



The equity story provides the information that allows the target groups to gain an impression of the company from an investor's perspective.

past statements and to make proactive and well-justified corrections as necessary. The preparation process provides a good way to compare the company's own perspective with external perceptions. Because the equity story also influences other means of communication (annual report, company presentation, website, press releases, listing prospectus, etc.), it is worth working with a high level of care and rigor. This requires communications know-how and good knowledge of the company's strategy, business model and sector, as well as capital market expertise, creativity and good written expression.

Walter Steiner, Steiner Kommunikationsberatung
Member of GIRAS, the Swiss Society of Investor
Relations Agencies

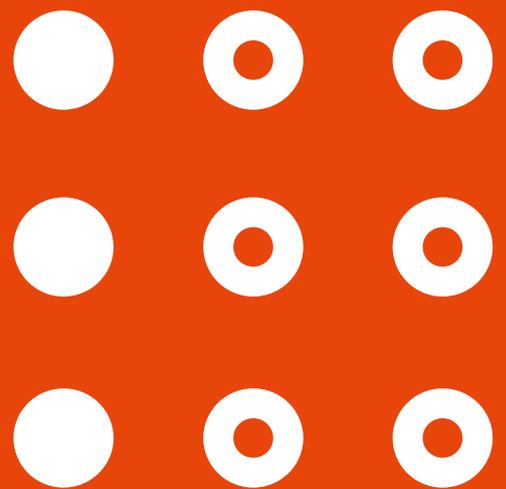
Content of the Equity Story

The equity story provides answers to the following questions¹:

- How has the company positioned itself in its relevant market?
- What is the current size of the relevant market and how quickly is it growing?
- What is the company's strategy?
- How is the company different from its competitors? What can it do better?
- What potential does the company have to develop and increase its value, and how is it to be exploited?
- What factors enable the company to exploit this potential (quality of management, strength of the brand, technology, leadership in terms of costs, sales network, corporate and service culture, etc.)?
- What weaknesses and potential for improvement are there, and how are these being addressed?
- Where do the management see future opportunities and risks?
- What do these factors mean for the shares and shareholders?
- How should the current valuation and upside potential for the share price be assessed?
- How does the company deal and communicate with its various stakeholder groups?

¹ List not exhaustive

It's the Little Things That Set Us Apart - Lots of Them



Listing Requirements

An issuer and its securities must meet certain requirements in order for the securities to be listed. In addition to meeting certain legal criteria, the issuer must have a minimum track record. It must also meet requirements with respect to its equity capital, valuation and free float. The purpose of this is to offer a certain degree of protection to investors while also ensuring the liquidity of trading in the securities.

Regulatory Framework

A listing is a standardized process for admitting securities to trading on a stock exchange, which involves assessing the exchange's requirements with respect to the issuer and the securities (Art.2 letter f of the Swiss Financial Market Infrastructure Act [FinfraG]). In addition to the admission of securities by means of listing, securities can also be admitted for trading without listing (Art.35 [1] FinfraG as well as the regulations for the admission of equity securities for trading in the SIX Sponsored Foreign Shares Segment and the regulations for the admission of investment funds for trading in the SIX Sponsored Investment Fund Segment).

SIX Exchange Regulation sets down the rules for the admission of securities for trading and their listing in the Listing Rules (LR), various supplementary regulations, directives (Art.4 LR), circulars and notices (Art.5 LR). Its authority to issue and monitor the aforementioned regulations stems from Art. 35 FinfraG. SIX Exchange Regulation imposes the prescribed sanctions (Art.35 [3] FinfraG) in the event of violations of said regulations.

The pertinent provisions of company law (including Art.652a OR and also the FIDLEG Financial Services Act in the future) must also be observed in connection with the issuing of shares.

Requirements for the IPO

Overview

With respect to the requirements for the IPO, the LR distinguish between the requirements for listing (Art.9 et seq. LR), the obligations with respect to listing (Art.27 et seq. LR) and the listing process (Art.42 et seq. LR).

Prerequisites for Listing

With respect to the prerequisites for listing, a distinction has to be made between the requirements applying to the issuer and those applying to the securities themselves. The requirements imposed on issuers and securities vary depending on the standard chosen for the admission of the securities. The following standards are available for equity securities (Art.3 [2] LR):

- International reporting standard
- Swiss reporting standard
- Standard for investment companies
- Standard for real estate companies
- Standard for depositary receipts
- Standard for collective investment schemes

Requirements for Issuers

The requirements imposed on issuers in accordance with the international and Swiss reporting standards are as follows:

- The establishment, articles of association or deed of partnership must comply with the national law applying to the issuer (Art. 10 LR).
- The issuer must have been incorporated for at least three years (Art. 11 LR, see Track Record Directive for exceptions).

- The issuer must have prepared annual financial statements in accordance with a recognized financial reporting standard for at least three years (Art. 12 LR, see also the Financial Reporting and Complex Financial History directives).
- The auditors must meet the requirements of Art. 7 and Art. 8 of the Swiss Federal Act on the Admission and Oversight of Auditors (RAG) (Art. 13 LR).
- On the first day of trading, the issuer's reported equity must amount to at least CHF 2.5 million in accordance with the financial reporting standard applied in the listing prospectus (for group parent companies the consolidated equity is used) (Art. 15 LR).
- Any other requirements specified by the Regulatory Board must be met (Art. 16 LR).

