

Restructuring Update 2022

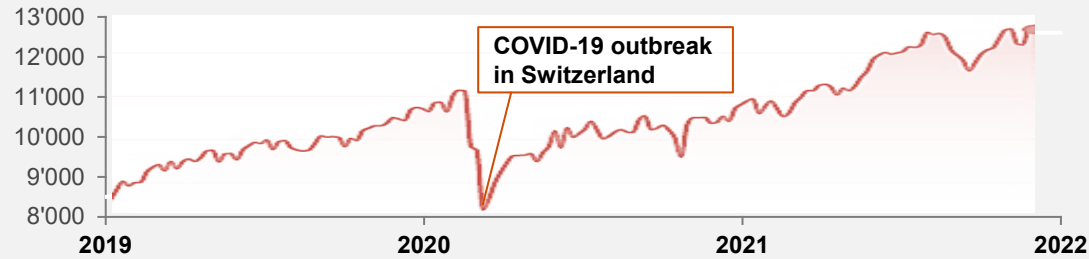
Markets are hot, but
indicators of distress
in Switzerland are on
the rise

January 2022



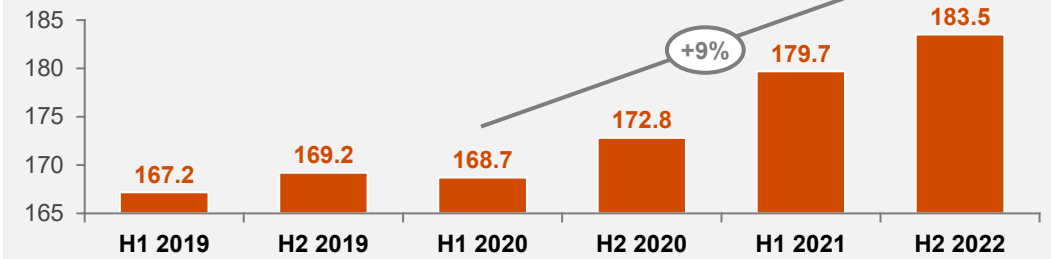
The Swiss economy was running hot after the pandemic...

