

**SIX Swiss Exchange**

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# **Investor Relations Handbook**

**Compact Guide**

**SIX**



# Investor Relations as Part of Strategic Corporate Communication

## Dear readers

Why put so much work and money into an activity that is peripheral to a company's performance? After all, as our IR Handbook explains in great detail, communication and Investor Relations are not fundamental drivers of the share price. The drivers are rather the strategy and its implementation, which are based on the performance of the management and are reflected in hard figures.

How the answer turns out will depend on the situation of the individual company. A company that can finance its strategy from the operating cash flow and that has one core shareholder who provides protection against takeovers, for example, can definitely ask itself whether the costs of an additional investment in Investor Relations will generate many benefits or whether these funds would be better invested in research or in the sales market.

The situation is different for a company on a steep growth trajectory that will sooner or later require fresh capital, for example for the purposes of acquisitions. Or for a company with a fragmented shareholder base. Or for a firm in a deep slumber that could be roused by an activist investor. All these companies have a strategic interest in an appropriate valuation, meaning one that is as high as possible, and, as a means to an end, in a good reputation on the capital market. Professional Investor Relations can, as presented in this handbook, make a contribution to this, even if its effects account "only" for a couple of percentage points in the market valuation. Added to that is the fact that good Investor Relations will also raise a company's profile, which can have a positive impact on business partners and customers or on the recruitment of talented staff.

Investor Relations, understood as part of strategic corporate management and as a focal point of corporate strategy, corporate governance, corporate finance, and corporate communications, manages investors' expectations. The crucial factor for its success is primarily the attitude of the board of directors and the management. The instruments of IR play only a secondary role. A person who knows what makes investors tick and recognizes their role will take their views into appropriate consideration in central issues of corporate management, for example in the determination of strategy and capital allocation, and manage the communication in a manner tailored to their needs.

Do you want to know more? Then we'd like to recommend our comprehensive IR Handbook to you: → [six-group.com/ir-handbook](https://six-group.com/ir-handbook)

Your Issuer Relations team, Primary Markets, Swiss Stock Exchange

# Strategic Relevance of Investor Relations



Investor Relations is a field of action in strategic corporate communication. It describes the management by a stock corporation of its relations with investors.

The primary goal of IR is to optimize the company's market valuation or its equity financing.

Moreover, credible, reliable, and consistent information raises the profile and the basis of trust of companies and thus strengthens their market position.

IR takes on a strategic relevance in exceptional situations, such as with transactions (M&A) or the emergence of shareholder activists and in crises.

The clearer the corporate strategy, the more efficient the implementation, and the more disciplined the deployment of capital and resources, the stronger the basis for financial communication.

Maintaining close relations with institutional investors also helps.

A strong IR and communication program starts with a good analysis. What strengths and weaknesses does the company have from an investor's perspective?

The actual and target status of the IR objectives is identified and the target groups, perception, instruments and communication principles are defined in the IR strategy. It is becoming ever more important for risk analyses, sustainability planning and business strategy to be run as integral processes.

The strategic issues involved in Investor Relations are operationalized and laid out on a timeline for the IR planning.





# Content of Investor Relations

The value of a company is defined in the medium and long term by

- the performance of the relevant key market,
- the corporate strategy,
- the business performance in general,
- the growth in turnover and profit or the return on capital,
- the quality and communication strength of the management.

Investors want to know where exactly the company stands and also exactly where it intends to go. The company has to provide the right information for this.

The equity story is the heart of Investor Relations. At its core, this story involves how the company will increase turnover and profit and earn dividends in the future.

As far as the quality of the corporate communications and Investor Relations is concerned, it is not only the substance that matters but also the way and when and how the information is presented.