Requirements for Securities

The requirements applying to the securities are as follows:

- The securities must have been issued in accordance with the law applying to the issuer and in compliance with the provisions applying to the securities (Art. 17 LR).
- The listing must comprise all securities issued in the same category (Art. 18 LR).
- At least 20% of outstanding securities in the same category must be in free float and the capitalization of the securities in free float must amount to at least CHF 25 million (Art. 19 LR, see also the Free Float Directive).
- The proper trading of the securities on the stock exchange must be ensured and the disclosure of legal ownership must be provided for (Art. 21 LR).
- The denomination of the securities must facilitate the processing of a stock market transaction amounting to a round lot (Art. 22 LR).
- Clearing and settlement through the settlement systems approved by SIX must be ensured (Art. 23 LR).
- The provision of services pertaining to dividends in Switzerland must be ensured (Art. 24 LR).

Obligations with Respect to Listing

The issuer must publish a listing prospectus in connection with the listing. The listing prospectus contains the information required for competent investors to reach an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the issuer as well as of the rights attached to the securities (Art. 27 LR).

The information that the listing prospectus must contain is largely governed by the Listing Rules, the Financial Reporting Directive, the Complex Financial History Directive, the relevant schemes (see Art. 28 LR) and, if new shares are being issued publicly, Art. 652a OR. In certain circumstances, the listing prospectus may be shortened (Art. 34 LR) or not prepared and published at all (Art. 33 LR).

The Regulatory Board may require issuers to make available other information documents in addition to the listing prospectus, such as expert reports or contracts (Art. 41 LR). Finally, the issuer must draw attention to the listing in an "official notice", and make reference to where the listing prospectus can be obtained (Art. 40a LR).

Listing Procedure

Securities are listed on the Swiss stock exchange upon application (Art.42 LR), which must be submitted by a recognized representative (Art.43 LR). The listing application must be submitted to SIX Exchange Regulation at least 20 trading days prior to the proposed date of listing (Art. 4 of the Equity Securities Procedures Directive).

The listing application is to be submitted together with documents including a draft version of the listing prospectus (or a corresponding document pursuant to Art.27 LR, see Art.5 of the Equity Securities Procedures Directive regarding the documents to be submitted together with the application).

If individual listing criteria are not met, the listing application must include a supported application for a corresponding exemption (Art. 44 (2) LR). If the requirements for the sought-after listing are met, the Regulatory Board approves the listing application (potentially subject to conditions). If the requirements are not met, the application is provisionally or permanently refused (Art.47 LR). The applicant may request a preliminary decision (Art.48 LR).

Requirements for Being Public

The Listing Rules distinguish between two forms of reporting with respect to the requirements for being public:

- Periodic reporting (Art.49 et seq. LR)
- Other information-related obligations (Art.52 et seq. LR)

Periodic Reporting Obligations

Periodic reporting consists of the publication of annual and potentially also semi-annual reports. The publication of quarterly reports is optional (Art.49 et seq. LR). In addition to the audited annual financial statements, the annual report contains detailed information on corporate governance that is specified in the Directive Corporate Governance (DCG).

The information that is to be published relates to matters including the group's structure and shareholders (significant shareholders), the capital structure, the members of the board of directors and executive management (personal data, particularly regarding any vested interests), their compensation (see the information obligations pursuant to the Swiss Ordinance on Excessive Compensation at Listed Stock Corporations (VegüV) for issuers subject to VegüV), the co-determination rights of shareholders, the duty to make a takeover offer (in the case of public takeovers), change-of-control clauses in contracts with members of the board of directors, executive management and other senior managers, the auditors and the information policy. If the issuer chooses not to disclose certain information specified in the DCG, it must justify its decision in the corporate governance report (comply or explain) (Art.7 DCG).

SIX Exchange Regulation checks each year whether the annual report and the information on corporate governance meet the requirements of the Listing Rules.

Other Information Obligations

Other information obligations include the following:

- Publication of a corporate calendar (Art. 52 LR)
- The obligation to disclose potentially price-sensitive facts (Art. 53 LR)
- Disclosure of management transactions (Art. 56 LR)
- Obligation to disclose changes in the rights attached to securities (Art. 55 LR, see also the Regular Reporting Obligations Directive)

The duty to provide information on matters that are potentially relevant to the share price (ad hoc publication) is very important at a practical level. There is a fundamental obligation to immediately publish any facts that are potentially relevant to the share price (Art. 53 LR and Ad Hoc Publicity Directive). The issuer may postpone publication, however, in justified cases (Art. 54 LR), namely if the fact relates to one of the issuer's plans or decisions and its announcement would impact the issuer's reasonable interests.

Although shareholders are fundamentally responsible for disclosing equity investments pursuant to Art. 120 et seq. FinfraG, the issuer has certain obligations in connection with the publication of disclosure notices (Art. 124 FinfraG).

