

Decisive spark

Through Sparks, SMEs can go public on SIX Swiss Exchange

A properly functioning public SME capital market is of great importance for Switzerland, because it helps SMEs to efficiently generate growth capital and banks to enable new services for institutional customers and offer new investment ideas to investors, it enables investors to benefit from the Swiss value creation and to make a positive contribution through their investments, and it supports the creation and preservation of jobs and expertise in Switzerland. **By Patrick Förg**



Photo: © SIX

- The needs of adequate investor protection are taken into account analogous to the main market. In contrast to European SME Growth Markets, Sparks will be a regulated stock exchange segment (shares are formally listed and not simply admitted to trading as on European SME Growth Markets).
- A new trading model takes into account the lower trading liquidity on the secondary market of companies with lower market capitalisation and is intended to optimally shape pricing and trading (best execution).
- SIX Swiss Exchange coordinates the deployment of ancillary services which

Today, most SMEs are underserved by the Swiss public capital market. Most of these companies – even the most valuable ones – can hardly generate larger sums of capital in Switzerland. If this situation is not improved, potential front-runners may not grow as planned or may leave Switzerland to obtain the necessary capital from foreign investors and markets. The new stock segment of SIX Swiss Exchange

with the name Sparks aims to facilitate the capital market in Switzerland for SMEs by developing a functioning public stock market that specialises in such companies – both the ones experiencing rapid growth and their already established counterparts.

Key facts about Sparks

The primary advantages for SMEs are mainly created by improved and efficient access to growth capital and access to investors, increased visibility and the regulated, daily state-of-the-art trading of their equity securities. In short, the pillars of the new stock segment are as follows:

- SIX Swiss Exchange introduces a new stock segment for SMEs with a market capitalisation of up to CHF 500 million at the time of their listing.
- The requirements are lower than for issuers on the main market – but robust enough to admit high-quality SMEs.



ABOUT THE AUTHOR

Patrick Förg is Head Origination in the Primary Markets team at SIX Swiss Exchange, which is operated by the **SIX Group**. He and his team are responsible for the listing/IPOs of companies and the positioning of SIX Swiss Exchange as a listing destination for both Swiss and international companies. Prior to joining SIX Group, Patrick Förg spent twelve years in the Corporate Finance & Treasury department of the Holcim Group.



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Requirement	SIX Main Market Segment	SIX Sparks (SME Segment)	Benefits of Sparks for SMEs and their investors
Track Record	> 3 years (exemptions possible)	> 2 years (exemptions possible)	Simplified access for young companies
Equity capital	> CHF 25 million*	> CHF 12 million	Increased “quality” through liability capital requirements (especially compared to European SME Growth Markets)
Equity capital increase	n.a.	> CHF 8 million (if equity capital < CHF 25 million)	
Free float (in %)	> 20%	> 15%	Broad(er) shareholder structure , which increases the liquidity of the secondary market
Free float (in CHF)	> CHF 25 million	> CHF 15 million	
Number of shareholders	n.a.	> 50	
Maximum market capitalisation (upon listing)	n.a.	< CHF 500 million	The company is in the right ecosystem for it with the relevant market participants for the respective ecosystem. This also increases the visibility of the company.
Maximum market capitalisation (post listing)	n.a.	< CHF 1.0 billion (if the average market capitalisation of an issuer succeeds this threshold over a period of 12 months, the issuer will be transferred to the SIX Main Market Segment)	
Trading hours	Opening auction at 09.00 am Continuous trading until 05.20 pm Closing auction and “TAL” until 05.40 pm	Opening auction at 03.00 pm Continuous trading until 05.20 pm Closing auction and “TAL” until 05.40 pm	Increased effectiveness of pricing and trading and reduced risks of (potential) market manipulation

All listing requirements need to be fulfilled upon listing (first day of trading)

Source: SIX

* The equity capital requirement for the SIX Main Market Segment will be increased from > CHF 2.5 m to > CHF 25.0 m concurrent with the entry into force of the Sparks Segment.

are necessary for the participation of SMEs, banks and investors in a functioning Swiss public SME capital market.

Review and outlook

Like most European exchange operators, SIX Swiss Exchange also introduced a stock segment for rapidly growing companies at the end of the 1990s. In contrast to other exchanges, SIX Swiss Exchange discontinued this segment in 2002 after the bursting of the dot-com bubble. Foreign SME Growth Markets are still in operation today, which confirms the validity of such market places. Today, Switzerland has sufficient scale to support a properly functioning public SME capital market. SIX Swiss Exchange estimates that around 200 (rapidly growing) Swiss SMEs could look for equity capital on public markets in the next five to ten years. The increase in private invest-

ments through venture capital and private equity in the last decade is without a doubt one of the main drivers of this recent development. And sooner or later, such SMEs financed through private investments look for a “liquidity event”, meaning the sale to a new owner or a listing on an exchange. Such companies also look for solutions to make the shares of both investors and employees tradable.

Closing thoughts

In a time during which the social role of financial institutions is constantly scrutinised by politicians and the public eye, a Swiss SME stock exchange offers a unique opportunity. SMEs are seen as the social and economic backbone of our society and economy – and their efficient access to capital is therefore of great importance. Furthermore, a dedicated SME stock segment

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also represents a business opportunity for various market participants (banks, law firms, accounting and consultancy firms). Last but not least, an SME stock segment also supports equality by opening the doors to these type of assets for a larger part of the population.

You can find more information about Sparks on the Sparks website: www.six-group.com/sparks. ■