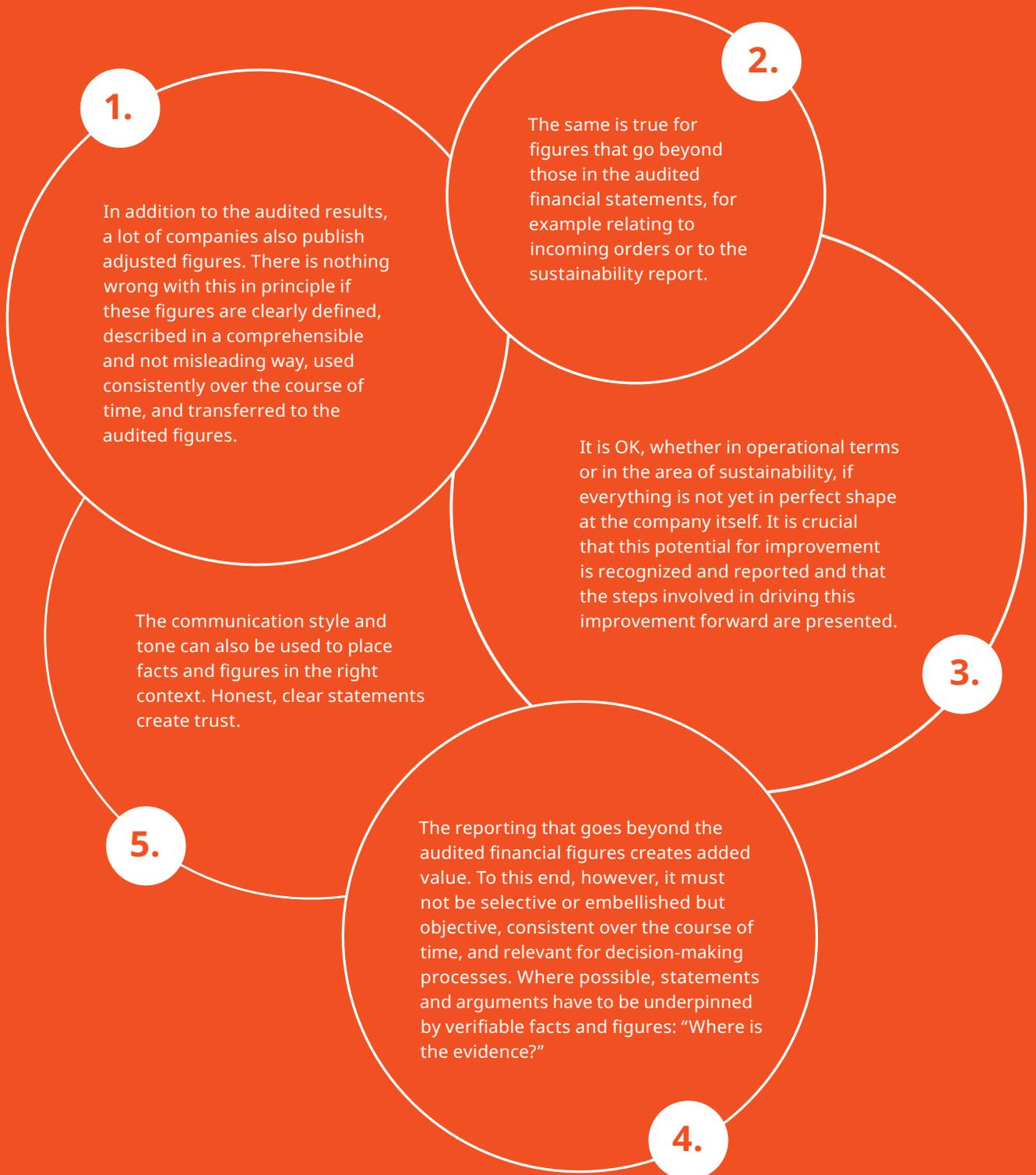
The sustainability report must fit in with and be embedded within the corporate strategy. It is important to identify material issues and report them in a balanced way. Of particular relevance are the areas identified as requiring improvement and the processes initiated for this purpose. "Greenwashing" or appearing to act as a benefactor via external projects with no direct link to a company's core business is to be avoided.

By opting in, issuers can announce that they create a sustainability report in accordance with an internationally recognized standard, such as the Global Reporting Initiative (GRI). There will be a statutory reporting obligation for issuers that exceed certain thresholds from 2024 onwards, covering the financial year 2023.

## The Equity Story – the Heart of Investor Relations

<b>How Does the Company Make Money?</b>	<b>In Which Markets Does the Company Operate?</b>	<b>Where Does the Company Stand in Relation to the Competition?</b>	<b>Where Does the Company Intend to Be in Five Years?</b>
The company's business model	The market prospects	Peer comparison and unique selling points (USP)	The vision
<b>Strategic Corporate Goals</b>	<b>How Does the Business Model Work in Detail?</b>	<b>Opportunities and Risks in Figures</b>	
Business targets, earnings targets, financial targets, sustainability/ESG criteria	The success and risk factors in the value chain	The company's key performance indicators: historical performance, current business figures, and forecasts	

Source: Prof. Dr. Olaf Streuer





# Financial Guidance

Investors judge companies on the basis of future profits and cash flows. “Financial guidance”, also called “earnings guidance”, is understood to be the official financial projections of listed companies.