Alexander Nikitine, Theodor Härtsch and
Stefan Knobloch, Partners in the Capital Markets Team
Walder Wyss, Zurich

After-Market and the Importance of Research

“After-market” generally refers to the phase immediately after an IPO. During this time, in addition to a successful business performance, coverage by research analysts is desirable because it helps the company achieve greater transparency vis-à-vis investors.

After-Market

In addition to the over-allotment option already described in the “Phases of the IPO Process” section and compliance with maintenance obligations, the main focus of newcomers to the stock exchange and their investors shortly after the IPO is on trading liquidity. Small and medium-sized entities often make use of professional market making. This ensures a narrow bid/ask spread with sufficient volumes behind the bid and ask prices, which means that large-scale purchases and sales can be carried out with a limited impact on the share price. A high level of liquidity is an important investment criterion for many investors, particularly for new listings.

Participation in the capital market allows companies to conduct a variety of subsequent transactions in order to raise additional funds, distribute funds or reallocate shares. One positive side effect of such transactions is the publicity they generate, as the transactions are often picked up by the media. Additional funds can for example be raised by means of a capital increase or by issuing a convertible bond. Debt capital can be raised publicly by issuing a bond, for example to replace existing debt financing instruments or to increase gearing. There are also attractive alternatives to the conventional dividend available when it comes to returning funds to shareholders. A share buy-back program can be launched at a later date, for example, with the aim of subsequently

destroying the shares purchased in this way in order to consolidate profits. The structured distribution of treasury shares can be considered as an alternative to a cash dividend. Banks that qualify as lead banks for IPOs also have the expertise required for these transactions, which can be complex.

The concept of total shareholder return often comes up in connection with the after-market phase. Investors expect compensation for the risks associated with subscribing shares in the form of a suitable increase in the share price on the first day of trading. Trading then “normalizes” to a certain extent and investors focus on the long-term return comprising share price growth and the dividend yield. Investors have already been given guidance regarding the company’s dividend policy in the investment case as part of the marketing for the IPO. Total shareholder return is often compared with a market index such as the Swiss Performance Index SPI®, in order to judge whether a particular share is performing better or worse than the general market.

The Importance of Research Reports

During the IPO process, independent research reports issued by the equity analysts of the banks involved are an important basis on which investors make their decisions. Even after the IPO, analysts’ assessments are crucial (particularly for smaller companies). Analysts keep investors up to date by providing them with detailed analyses of publicly available information on companies such as annual reports, interviews or data regarding competitors. A company’s transparency improves because analysts obtain explanations for any matters that are unclear, and in so doing make an important contribution to enhancing the efficiency of the financial markets.

Analysts are experts with substantial knowledge of certain industries who monitor multiple companies in specific sectors such as the pharmaceutical or real estate sectors. They usually publish detailed studies on the companies they cover on a quarterly or semi-annual basis. These are supplemented by daily commentaries on information that is relevant to the capital markets, or assessments of relevant developments at competitors. In these extensive studies, analysts present their assessments of the most recent developments of companies' financial data and business performance, evaluate the investigated company using common methods and offer an investment recommendation. A critical eye is also cast over the companies' strategic goals, giving management an external assessment of the feasibility of their objectives. The investment recommendations or ratings are typically divided into three categories with designations such as "overweight/buy", "market weight/hold" and "underweight/sell", and provide investors with brief and concise orientation.

Analysts also organize roadshows in partnership with the management of the companies they cover. These bilateral talks or group meetings involve an intense dialog that improves investors' and analysts' understanding of the business model and trends. Roadshows are usually held shortly after financial figures are released or in connection with a pending capital market transaction and their main target audience is institutional investors.

Companies that are not covered by analysts (IPOs are usually covered by at least one) tend to escape the focus of professional investors because the research required on the part of the buyer quickly becomes disproportionately large.

Dr. Andreas Neumann, Head Equity Capital Markets and Tobias Bertschinger, Equity Capital Markets
Zürcher Kantonalbank

Investors' Expectations of Listed Companies

A company's "public life" begins after an IPO. In order to meet investors' expectations, a newly listed company must not only meet its regulatory obligations but also ensure regular and transparent communication with investors in line with best practice. A number of different instruments have become established in practice for this purpose, including proactive investor relations, non-deal management roadshows, a detailed and user-friendly website, and constructive collaboration with research analysts at various financial institutions.

After an IPO, the question faced by newly listed companies is "What now?" What does the company need to do in order to fulfill investors' expectations? SIX Exchange Regulation's Listing Rules contain the provisions that a company needs to comply with in order to maintain its listing. These rules focus on periodic reporting as well as other information obligations that the company should treat as minimum requirements. Investors' expectations regarding a company's prompt, transparent and detailed information policy have steadily risen in recent years and go beyond the regulations of the Swiss stock exchange in many respects. The following specific aspects should be mentioned:

Ad Hoc Publication: The Right Amount and Timing of Reporting

The company must inform investors about important events such as changes in management, acquisitions of other (sub-)entities, joint ventures or the conclusion of major contracts, as well as other events that are relevant to the share price. Information must be provided on events with the potential to have a material impact on the company's share price as soon as the key points are known to the company. Most companies now adhere to these rules rigorously. There are, however, also cases in which companies publish press releases too frequently, containing no facts that are relevant to the share price. This can be counter-productive.

