

Media Release

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## Short-termism dominates guidance of large Swiss companies

- **All but one of the SMI Expanded companies discuss forward-looking targets in their annual reporting**
- **80% of companies use qualitative and quantitative targets at the same time**
- **91% of the companies give a short-term guidance of one year, taking into account mainly the current market situation. The naming of concrete exogenous factors such as supply chain problems or the Ukraine war play a minor role here**
- **Forecasts and targets on environmental and social factors as standard: More than 90% of the companies comment on this**
- **Increased compared to the last survey four years ago are in particular justifications for the development of sales and non-financial indicators**

**Zurich, 10 July 2023 – The vast majority of the largest listed Swiss companies (SMI Expanded) have integrated forward-looking targets into their 2022 annual reporting as part of their financial guidance. According to a study conducted by IRF – a leading strategic communications consulting firm – , most of these are short-term and oriented towards sales and the current market situation. There has been a strong increase in statements on non-financial forecasts and targets.**

Almost all Swiss companies included in the SMI Expanded index provided qualitative or quantitative guidance in their annual reporting for the 2022 financial year (98%), albeit with varying degrees of detail. In the period last surveyed by IRF in 2019, 81% of the companies examined at that time still did so. A large majority (80%) provide qualitative and quantitative information (2019: 55%). The proportion of companies reporting qualitative measures was 89% (2019: 74%). For quantitative measures, the rate was slightly higher at 91%. Compared to 2019, the proportion increased significantly (2019: 51%). Two out of three companies devote a separate chapter in the annual report to the forecast of future business development.

Oliver Seifried, Partner at IRF, comments: "Large listed Swiss companies are providing increasingly precise forecasts of future business development. This is remarkable in view of the volatile economic and political developments. Companies can better manage the expectations of the capital market with clear announcements. Investors appreciate these efforts towards transparency and the broadest possible visibility. This tends to lower the cost of capital for companies. In this context, it is relevant that companies present their forecast information consistently over the years and thus in a way that is easy to compare and understand."

#### **Key performance indicators: Sales and operating result**

In terms of quantitative targets, the companies by far most frequently commented on sales (82%) and EBIT/EBITA/EBITDA (62%). In 2019, the proportions were still weighted differently: 68% EBIT/EBITA/EBITDA and 61% sales. "We attribute this to different factors: growth has been easier to finance with the cheap capital of the last few years, so the focus of companies and investors has increasingly been on sales. In addition, the visibility of costs has fallen sharply and corresponding statements on the outlook for profitability have become more difficult", says Yasemin Diethelm-Ersan, Senior Consultant at IRF.

Around a third of companies reported dividend (33%; 2019: 29%), cash flow (31%; 2019: 26%) and earnings/earnings per share (27%; 2019: 16%). Earnings per share as a target value, which is widely used in the USA, remains unusual in Switzerland. Significantly fewer companies mentioned the expected return on equity or equity ratio (9%; 2019: 13%).

In the qualitative guidance criteria, the development of individual business areas or product groups leads the ranking of internal parameters. 38% of the companies surveyed provided guidance on this. In 2019, the figure was 53%. Cost-saving programmes and operational efficiency (29%; 2019: 21%) as well as geographic anchoring and development compared to the market average (18% each; 2019: 18% and 24% respectively) were mentioned less frequently. At least a quarter of the companies commented on their future market position (24%). In 2019, only 5% of the companies did so.

External factors are dominated by the description of the current market situation (78%; 2019: 84%) and the economic outlook (67%; 2019: 55%). By contrast, one in five companies (22%) made forecasts on currencies. In 2019, half as many companies did so (11%). Current exogenous factors such as supply chain problems due to resource issues (33%) and the Ukraine war (22%) were also taken into account in the guidance.

#### **Hardly any longer-term forecasts**

As this year's survey shows, over 90% of companies provided a short-term forecast over 12 months (91%; 2019: 74%). The proportion of companies that published medium- to long-term forecasts (time horizon: 2-3 years) in their annual reporting also increased significantly to 64% (2019: 42%), while 18% (2019: 16%) disclosed longer-term targets. It is true that two-thirds of companies now also publish medium-term targets. However, there is still a large gap between the expectations of long-term oriented investors and the short-term oriented disclosures.