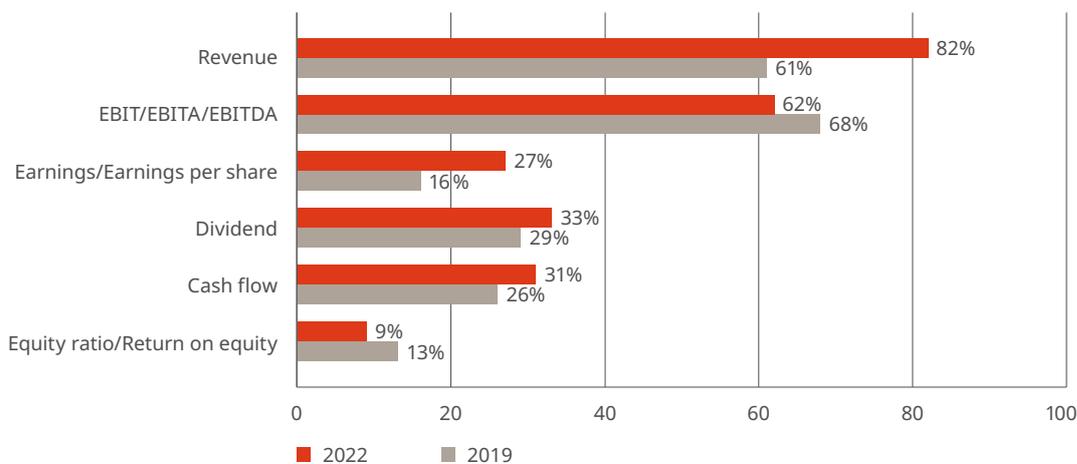
Financial guidance is a proven method to manage investors’ expectations.

Forecasts for operating income are the most frequent form of financial guidance in Switzerland, followed by projections for revenue.

In the US, it is the expected earnings per share – for the current or next quarter or fiscal year – that is the most frequently used key projection metric.

Investors and analysts generally estimate the growth prospects of companies with a good track record on the high side. As a result, the share price of such a company often corrects particularly sharply in the event of a profit warning.

## Key Performance Indicators in Quantitative Guidance



Research on SMI Expanded companies, consulting firm IRF, 2023





## Core Target Group Investors

Generally speaking, when we talk about Investor Relations, we mean the communication with professional or institutional investors.

Accounting for 40 percent, value investors make up the most important group on the Swiss stock market. Index funds have experienced strong growth in the last few years and now account for over 20 percent of the SPI. Existing and new investor models are also focusing more closely on ESG criteria, meaning ESG assessments now form part of the basic data.

A core task of Investor Relations consists in finding out from the wide variety of potential investors which ones are a good fit for the company in question. This is known as investor targeting.

Just under 80 percent of investors on the Swiss stock market are domiciled abroad.

It is worth seeking contact with proxy advisors in the context of continual Investor Relations and especially in the case of capital market transactions or delicate annual general meetings.