SMI – Leading Swiss stock market index



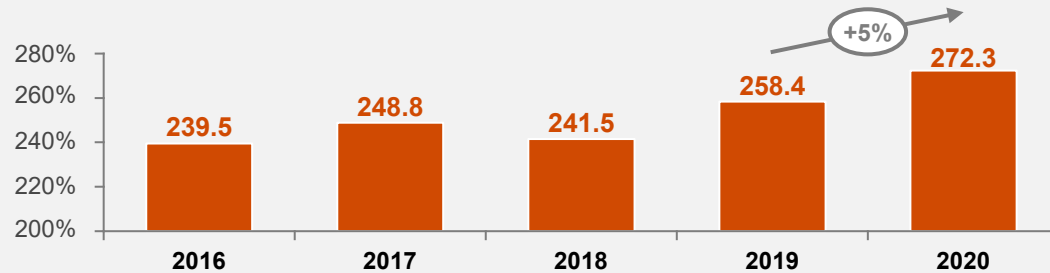
Sources: Google Finance

Swiss residential house price index



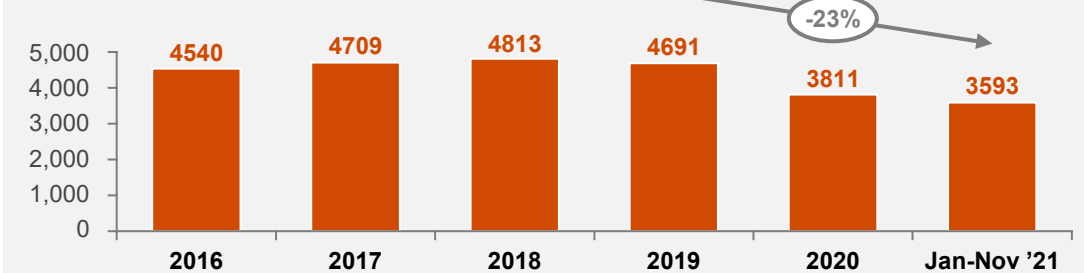
Sources: SNB

Swiss private and corporate debt to GDP, in %



Sources: OECD, Trading Economics

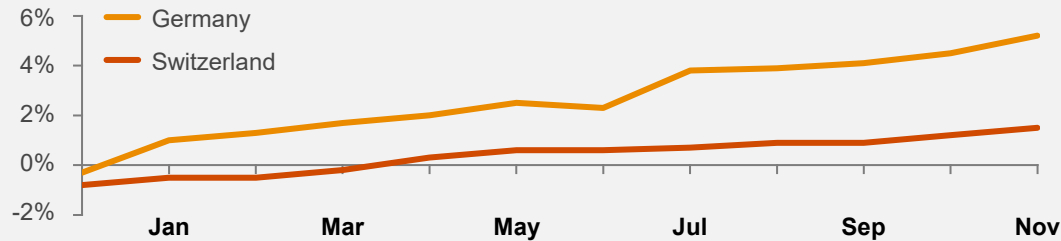
Swiss corporate bankruptcies



Sources: Dun & Bradstreet, Statista

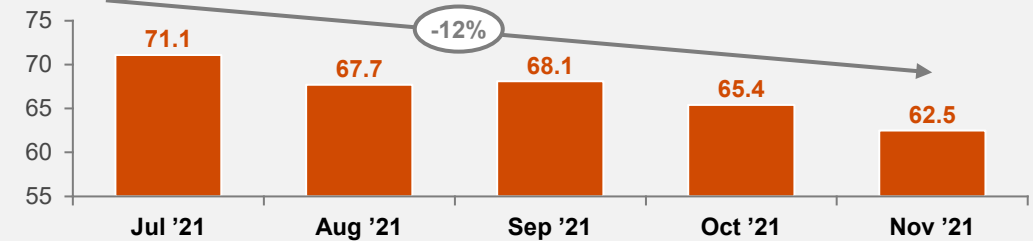
....but indicators of distress are on the rise

Swiss and German inflation rates 2021, in %



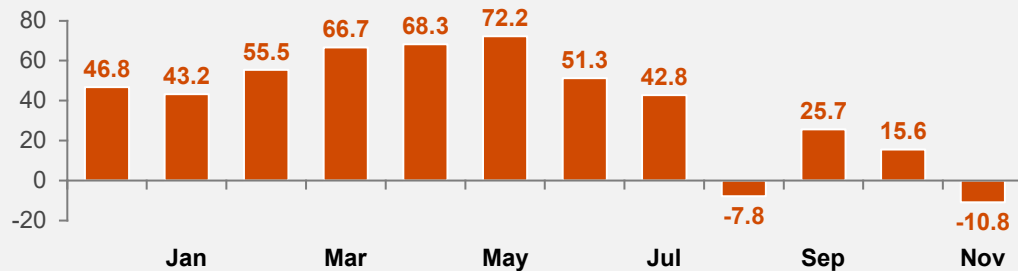
Sources: Federal Statistical Office, Trading Economics

Swiss Manufacturing PMI (Purchasing Managers' Index)



