IPO market Switzerland – 2017 was a good vintage

The last year saw four real IPOs, one spin-off and one listing.

Overview

Several companies have used the friendly market environment in 2017 to go public in Switzerland. Volatility was low and investors had little to worry about. Many stock indices are at or near their record highs as investors seek for yield with still very low bond yields.

SIX Swiss Exchange, the by far larger of the two Swiss stock exchanges, has welcomed six new companies. These companies combined public share placements worth almost CHF 4.5bn. The largest two Swiss deals, Landis+Gyr and Galenica, even rank among the top ten largest IPOs worldwide in 2017. Snap Inc. and Allied Irish Banks lead this league table with transaction volumes of close to USD 4bn each.

Investors were not only keen to absorb very large deals, but also to look into smaller placements. The last company to go public in 2017 was Poenina, a leading provider of services in building technology and building envelope in the German-speaking part of Switzerland. With a transaction volume of CHF 39m and a market capitalisation of roughly CHF 130m at the end of the first trading day, this was one of the smallest IPOs at SIX Swiss Exchange ever. The proceeds will be used to accelerate growth of the business through acquisitions. The successful transaction shows, that size is not the only important criteria. Investors are willing to look into smaller companies with attractive business models even if the potential stake and investment volume is limited.

Various approaches for a flotation

There are different ways to go public. The most common way is through an Initial Public Offering which includes the placement of new and/or existing shares. When placing new shares, also known as primary shares, the proceeds go to the issuing company. When placing existing shares, also known as secondary shares, the proceeds go to the selling shareholder(s). A second common way to go public is to simply list existing shares without an orchestrated selling and marketing process.

Such a pure listing was chosen by Rapid Nutrition, a natural healthcare company which is already leaving SIX Swiss Exchange again in April 2018. Furthermore, Actelion spun off its discovery and development business named Idorsia in June 2017. By the end of the first trading day, Idorsia was worth almost CHF 1.5bn.

Swiss IPOs with placement of shares

Four companies chose to go public by placing shares with new investors. The well-known healthcare company Galenica split up into its pharma-business (Vifor) and its healthcare provider (Galenica) whereby placing the Galenica shares worth CHF 1.9bn in the market in April. Later, the online pharmacy and wholesale supplier Zur Rose placed both new and existing shares worth CHF 252m. Most of the proceeds went to the company to fund the company's growth and expansion. Landis+Gyr chose the month of July to go public. The company is a provider of energy management solutions and has a history of more than 120 years. After changing hands several times, its latest parent companies, Japanese Toshiba Corporation and INCJ, sold their full stake worth CHF 2.3bn to new investors.

Company (Industry)	Galenica (Pharmaceutical)	Zur Rose (Consumerservices)	Landis+Gyr (Electronic & electrical Equipment)	Poenina (Industrials)
Launch	07 April 2017	06 July 2017	21 July 2017	16 Nov. 2017
IPO-Volume	CHF 1,901m	CHF 252m	CHF 2,295m	CHF 39m
Price Range Price Performance*	CHF 31-39 CHF 39 10.3%	CHF 120-140 CHF 140 14.2%	CHF 70-82 CHF 78 0.6%	CHF 40-46 CHF 46 12.0%
Reporting Standard	international	international	international	Swiss
Greenshoe	Yes	Yes	No	Yes

Figure 1: SIX Swiss Exchange listed IPOs in 2017 *on first trading date
Source: Zürcher Kantonalbank

IPO forecast

The Swiss IPO-year 2018 at SIX Swiss Exchange was successfully launched in March when Medartis, a leading player in the surgical internal fixation market, and Sensirion, a leading global manufacturer of environmental and flow sensors, both went public in the same week. Additionally, Gategroup, a company providing travel industry services, announced its intention of an IPO in early March but later cancelled its plans. The company was only recently taken over by the Chinese conglomerate HNA in spring 2017. HNA is also said to prepare airline caterer Swissport for an IPO in 2018. In addition, social network “A Small World” listed its shares. According to rumours and media, several more companies are evaluating an IPO in 2018. At the time of writing, no additional company had released a so called “intention to float”. Given an ongoing friendly market environment, 2018 could become a worthy successor year for 2017.

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