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## Equity Research

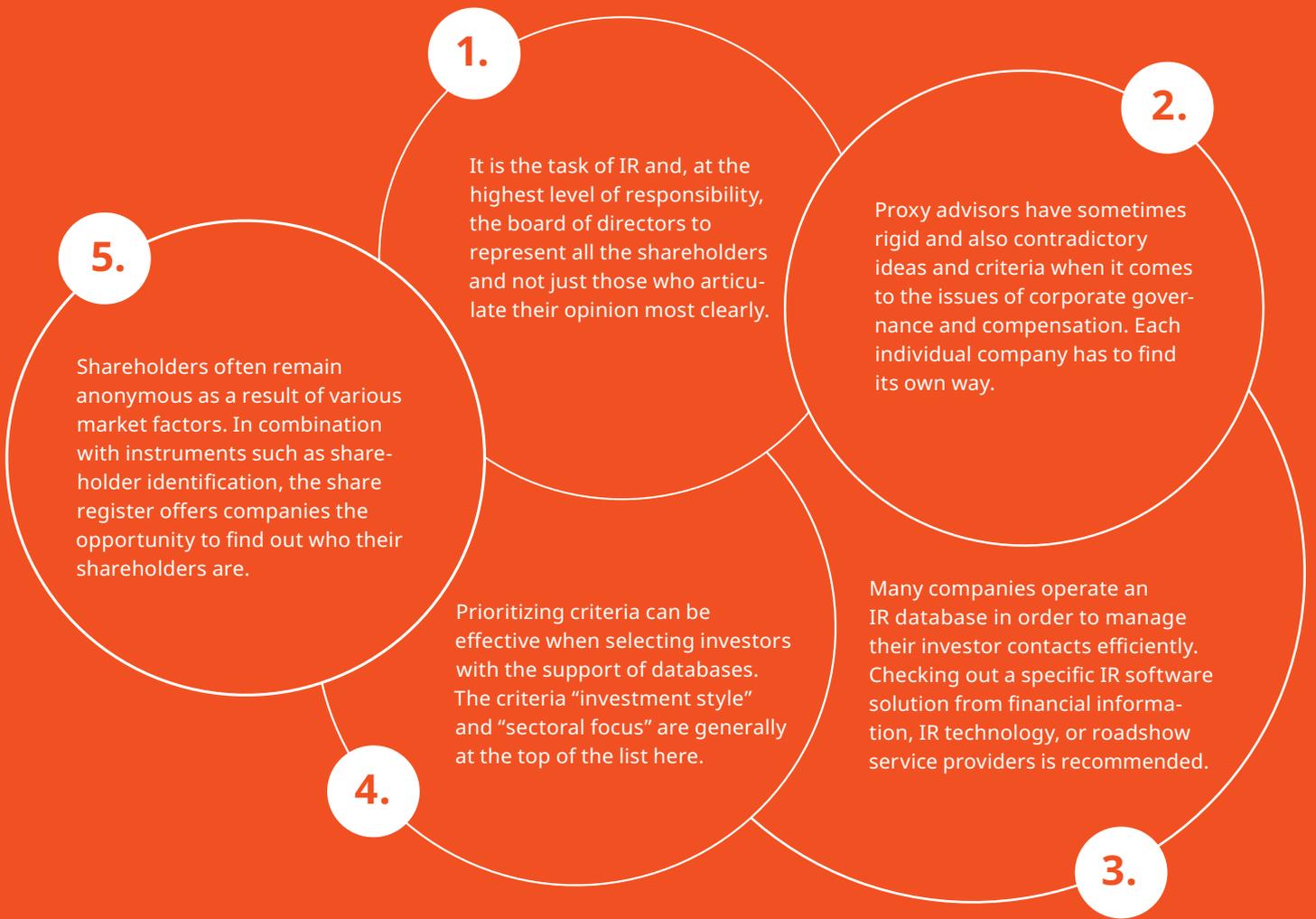


Equity analysis has the aim of separating the “bad” from the good and thus promising stocks.

Analysts draw up estimates for the future fiscal years for a huge range of key performance indicators, especially for sales and profit figures. These gain public relevance.

There are a large number of studies on the quality of the work performed by analysts. The majority of them come to the conclusion that the forecasts by analysts tend to be too optimistic but are better than simple extrapolations.

Communication with analysts plays a central role in Investor Relations.



# IR Activities



Which communications satisfy investors? When evaluating and assessing the quality of a company, the majority of institutional investors – and this is what investor relations generally addresses – rely on:

- Data and historical time series from annual and interim reports or (more rarely, as less common) investor handbooks
- Information provided in presentations, at investor conferences, and in one-on-one meetings with the management
- In-house research on products, sector, and competition

As a result, the following activities are the focus of the IR instruments:

- Personal interaction in the form of one-on-one meetings and group presentations, based on an investor presentation
- Annual and interim reports
- Website as a central platform and as an archive
- Additionally, annual general meeting and media releases for regulatory reasons
- In contrast, neither media articles nor social media are among the primary information sources used by professional investors in Europe.

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# Monitoring the Market and Measuring Success