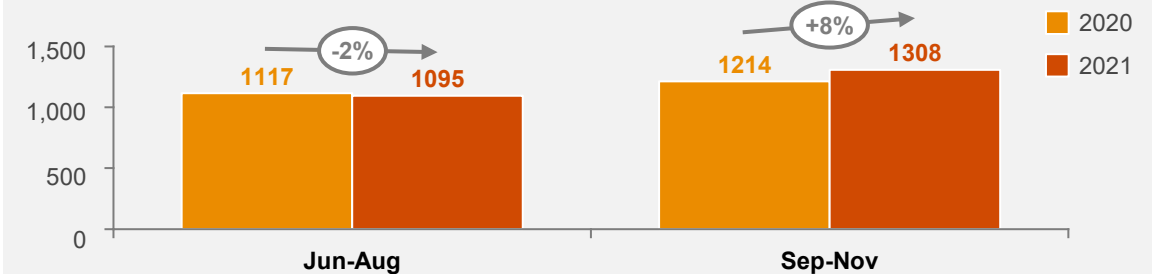
Sources: Credit Suisse & procure.ch

Swiss economic sentiment index 2021



Sources: Credit Suisse & CFA Society

Swiss corporate bankruptcies



Sources: Dun & Bradstreet

Inflation, high levels of debt, increasing energy prices and supply chain disruptions are threatening the post-pandemic recovery...



Strong order intake growth and supply chain disruption have increased working capital requirements. **Rising inflation** (and potential interest rate increases) paired with **high leverage** pose a threat for companies with weak liquidity and balance sheets.



High energy and commodity prices lead to increased input costs and add further uncertainty. Low-margin sectors may not be able to increase prices quickly and therefore face deteriorating margins.



Supply chain disruption could hold up the recovery. Despite high order intakes, missing parts (e.g. semiconductors) lead to delayed production and delivery which may eventually negatively impact the companies' financial performance.



The recent **strengthening of the Swiss franc** represents a threat, especially for highly export-oriented SMEs with a significant manufacturing footprint and overheads in Switzerland.



Skills shortages may jeopardise business growth. Travel restrictions curtail the movement of seasonal staff (e.g. in hospitality) and shutdown sector workers have taken up jobs in other industries.

...while government COVID-19 support schemes are due to be phased out in Q1 2022



The **COVID-19 loan programme** backed by the Swiss government **ended** on 31 July 2020.



Swiss regulations for extended and **simplified short-time work are due to expire** in February 2022. Roughly 25% of the Swiss workforce has been or still is enrolled in and benefited from this program.



Repayment obligations for state-backed COVID-19 loans (up to CHF 500,000) are planned to start in early 2022.



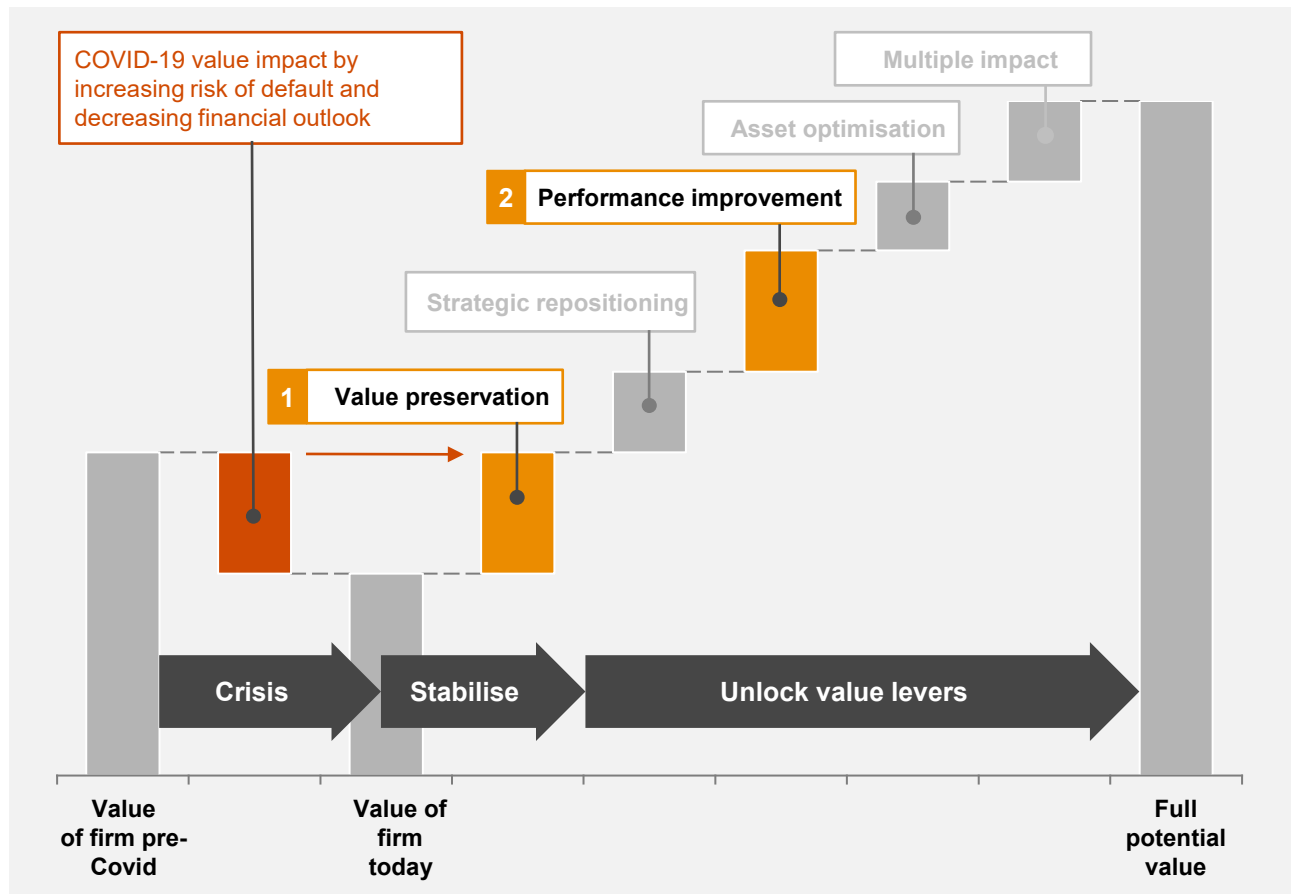
Various **cantonal support schemes were phased out** by the end of 2021, despite ongoing COVID-19 restrictions due to increasing numbers of infections and hospitalisations.