Prompt Profit Warnings/Guidance

The company should be well informed about analyst forecasts and investors' expectations regarding financial performance indicators. It makes sense for the company to publish preliminary but not necessarily detailed information regarding substantial deviations that are already apparent prior to regular reporting.

Research Coverage

Broad research coverage is beneficial for companies listed on a stock exchange. For companies that are already covered by research, constructive collaboration with analysts is one of the most important factors that the company can influence in order to achieve a fair assessment by the market. Companies with no or insufficient research coverage can benefit from SIX Stage Program.

Analyst Consensus

Companies that enjoy broad research coverage can prepare an analysis and comparison of individual analysts' forecasts and share this with investors. This is a useful task that gives the company's management important information on analysts' assessment of the market, while also facilitating communication with investors.

Management Roadshows and Investor Days

Regular non-deal management roadshows are an effective means for the company to maintain communication with its existing investors and attract new ones. It is advisable to visit investors two to four times a year as part of a management roadshow (for example following the publication of the quarterly or semi-annual results) in order to inform them about how business is going and the company's strategy. These meetings also give management the opportunity to better understand any critical points for investors and to respond to them in good time.

Many companies also invite investors to their premises once a year for a longer and more detailed company presentation as part of an investor day. This offers investors and analysts a more in-depth insight into the company, its products and its strategy. It is also an opportunity to meet employees from different divisions and at different levels of management and provides valuable insights into the company's culture.

Website

A user-friendly, informative and up-to-date website is a must for listed companies. In addition to information on the company's operations, strategy, products and management, this should also contain sufficient information that is relevant to the listing such as financial reports, company presentations, the share price, all press releases, etc.

The Role of Investor Relations

Investors expect listed companies to designate an investor relations contact person as a direct point of contact for their inquiries. That is why investor relations plays an important role in a company's success on the stock market. In order to fulfill this role well, investor relations employees must be very well informed about the company and understand the operating business in detail. They must maintain regular contact with investors and analysts and be aware of their opinions and concerns. They must also be easily reachable.

In summary, complying with best practice for communications with investors and analysts is one of the most important tasks for a listed company. The company should endeavor to not only fulfill current requirements but also to follow new developments and exploit them insofar as it is advantageous to do so.

Friedrich Dietz (MD), Kalina Scott (MD),
Marius Zuberbühler (MD) and
Lukas Keuerleber (Associate), Formerly Corporate
Finance Team of Bank am Bellevue

“ It Is Important to Comply with Best Practice for Communications with Investors and Analysts. ”

Capital Increases in Switzerland

Companies listed on the Swiss stock exchange can rely on a firmly established process, various different structuring options and long-standing partnerships between SIX, banks and law firms. The raising of capital by stock corporations in Switzerland is governed by the provisions of the Swiss Code of Obligations (OR). Companies listed on the Swiss stock exchange also need to observe the provisions pertaining to capital increases.

Types of Capital Increase

The OR allows stock corporations to raise new share capital by means of an ordinary, authorized or conditional capital increase. In Switzerland, all forms of capital-raising require the agreement of shareholders at a certain point in time at a general meeting, the invitations for which must be sent out at least 20 calendar days in advance.

In the case of an ordinary capital increase, the shareholders specify the conditions for the capital increase by an absolute majority of votes and authorize the board of directors to carry out the increase within three months. The specification of the price per share and the number of new shares to be created may be delegated to the board of directors. This form does not involve any limit on the volume of new capital to be created.

Unlike an ordinary capital increase, the volume of a capital increase from authorized or conditional capital is limited to 50% of existing capital. In the case of a capital increase from authorized capital, the shareholders amend the company's articles of association accordingly and authorize the board of directors to create a maximum number of new shares within two years. The amendment of the articles of association requires a two-thirds majority of votes and an absolute majority of capital at the general meeting.

A capital increase from conditional capital is based on the creation of share capital for equity-equivalent instruments, convertible bonds or employee option schemes. To this end, the shareholders amend the articles of association in the same way as for authorized capital, meaning that a two-thirds majority of votes and an absolute majority of capital are required at the general meeting. There is no time limit for carrying out the capital increase. New capital is not created, however, until the conversion is carried out or the options are exercised.

Shareholders' Subscription Rights

The OR provides for a right on the part of shareholders to subscribe new shares. A company that raises capital must therefore offer existing shareholders the opportunity to subscribe new shares or share-linked instruments in proportion to their investments. Shareholders may exclude subscription rights by a majority of at least two-thirds of the votes cast and an absolute majority of the shareholders represented at the general meeting. The OR also requires a good reason for the subscription rights to be revoked and compliance with the principles pertaining to the equal treatment of shareholders. A reason to exclude subscription rights must involve an objective and clear interest on the part of the company. Generally accepted reasons include M&A transactions, employee participation schemes, recapitalization in connection with restructuring or the addition of a new strategic investor.