Forecasts and targets on environmental and social factors have become standard in the annual reporting of large listed Swiss companies. 96% of the companies analysed provided information on environmental factors, of which more than half did so in qualitative and quantitative form. In 2019, this figure was 38%. 91% made statements on social factors – again, more than half of

these were qualitative and quantitative. In 2019, this was 43% of the companies. On the one hand, the strong increase reflects the growing need for communication on the part of the sustainability-oriented financial community and investors. We also conclude that the large companies are already well prepared for the statutory obligation to report non-financial data as of the 2023 financial year and have formulated concrete, future-oriented goals.

### **Method**

IRF conducted a study on the financial guidance of Swiss companies for the eighth time in May and June 2023. The data was collected by analysing the content of those sections of the annual report and the presentation on the publication of the 2022 annual results in which the strategy or the outlook are discussed. The 46 companies from the SMI Expanded that had published their 2022 annual results at the time the study was conducted served as the object of the study. The SMI Expanded represents the 50 highest-capitalised stocks on the Swiss stock market.

### **About IRF**

In recent years, IRF has established itself as one of the leading Swiss consulting firms for economic issues. IRF counts around 40 Swiss and international companies among its regular clients. In addition, IRF has made a name for itself in crisis communication and in accompanying capital market transactions.

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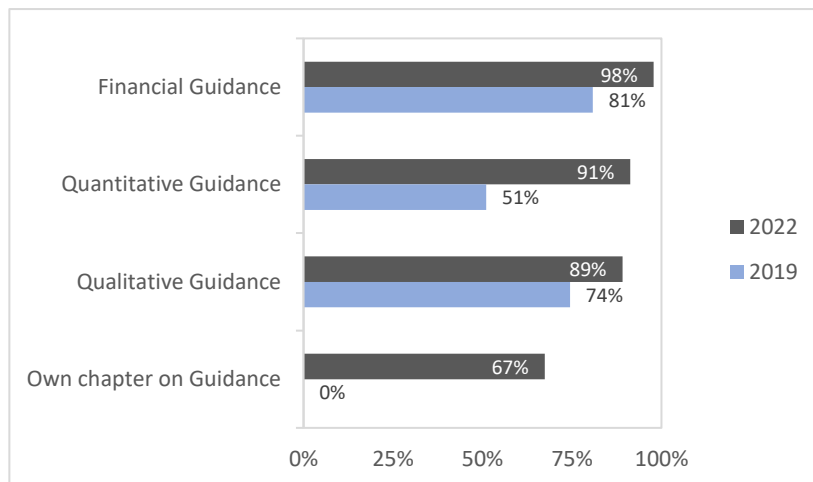
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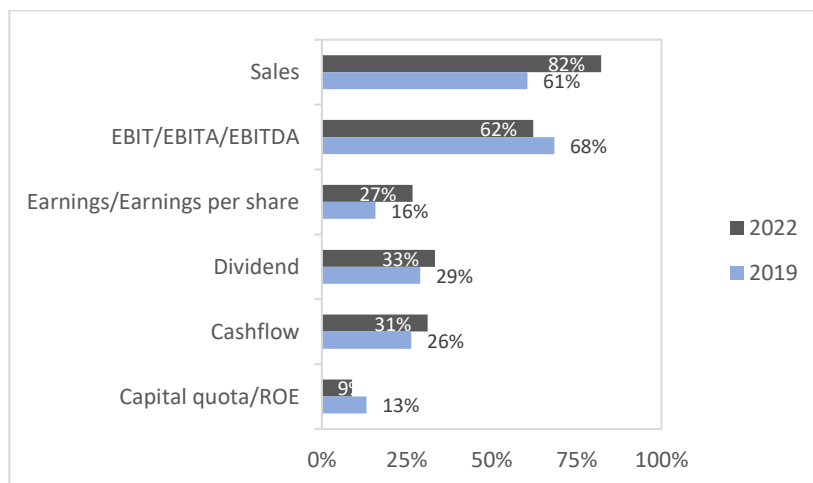
The study results in detail inclusive graphics