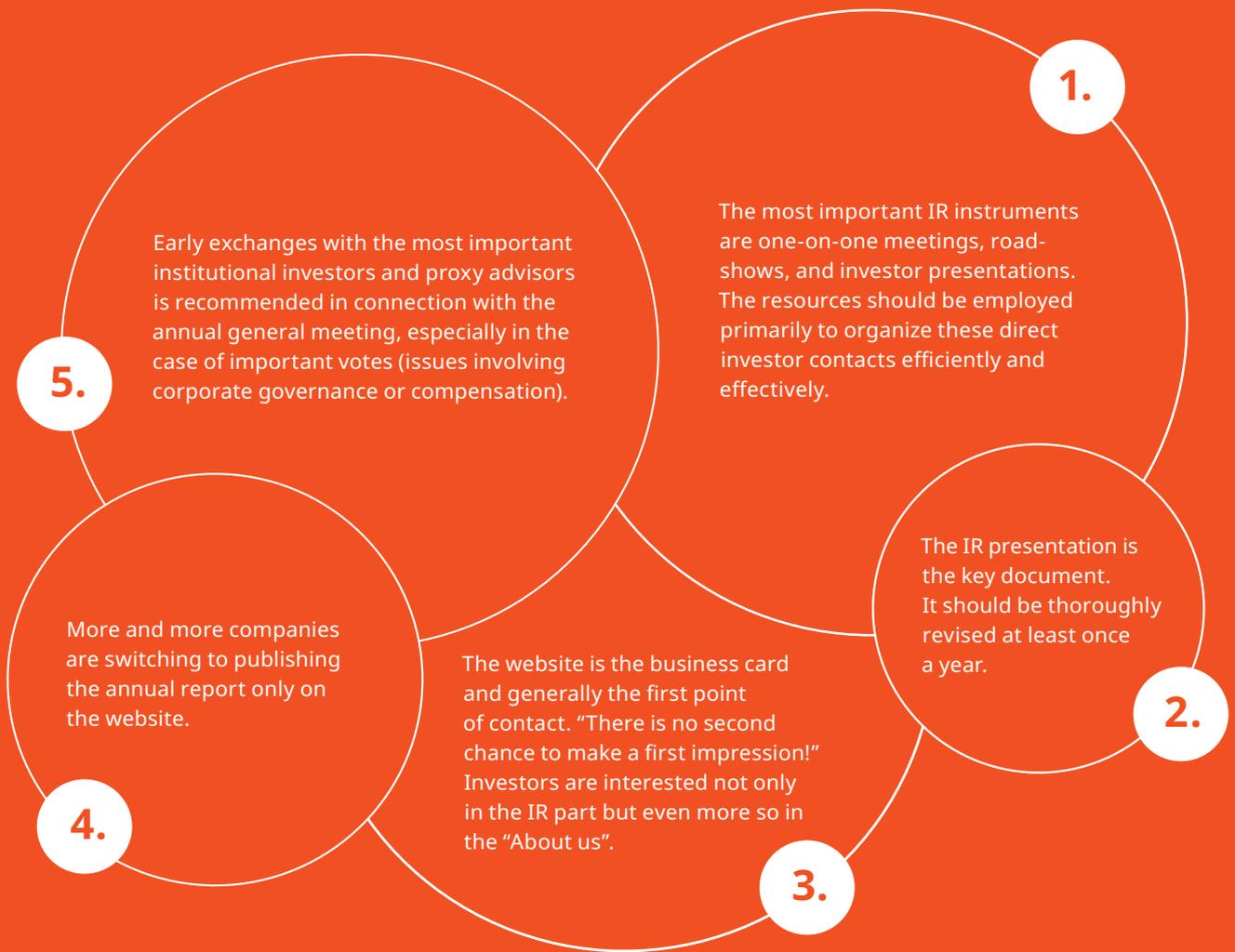


Numerous instruments are available for monitoring and assessing the market and how the company is perceived.

Analyzing market-related key performance indicators and systematically evaluating the management of relations with investors are recommended as a minimum.

The success of Investor Relations measures is very difficult to verify objectively. In fact, causal relationships can generally only be assumed.

Nevertheless, there are proxy values related to the stock market and publicity that can provide indications of the success of the IR measures, provided they are calculated over a lengthy period.



# Regulatory Environment, Rules and Reporting at SIX



Companies listed on SIX have various obligations to provide information to their investors and the public.

These obligations serve to ensure continual transparency about the listed company.

The information requirements for a listed company on the Swiss Stock Exchange are manageable compared to other exchanges. Quarterly reporting, for example, is optional.

A distinction is drawn between recurring and event-related obligations.

CONNEXOR reporting plays a central role in the recurring or regular reporting obligations. CONNEXOR reporting is the official electronic reporting platform for transmitting facts subject to reporting obligations and ad hoc announcements to SIX Exchange Regulation AG.

The rules governing Ad hoc Publicity are the most important with regard to the event-related obligations.

Finally, the issuers are responsible for defining proprietary rules and procedures regarding insider information. The companies are responsible for ensuring that the necessary control mechanisms have been installed and that criminal behavior is detected.