While it is the shareholders who decide at the general meeting to exclude the subscription rights of existing shareholders for ordinary capital increases, in the case of authorized capital this decision is delegated to the board of directors. In this case the board of directors must decide to exclude the subscription rights on the basis of the authorized capital in the articles of association when carrying out the capital increase.

Most capital increases in Switzerland are conventional offers of subscription rights. Other structures are seen, however, including offers involving an accelerated book building process subject to the exclusion of existing shareholders' subscription rights. In the case of subscription right offers in which the new shares are offered at a discount relative to their market price, the subscription rights can generally be traded on the Swiss stock exchange for between five and ten days. This gives existing shareholders who cannot or do not want to exercise their subscription rights the opportunity to sell them on the market as compensation for the dilution. At the same time, both interested and existing shareholders can build up their shares by acquiring subscription rights. In the past, however, issues have not always involved a discount relative to the market price. The trading of rights is often not facilitated for capital increases at or near market price, i.e. in which the rights have no intrinsic value.

Requirements for the Prospectus

If the new shares are offered publicly in Switzerland, Art. 652a OR requires an offering prospectus containing certain information on the issuer. SIX Exchange Regulation's requirements for the prospectus, which companies must also comply with, are much more extensive. The Listing Rules are based on the EU's Prospectus Directive, but are less extensive and allow issuers greater flexibility. The Listing Rules generally cover the requirements of Art. 652a OR. If the offer involves 10% or less of the issuer's shares (including conditional capital) within a given year then the Listing Rules do not require a listing prospectus.

Timing Considerations

The duration of a capital increase by a company listed on the Swiss stock exchange depends to a large extent on the structure chosen. While up to 10% of a company's capital can be placed within the space of a given year in a few days without issuing a prospectus, transactions involving a prospectus require much longer. SIX Exchange Regulation has set a period of 20 trading days for reviewing the prospectus, for example. Together with the period for trading and exercising subscription rights, and the process of settling the capital increase, a duration of at least a month should be expected.

In summary, the processes relating to the capital increases of listed companies in Switzerland have been very well established for many years. Institutional investors are also familiar with a variety of forms and structures, allowing companies to efficiently boost their equity.

Friedrich Dietz (MD), Kalina Scott (MD),
Marius Zuberbühler (MD) and
Lukas Keuerleber (Associate), Formerly Corporate
Finance Team of Bank am Bellevue

Case Study: Glarner Kantonalbank

Glarner Kantonalbank's successful IPO shows that even smaller companies with an attractive investment case can be well received by the stock market.

Description of the Company

Glarner Kantonalbank (GLKB), which was founded in 1883, is a universal bank focusing on the Canton of Glarus and the surrounding economic area. In addition to mortgages, savings accounts, corporate accounts, asset management and investment, since 2012 the importance of the bank's online distribution strategy has grown significantly. GLKB is considered one of Switzerland's most digitalized banks thanks to innovative offerings such as the "Hypomat" for online mortgage approvals and other "-omat" products.

Background

In 2007 the Governing Council of Glarus was charged with finding ways to achieve the best possible future positioning of GLKB. The resulting ownership strategy envisioned the moderate opening of the bank for market-related reasons. The aim was to reduce the canton's liability risk by increasing capital backing, including by means of external financing. In 2010 GLKB was transformed into a stock corporation covered by special legislation, allowing the public to invest in its shares.

Marketing and Roadshow

The IPO campaign was launched shortly after the intention-to-float was announced in May 2014. The investor education process, which involved presentations by research analysts, generated highly constructive and positive feedback regarding demand and possible prices. The subsequent roadshow was aimed at institutional investors. At the same time, GLKB held three popular information events for private investors in the Canton of Glarus. The reasons for the IPO (public involvement through participation, and in so doing also cementing relationships with clients and raising equity in order to safeguard the ongoing development of business) met with approval.

Structure of the Transaction

A capital increase (which was subscribed in full by the Canton of Glarus) was carried out on the day before the first day of trading. All new shares were then placed publicly. As a result of the structure chosen, GLKB received two-thirds of the net proceeds with the Canton receiving the other third.

Price Range

Based on the specified price range, the market capitalization came to between CHF 196 million and CHF 247 million. A number of one-on-one meetings were held between investors and the management of GLKB during the book building. The offering was already covered after just a few days thanks to the convincing presentation of the investment case. The subscription book was oversubscribed within the pricing range, with the desired mix of private and institutional investors.

Pricing and Allocation

Shares were allocated at a price of CHF 17.50. More than half of the allocated shares went to institutional investors, more than a quarter to private clients of GLKB, and the rest to other clients in the retail and private banking segment. The over-allotment option amounting to around 14% of the base tranche was exercised in full two weeks after trading started. The Canton of Glarus remained the biggest shareholder following the IPO, with a share of approximately 70%.

Highlights of the Transaction

The IPO of the innovative Glarner Kantonalbank is the most recent privatization on the Swiss capital market. The successful transaction achieved the desired broad free float within the bank’s home canton. The current investors number around 2,500 shareholders, including many private investors from the Glarus region.

GLKB’s share price has risen by more than 85% since the IPO (as of April 2019, including the reinvestment of dividends). Zürcher Kantonalbank was the sole bookrunner for the IPO.