**Is financial guidance provided as part of the annual reporting?**



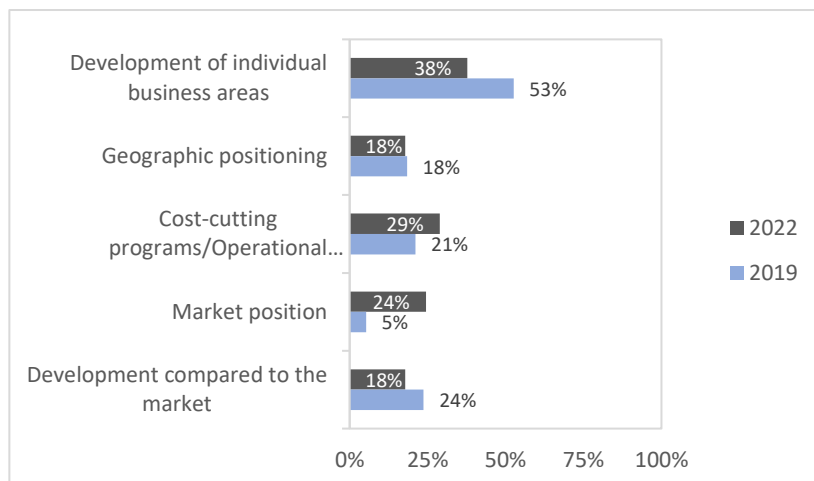
With one exception, all companies provide financial guidance as part of their annual reporting. Quantitative and qualitative targets are addressed by nine out of ten companies. All three values have increased compared to 2019, in some cases significantly. Two-thirds of the companies give their forecasts on future business development a corresponding framework in the form of a separate chapter in the annual report.

**Which key figures does the quantitative guidance include?**



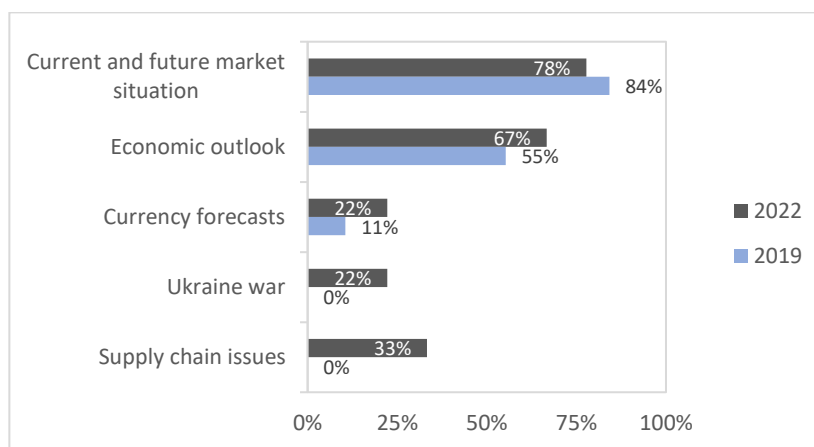
Quantitative metrics continue to be discussed extensively. Companies most frequently comment on sales (68%) followed by EBIT/EBITA/EBITDA (62%). The share of companies providing guidance on dividends increased to 33%. Cash flow guidance also increased to 31% (2019: 26%) and earnings/earnings per share to 27% (2019: 16%). Companies are less likely to provide guidance on equity ratio/return on equity (9% compared to 13% in 2019).

