Fabian Gerber – Senior Relationship Manager Primary Markets, SIX Swiss Exchange

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Fabian Gerber of SIX Swiss Exchange, Switzerland's principal stock exchange, outlines the importance of life sciences companies to the exchange, representing over a third of total market capitalization with the presence of Roche, Novartis, Lonza and many others; explains why biotech companies are choosing to go public at later stages of development; and the advantages of the Swiss financial sector on which SIX Swiss Exchange traded companies can leverage.

What is the relevance of life sciences companies for the Swiss stock exchange and what added benefits do you provide for them?

Healthcare is a hugely relevant sector for Switzerland, representing over 40 percent of Swiss exports according to the latest Swiss Biotech Report. The same is true for the Swiss stock exchange, where life sciences is our most important sector, representing over a third of free flow market capitalization. We have three very well-known international pharma giants: Roche, Novartis, and Lonza, which are the base of the sector, but a vibrant and diverse healthcare and life sciences ecosystem exists around them. This ecosystem fosters interactions between smaller companies, established pharma, medtech firms, financial institutions, and universities and is probably unique in Europe.

We believe that it is important and adds various benefits to companies to be listed in the country where their peers, clients, relevant academia, and wider networks are based.

Furthermore, companies listed on the Swiss stock exchange benefit from outstanding visibility among investors and a broad coverage by analysts.

How big is the market cap for the life science sector of the Swiss stock exchange?

The healthcare sector represents about 33 percent (or CHF 535 bn[1]) of the total market capitalization of the Swiss stock exchange. In general, biotech and life science companies benefit from a strong peer group and are helped by the fact that the listing and maintenance requirements on the Swiss stock exchange are market-oriented and balance the needs of the companies as well as the investors. Companies understand that once listed, they will be able to access a deep pool of capital and ongoing access to one of the leading financial sectors in the world.

Many of the companies in Switzerland are family-owned with deep roots, how inclined are they to participate in the stock exchange? What is the perception?

In Switzerland, companies tend to go public at a later stage of maturity because there is plenty of private funding available, giving them alternatives. It is not something that can be said of most other countries, where companies often choose to IPO at earlier stages.

Another reason for the lack of early-stage IPOs is that investors in Switzerland tend to be rather risk-averse. Institutional investors, who make up a large amount of investment in the stock, tend to invest in companies that are at a later stage, in Phase III or close to commercialization.

We do see that companies in Europe tend to go to NASDAQ, other stock exchanges or SME growth markets where they find investors that are able and willing to invest in earlier stages. The Swiss stock exchange is currently assessing solutions and offerings with the aim to deploy adequate solutions to capital-seeking, fast-growing companies; it is in the interest of the Swiss economy to keep valuable companies inside the territory. A well-functioning small- to mid-size enterprise (SME) financial market ecosystem is of utmost importance because SMEs are the social and economic backbone of our society.

Are we close to an inflection point where Swiss companies choose IPOs instead of going to private equity funds? Do you see changes in their behaviour?

It is hard to say. We are in contact with companies in the sector and believe that it is important to educate companies on the benefits of IPOs.. We believe that the earlier a company gets involved, the more professionalized the company becomes, attracting more funding. Our goal should be educating companies and bringing the IPO option onto their radar.

The advantages of a listed company have also been demonstrated during the crisis. Even in times of high volatility and uncertainty, listed companies on the Swiss stock exchange were able to raise fresh capital to finance their operations; they received ongoing access to new capital while private companies had more hurdles to clear. It remains to be seen whether the current crisis could have an influence on behaviour and possibly represents an inflection point.

Who is the closest competitor in Europe to the Swiss Stock exchange for life science companies?

In principle, cross-border listings are limited and there is a strong “home bias”. When we see life sciences companies going abroad, they tend to go to NASDAQ.

There are cases where it makes sense for companies in the life sciences sector to go public in the US because it is the largest market, but we believe that Switzerland also has a very attractive ecosystem for biotech companies, whose appeal extends beyond our borders. Many biotech companies have made a conscious decision to list on the Swiss stock exchange because there are certain regulatory advantages to going public in Switzerland. There is even a Swiss biotech company that listed on the NASDAQ first and conducted 18 months later a dual primary listing on the Swiss stock exchange.

Is one of the reasons the lower cost in the Swiss stock exchange compared to the US?

Definitely. IPOs or capital market transactions are more expensive in the US than in Europe and Switzerland. For example, the Swiss stock exchange only charges CHF 19,000 for a capital transaction of CHF 100 million, a low number compared to other exchanges. Going public on US exchanges means higher costs, more risks and greater complexity. For companies that want to access US investors, the route of a 144A/RegS transaction may be of interest. Under such exemption rule, a company can list on the Swiss stock exchange and access US QIB (Qualified Institutional Buyers) at the same time. In a nutshell, this means that you get the “best of both worlds” (access to US investors without being under US regulatory compliance). Another benefit could also be the size of the peer group. The smaller but no less attractive number of companies also means that companies are more likely to be in the spotlight and not simply one among many.

To give Swiss stock exchange listed companies more visibility, the exchange launched the so-called Stage Program, which gives smaller companies more visibility through research coverage, among other means such as a factsheet produced by financial newspaper; we link them with financial institutions that create research reports.

The financial sector is the driving force behind the Swiss economy and Switzerland is ranked number one in terms of cross border private wealth worldwide. This capital rich and international investor base, together with the high placement power of Swiss banks, creates a good base for IPOs. Banks have proven specialists and analysts that are able to cover the sector and look for the necessary visibility.

Are measures similar to NASDAQ’s requirement of women and minorities on corporate boards coming to Switzerland?

There is a new law that will ask companies in Switzerland to have a certain percentage of diversity in their management and board.

However, there is a transition period of 5-10 years until the companies are required to accommodate such requirements. And further, if companies cannot or have good reasons not to comply with such diversity requirements, they can explain why this is the case and what they undertake to achieve the requirements. The “comply or explain” mechanics which can be applied in many circumstances, are one more advantage of the Swiss listing location compared to other locations where only “comply” mechanics exist.

[1] As of 07.04.2021

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