Dr. Andreas Neumann, Head Equity Capital Markets and Tobias Bertschinger, Equity Capital Markets
Zürcher Kantonalbank

The IPO at a Glance	
Issuer and ticker symbol	Glarner Kantonalbank/GLKBN
Listing	SIX (Swiss reporting standard)
Volume offered	CHF 64 million (including over-allotment option)
Number of shares offered	Basic offer of 3,200,000 new shares Over-allotment option of up to 300,000 new and up to 150,000 existing shares
Free float	31.7% after exercising the over-allotment option
Total number of shares issued	11,500,000 shares
Distribution	Switzerland: public placement International: private placement with institutional investors (under Regulation S of the US Securities Act)
Lock-up	12 months for the company (Glarner Kantonalbank) 12 months for the selling shareholder (Canton of Glarus)
Price	CHF 17.50 per share (price range of CHF 17.00–21.50)
Market capitalization at IPO	CHF 201 million

Case Study: Investis Holding SA

The IPO of Investis Holding SA on the Swiss stock exchange is a good example of the continued strong demand among investors for successful, owner-managed Swiss companies. Investis was the first European company to successfully venture onto the stock market following the Brexit referendum in the UK on June 23, 2016, and the resulting turbulence on the capital market. The IPO placement price was set and new shares with a volume of CHF 163 million were placed on the capital market just four trading days after the referendum, on June 30, 2016.

Description of the Company

Investis Holding SA (the company, together with its subsidiaries) is a leading residential property company in the Lake Geneva region and a national provider of real estate services in Switzerland. Investis employs around 1,100 people.

Ever since it was founded in 1994 by its current CEO and main shareholder Stéphane Bonvin, Investis has followed an entrepreneurial approach with a long-term buy and hold strategy. The focus is on creating value with a combination of properties and property services.

Investis built up its real estate division over a period of more than 20 years. The real estate portfolio, which had a value of CHF 1,345 million at the end of 2018, is concentrated in the region around Lake Geneva. The portfolio consists almost exclusively of residential properties. At the end of 2018 it comprised 157 properties with 2,911 residential units in the mid-range price segment.

Investis moved into the property services business in 2011 after spotting the trend on the market toward consolidation at an early stage. This business line was expanded by means of organic growth as well as a number of acquisitions.

The two business segments (property and property services) allow Investis to take advantage of various cross-selling opportunities. Thanks to its activities in the field of property services, Investis has in-depth knowledge of the market as well as access to off-market opportunities with respect to potential investments in residential properties.

In 2018 Investis generated sales of CHF 197.5 million, EBIT of CHF 74.6 million and net profit of CHF 54.4 million.

Reasons for the IPO

In order to accelerate its next phase of growth by means of attractive investments in its property business line as well as selected add-on acquisitions in its property services business, Investis decided to raise additional capital by floating on the Swiss stock exchange. Thanks to the IPO and the associated increase in its profile and financial flexibility, Investis can build on its strengths and leading position with respect to residential properties and in the Swiss market for property services. This step also enables it to take better advantage of the market opportunities arising from consolidation and digitalization.

Description of the Transaction

The IPO consisted of a public offer to investors in Switzerland and a private placement in certain other countries outside Switzerland and the United States of America (in accordance with the applicable securities laws and based on Regulation S of the US Securities Act as well as the exceptions provided for in the Stock Market Prospectus Directive).

The price range for the offered shares was set at CHF 49 to CHF 68 per share. At the end of the book building phase the offer price was set at CHF 53 per share, which gave a total placement volume of CHF 148.4 million for the 2,800,000 newly issued registered shares.

Thanks to the positive performance of the share price in the first few days of trading, the over-allotment option was exercised in full one week after the price was set, on July 7, 2016, and Stéphane Bonvin placed another 280,000 existing shares on the market.

Following the exercise of the full over-allotment option the total volume offered amounted to CHF 163 million, with a free float of 24.1% of all shares. This means that after the IPO, 75.9% of the share capital and voting rights remained with the majority shareholder, who as a long-standing investor accepted a lock-up of 36 months for 67% of his shares and twelve months for the rest.

The IPO at a Glance

Issuer and ticker symbol	Investis Holding SA/IREN
Listing	SIX (standard for real estate companies)
Volume offered	CHF 163 million (including over-allotment option)
Number of shares offered	Base offer of 2,800,000 new shares Over-allotment option for up to 280,000 existing shares
Free float	24.1% after exercising the over-allotment option
Total number of shares issued	12,800,000 shares
Distribution	Switzerland: public placement International: private placement with institutional investors (under Regulation S of the US Securities Act)
Lock-up	12 months for the company (Investis Holding SA) 36 months for the selling shareholder and founder for 67% of share capital, 12 months for remaining shares
Price	CHF 53 per share (price range of CHF 49.00–68.00)
Market capitalization at IPO	CHF 678 million

Highlights of the Transaction

The Investis IPO was the first IPO in Europe following the Brexit vote (less than a week after the referendum). During the book building phase the consortium of banks registered strong demand, particularly from institutional investors in Switzerland, the UK, France, the Benelux countries and Germany. On the first day of trading Investis shares opened at CHF 53.75 and closed in the evening at CHF 57.30, 8.1% above the issue price.