## Recurring and Event-related Obligations

Recurring Obligations	Event-related Obligations
<p><b>Corporate Reporting</b></p> <ul style="list-style-type: none"> <li>– Financial reporting: annual &amp; semi-annual report, alternative performance measures</li> <li>– Corporate governance: information on the governance and management of the company (e.g. composition and compensation of the board of directors and of the management); “comply or explain” rule</li> </ul>	<p><b>Ad hoc Publicity</b></p> <p>Information on price-sensitive facts (e.g. material changes in earnings, restructuring, purchase offers). Annual and interim reports must always be published with an ad hoc announcement.</p>
<p><b>Regular reporting obligations</b></p> <p>Technical and administrative information on the issuer and on the securities (e.g. information on dividends)</p>	<p><b>Disclosure of management transactions</b></p> <p>Reporting of all relevant transactions by the board of directors and management</p>
	<p><b>Disclosure of shareholdings</b></p> <p>Reporting by the person or group subject to reporting obligations when reaching, exceeding or falling below the voting-right thresholds of: 3%, 5%, 10%, 15%, 20%, 25%, 33 ⅓%, 50% or 66 ⅔%</p>

Communication requirements for maintaining a listing on the Swiss Stock Exchange

1.

Each issuer needs a clear regulation governing the responsibilities, including a deputy, for Ad hoc Publicity. The personnel and IT infrastructure must be designed in such a way that an ad hoc announcement can be written, signed off, and published within one hour at any time, which includes back-up plans in case of an IT malfunction for example.

2.

A profit warning has to be published as soon as a member of the management or a non-executive director has a rough idea of the foreseeable business performance.

4.

With regard to CONNEXOR Reporting, it is recommended to register several people so that the reports and ad hoc announcements can be transmitted to SIX Exchange Regulation AG on schedule even during absences due to vacation or illness.

3.

As far as the disclosure of shareholdings is concerned, both the amount of the shareholding and also the identity of the significant shareholders can be relevant for investors. The change in the shareholding can thus be price-sensitive and is therefore subject both to the Ad hoc Publicity requirement and the requirement for the issuer to disclose the shareholding. The publication by third parties of price-sensitive information in connection with an issuer does not release the issuer from its obligation to publish an ad hoc announcement on the same information.

# IR Organization



Various people and functions are engaged in IR tasks within a company, starting with the chair of the board of directors and the CEO and including the chief financial officer, the IRO (Investor Relations officer), the head of communications and, if need be, external consultants.

The IRO plays the central role, frequently at smaller companies as a sub-task together with another function, such as the CFO, secretary general or head of communications. At large companies, in contrast, IROs manage their own teams.

Communication with investors and analysts calls for very specific knowledge and skills, some of which are very different from those of a good head of communications, for example.

The majority of companies employ their own resources to perform the most important IR activity, the direct interaction with the institutional investors and analysts. Nevertheless, there are good reasons for involving external support.

1.

There is no universally valid or correct design of the IR function. Companies are free to find the solution that is right for them.

2.

IR is a synonym for communication with the capital market and in this respect a production factor to help a company secure and procure the resource that is capital as cost-effectively as possible. This premise helps in the budgeting process.

4.

Here's a piece of management wisdom taken from Toyota that is also apt for the IR function: "Be strict with the process but soft with the employees."

3.

If a company is compelled to use or to change their IR consultant, it is advisable to get suggestions for possible partners from market experts, investors, analysts, and similar companies.



# Contacts and Addresses

## SIX Issuer Relations Team, Primary Markets

The Issuer Relations Team at the Swiss Stock Exchange supports companies with advice on questions relating to their listing. We offer you individual, expert support and customized services. Together, we work for your success.

### Dedicated team at SIX

- The point of contact for issuers
- Expert advice on your being public

### Information center

- Regulatory developments
- Access to your data

## Issuers

### Visibility drivers

- “Bridge” – Connecting Equity Issuers with the Buy-Side
- Stage program

### Training & network partner

- Events, workshops
- Conferences, sponsorship
- Event premises
- Cooperation with the IR club

For more information, see: → [six-group.com/en/products-services/the-swiss-stock-exchange/listing/equities/services-for-issuers.html](https://six-group.com/en/products-services/the-swiss-stock-exchange/listing/equities/services-for-issuers.html)

If you have any suggestions that should be taken into consideration in the next revision of the Investor Relations Handbook, you are very welcome to send them to: → [iir@six-group.com](mailto:iir@six-group.com) or contact us at the phone number +41 58 399 2245.

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## **Imprint**

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