### What internal performance parameters does qualitative guidance cover?



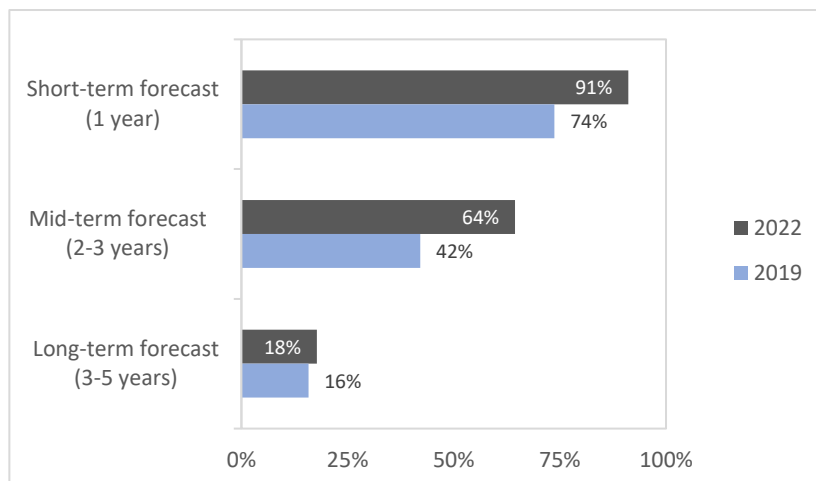
As in 2019, the development of individual business fields and product groups leads the field in terms of qualitative variables. 38% of the companies analysed provide guidance on this – 15% less than in the last survey. Statements on future development compared to the market average also declined by 6% to 18%. On the other hand, there was an increase in mentions of cost-saving programmes and operational efficiency (from 21% to 29%) and future market position (from 5% to 24%). Geographical anchoring remained at the same level as in 2019, at 18%.

### What external framework factors does the guidance address?



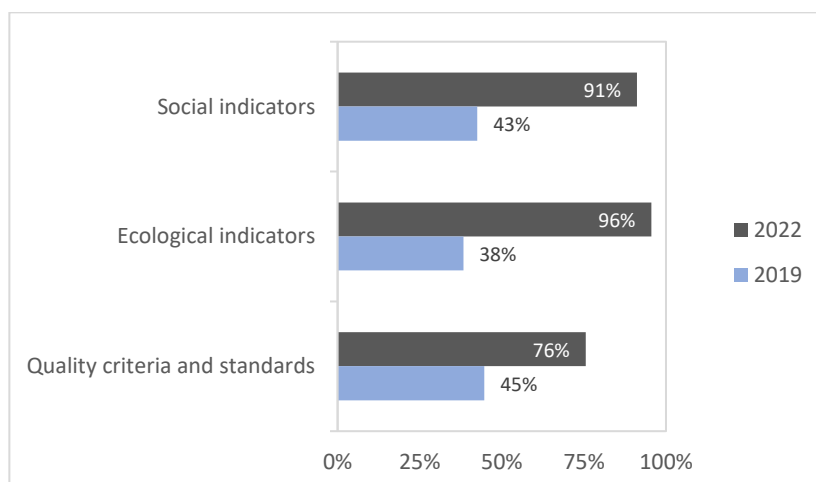
The external framework conditions are led by the discussion of the current and future market situation: 78% of the companies address these in the shareholder letter or in the strategy discussion – slightly less than in 2019. On the other hand, statements on the economic and business outlook as well as on specific currency forecasts have increased in the reporting year 2022. A third of the companies now discuss current external factors such as supply chain problems. Around every fifth company mentions the Ukraine war.

### What is the time horizon of the guidance?



Short-term forecasts also dominate in the 2022 reporting year: 91% of all companies surveyed have announced guidance for the next 12 months. This is almost 20% more than in 2019. Almost two thirds also comment on the medium-term development of the company (2019: 42%). 18% express themselves with guidelines for the next 3-5 years (2019: 16%).

### Are non-financial KPIs also defined and discussed in the strategy discussion or the outlook? From which areas do these originate?



ESG (Environmental, Social, Governance) criteria are becoming increasingly relevant, especially in comparison to the financial guidance of companies. Nine out of ten companies discuss social indicators such as job security or training for employees (91%) – more than twice as many as in 2019. As many as 96% of the companies surveyed comment on environmental indicators such as energy consumption, resource management and emissions. In 2019, only 38% of the companies did so. Fundamental quality criteria and standards are included in their strategy discussions and objectives by three quarters of the companies analysed (2019: 45%).