The example of Investis shows that a solid and high-quality company can conduct a successful IPO even during difficult times on the capital market, such as in

the wake of the Brexit referendum. The capital market transaction was conducted by Credit Suisse as the sole bookrunner. Bank am Bellevue, Vontobel and Zürcher Kantonalbank acted as co-lead managers.

Friedrich Dietz (MD), Kalina Scott (MD), Marius Zuberbühler (MD) and Lukas Keuerleber (Associate), Formerly Corporate Finance Team of Bank am Bellevue

“ A Solid Company Can Conduct a Successful IPO Even During Difficult Times on the Capital Market. ”

Solution-Oriented in Every Situation



IPO Checklist

Preparation Phase

When

1. Readiness Check and Selection of Competent Advisors	Prior to X-4 Weeks ¹
<input type="checkbox"/> Update company strategy and business plan	
<input type="checkbox"/> Make contact with SIX	
<input type="checkbox"/> Select IPO partners, including: <ul style="list-style-type: none"> <input type="checkbox"/> Lead manager and consortium of banks <input type="checkbox"/> Lawyers <input type="checkbox"/> Auditors/tax consultants <input type="checkbox"/> Communications experts The SIX Exchange Regulation website (www.six-exchange-regulation.com) contains helpful lists of potential lead managers and lawyers.	
<input type="checkbox"/> Agree kick-off date with IPO advisors (Structuring of the IPO in terms of responsibilities, offer details, timing, etc. and start of the due diligence process)	
<input type="checkbox"/> Prepare investment case (in partnership with IPO advisors)	
<input type="checkbox"/> Check corporate governance structures (in accordance with the Code of Obligations, the SIX Exchange Regulation Corporate Governance Information Directive and the Swiss Code of Best Practice for Corporate Governance)	
<input type="checkbox"/> Check and adapt accounting and controlling processes	
2. Preparation for the IPO	Up to X-4 Weeks ¹
<input type="checkbox"/> Carry out due diligence process	
<input type="checkbox"/> Conduct initial valuation of shares	
<input type="checkbox"/> Prepare listing prospectus (recognized representative in close partnership with SIX Exchange Regulation)	
<input type="checkbox"/> Determine research and disclosure requirements	
<input type="checkbox"/> Prepare formal listing application for SIX Exchange Regulation: <ul style="list-style-type: none"> <input type="checkbox"/> Listing prospectus <input type="checkbox"/> Articles of association <input type="checkbox"/> Official notification <input type="checkbox"/> Excerpt from the commercial register² <input type="checkbox"/> Statement from the lead manager regarding free float² <input type="checkbox"/> Statement from the issuer pursuant to Art. 45 of the Listing Rules, and declaration of consent² <input type="checkbox"/> Proof in accordance with Audit Oversight Act 	
<input type="checkbox"/> Prepare detailed communications concept for participants on the capital market (investors, analysts, media, etc.)	
<input type="checkbox"/> Finalize documents and presentation for meeting with analysts	
<input type="checkbox"/> Select and invite other syndicate banks in consultation with the lead manager	
<input type="checkbox"/> Hold analyst briefing (management presentation and Q&A for analysts at the banks involved)	
<input type="checkbox"/> Discuss share price valuation and book building process with lead manager and syndicate banks	
<input type="checkbox"/> Finalize investment case	
<input type="checkbox"/> Prepare list of possible questions and answers (Q&A)	
<input type="checkbox"/> Hold initial meetings with important investors (pilot fishing) as an indication for how to proceed	
<input type="checkbox"/> Start event planning the first day of trading in partnership with SIX	
3. Submission of Listing Application	X-4 Weeks ¹

Marketing and Implementation Phase

	Date
4. Publication of IPO and Finalization of Roadshow	X-4 to X+2 Weeks¹
<input type="checkbox"/> Officially announce planned IPO	
<input type="checkbox"/> Carry out investor education/analyst roadshow	
<input type="checkbox"/> Plan time, locations and structure of roadshow	
<input type="checkbox"/> Finalize documents and presentations for meetings with investors	
<input type="checkbox"/> Schedule ongoing feedback meetings with investors, advisors, analysts and sales employees of the syndicate banks	
5. Book Building and IPO	X to X+2 Weeks¹
<input type="checkbox"/> Receive admission decision relating to the IPO from the Regulatory Board of SIX Exchange Regulation	X
<input type="checkbox"/> Sign contract with lead manager and syndicate banks (underwriting agreement)	X
<input type="checkbox"/> Set and publish share price range	X
<input type="checkbox"/> Print listing prospectus (red herring)	X
<input type="checkbox"/> Hold roadshows with investors	X to X+2 weeks
<input type="checkbox"/> Continue ongoing feedback meetings with advisors, analysts and sales employees of syndicate banks	X to X+2 weeks
<input type="checkbox"/> Discuss pricing and the share allocation process on issue date with lead manager	
<input type="checkbox"/> Close order book and set definitive placement price	X+2 weeks
<input type="checkbox"/> Publish final listing prospectus, including prospectus supplement and documents	X+2 weeks
<input type="checkbox"/> Hold IPO event at the Swiss stock exchange (first day of trading)	X+2 weeks

¹ X = Day on which application to the stock exchange is accepted by the Regulatory Board of SIX Exchange Regulation

² Documents do not need to be submitted until on or shortly before the first day of trading.