Value Creation is your
way to a more resilient
tomorrow

Maximise your options –
Emerge stronger



PwC's value creation approach helps to preserve value during crises and to unlock value levers in periods of growth



PwC key initiatives to preserve & unlock value levers

1

- **Cash optimisation**, liquidity management, short-term cash saving measures
- **Financial restructuring**, incl. re-financing; liability management; support in receiving adequate government aid
- **Operational cost control**, incl. workforce rightsizing, outsourcing, process automation, eliminating excess (space, non-ops assets, etc.)

2

- **Transformational M&A**, e.g. to fill skill/technology gaps; exit strategies; joint ventures, alliances & partnerships
- **Revenue growth**, e.g. optimise & diversify supply chain and distribution channel mix; Business Intelligence & CRM support, optimise incentive structures
- **Cost optimisation**, incl. direct & indirect spend reduction; align OPEX & CAPEX with strategy; improve operating model & geographic footprint
- **Working capital** analytics to detect areas for optimisation, e.g. identify supply chain bottlenecks and insufficient/excess inventory

This evolved approach provides more flexibility and accessibility and is more inclusive and future-proof

Objectives for the value creation approach

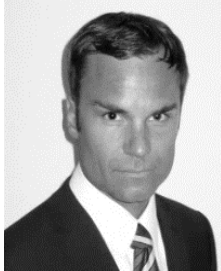
- 1 Flexible**
A framework which stimulates 'big picture' strategic thinking as to what drives enterprise value. It must be MECE (mutually exclusive, collectively exhaustive)
- 2 Accessible**
An approach and method that is easy to understand and can be used by a broad audience of practitioners
- 3 Pragmatic**
The framework does **not** try to knit together every current (and future) relevant proposition, product or framework
- 4 Enduring**
Designed to stand the test of time, and can accommodate future macroeconomic cycles or developments (growth, downturn, crisis)
- 5 Adaptable**
Addresses both 'harder' value fundamentals, new/emerging value levers and changing stakeholder expectations (ESG, D&I, BLM, Wellbeing, etc.)

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