Selected IPO Partners

The following list shows a selection of partners and recognized representatives (last revised: April 2019) who can assist and support issuers throughout the entire IPO process. You can find a full list of all repre-

sentatives recognized by SIX Exchange Regulation on our website: www.six-exchange-regulation.com/en/home/issuer/admission/recognized-representatives.html

Contact Details for Partners with Articles in the IPO Guide for Switzerland

Company	Scope of Recognition	Address
economiesuisse – the Association of Swiss Companies	-	Spitalgasse 4, 3011 Bern
GIRAS – the Swiss Society of Investor Relations Agencies	-	Münstergasse 5, 8001 Zurich You can find an overview of all GIRAS members at www.giras.ch
KPMG AG	Bonds, equity securities	Badenerstrasse 172, 8036 Zurich
Meyerlustenberger Lachenal AG	Bonds, derivatives, equity securities, investment funds	Schiffbaustrasse 2, 8031 Zurich
Walder Wyss AG	Bonds, derivatives, equity securities, investment exchange-traded products (ETPs)	Seefeldstrasse 123, 8034 Zurich
Zürcher Kantonalbank	Full recognition	Josefstrasse 222, 8005 Zurich

Selected Recognized Representatives

Banking

Company	Scope of Recognition	Address
Bank Vontobel AG	Full recognition	Gotthardstrasse 43, 8022 Zurich
BNP Paribas (Suisse) SA	Full recognition	Selnaustrasse 16, 8001 Zurich
Credit Suisse (Schweiz) AG	Full recognition	Uetlibergstrasse 231, 8070 Zurich
Deutsche Bank Aktiengesellschaft	Bonds, derivatives, equity securities	Uraniastrasse 9, 8023 Zurich
Morgan Stanley & Co. International plc, London	Full recognition	Beethovenstrasse 33, 8002 Zurich
Helvetische Bank AG	Bonds, derivatives, equity securities	Seefeldstrasse 215, 8008 Zurich
Société Générale Paris Zurich Branch	Full recognition	Talacker 50, 8001 Zurich
UBS Switzerland AG	Full recognition	Paradeplatz 6, 8098 Zurich
Valiant Holding AG	Equity securities	Bundesplatz 4, 3001 Bern
Zürcher Kantonalbank	Full recognition	Josefstrasse 222, 8005 Zurich

Lawyers

Company	Scope of Recognition	Address
Baker & McKenzie	Bonds, derivatives, equity securities, investment funds	5, Rue Pedro-Meylan, 1208 Geneva
Bär & Karrer AG	Bonds, derivatives, equity securities, investment funds	Brandschenkestrasse 90, 8027 Zurich
BianchiSchwald GmbH	Bonds, derivatives, equity securities	St. Annagasse 9, 8021 Zurich
Bratschi AG	Bonds, derivatives, equity securities, exchange-traded products (ETPs), investment funds	Bollwerk 15, 3001 Bern
CMS von Erlach Poncet AG	Bonds, derivatives, equity securities	Dreikönigstrasse 7, 8022 Zurich
Homburger AG	Bonds, derivatives, equity securities, exchange-traded products (ETPs), investment funds	Hardstrasse 201, Prime Tower, 8005 Zurich
Kellerhals Carrard	Bonds, equity securities	Rämistrasse 5, 8024 Zurich
Lenz & Staehelin AG	Bonds, derivatives, equity securities, exchange-traded products (ETPs), investment funds	Brandschenkestrasse 24, 8001 Zurich
Meyerlustenberger Lachenal AG	Bonds, derivatives, equity securities, investment funds	Schiffbaustrasse 2, 8031 Zurich
Niederer Kraft & Frey AG	Bonds, derivatives, equity securities, exchange-traded products (ETPs), investment funds	Bahnhofstrasse 53, 8001 Zurich
Pestalozzi Rechtsanwälte AG	Bonds, derivatives, equity securities	Löwenstrasse 1, 8001 Zurich
Schellenberg Wittmer AG	Bonds, derivatives, equity securities	Löwenstrasse 19, 8021 Zurich
VISCHER AG	Bonds, derivatives, equity securities, investment funds	Schützengasse 1, 8021 Zurich
Walder Wyss AG	Bonds, derivatives, equity securities, exchange-traded products (ETPs), investment funds	Seefeldstrasse 123, 8034 Zurich
Wenger & Vieli AG	Bonds, derivatives, equity securities, investment funds	Dufourstrasse 56, 8034 Zurich

Audit firms

Company	Scope of Recognition	Address
Deloitte AG	Equity securities	General Guisan-Quai 38, 8022 Zurich
KPMG AG	Bonds, equity securities	Badenerstrasse 172, 8036 Zurich
PricewaterhouseCoopers AG	Bonds, derivatives, equity securities, exchange-traded products (ETP), investment funds	Birchstrasse 160, 8050 Zurich

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