

BCG Transform & Special Situations Index 2024 -TSS Index-

Switzerland

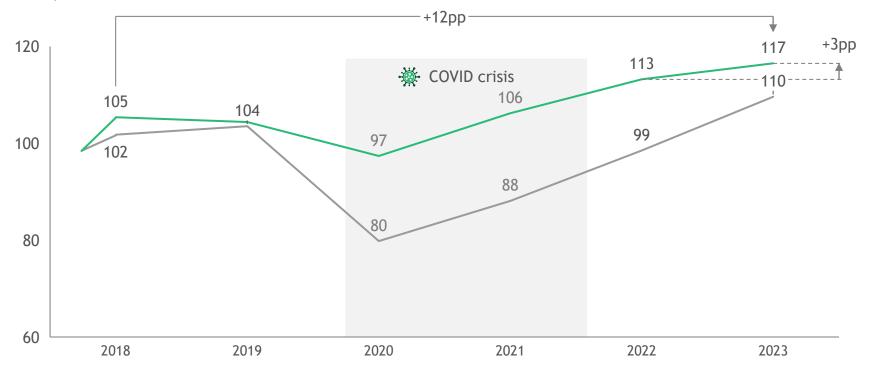




+3pp in insolvencies over last year, above pre-COVID level and on a par with European average

Insolvency filings: Q1 2018 through Q4 2023

Indexed development of the number of insolvencies (2018 at 100)¹ Index, base 100





+3pp +11pp +12pp +8pp

insolvencies 2023 vs. 2022

insolvencies vs. pre-COVID period

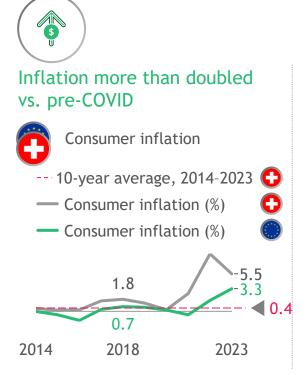
- Limited impact of COVID crisis (-7% in 2020 vs. 2019) on Switzerland insolvency level vs. EU due to lower exceptional liquidity support (6.2% of GDP vs. 6.7% for EU)
- Swiss restructuring law emphasizing new EU directives on restructuring
- UBS's acquisition of Credit Suisse to impact financing solutions for distressed and stressed companies

~15K

insolvencies in 2023

Copyright © 2024 by Boston Consulting Group. All rights reserved

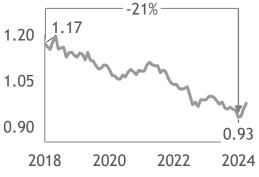
Continuing macroeconomic headwinds suggest that transformation and restructuring pressures will stay strong in the next 24 months





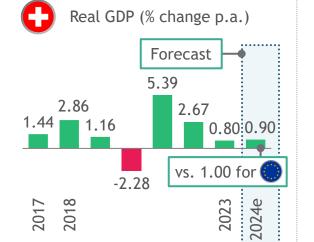
EUR depreciation vs. CHF impacting Swiss exportation









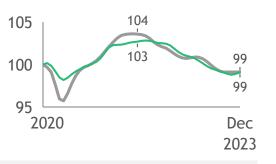




Business confidence below pre-COVID



- Business confidence Switzerland
- Business confidence index EU





Geopolitical instability: conflicts and tensions in Eastern Europe, Middle East, and Asia; >50% of worldwide population electing new government in 2024



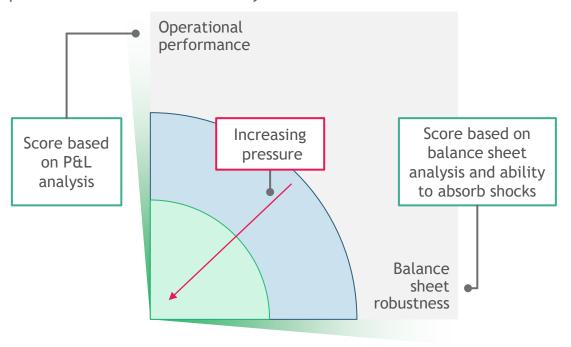
Strong local currency, acquisition of Credit Suisse by UBS

copyright ${\mathbb C}$ 2024 by Boston Consulting Group. All rights reserved

BCG Transform and Special Situations (TSS) Index identifies companies showing signs of weak operational performance and undercapitalization

1 Transformation and restructuring pressures by sector

Assessment of about 2,000 European public companies and analysis of 12 performance and financial stability KPIs



2 Forward-looking view

Assessment of sector dynamics based on AI-powered sentiment analysis and insights from sector experts



Al-powered sentiment analysis to synthesize insights from market and company documents (including earnings calls transcripts) and all publicly available materials



Targeted in-depth interviews with industry experts



200+ European executives surveyed on their perspectives, priorities, and challenges for 2024

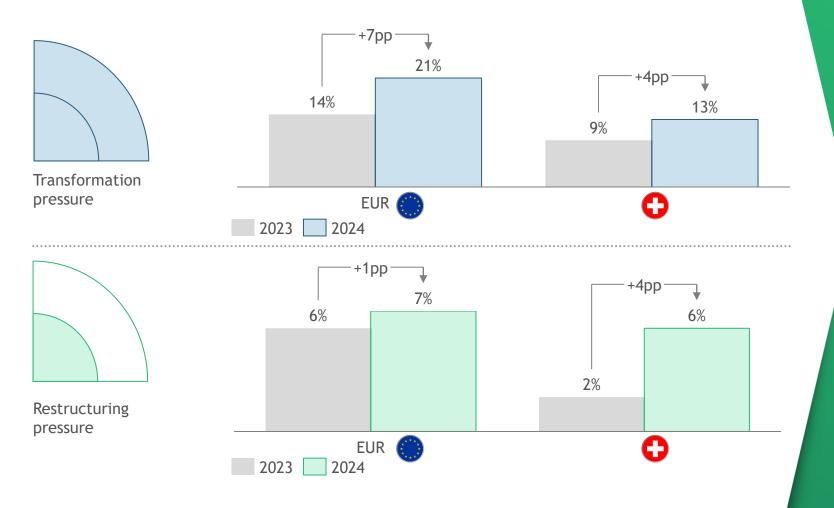
Transformation pressure Restructuring pressure

Note: Transformation pressure—initial signs of weakening operational performance and financial stability require optimization. Restructuring pressure—clear signs of weak or negative operational performance and undercapitalization require more structural steps to recover.

Source: BCG analysis.

right © 2024 by Boston Consulting Group. All rights reserve

Increase of transformation and restructuring pressures, but still below European average



About 1 in 8 companies face significant transformation pressure in Switzerland

About 1 in 17 companies face significant restructuring pressure in Switzerland

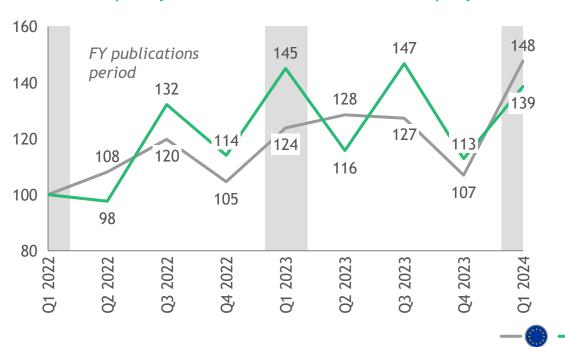
Note: The BCG Transform and Special Situations Index is based on share of revenue. Sources: S&P Capital IQ; BCG analysis.

Copyright © 2024 by Boston Consulting Group. All rights reserved

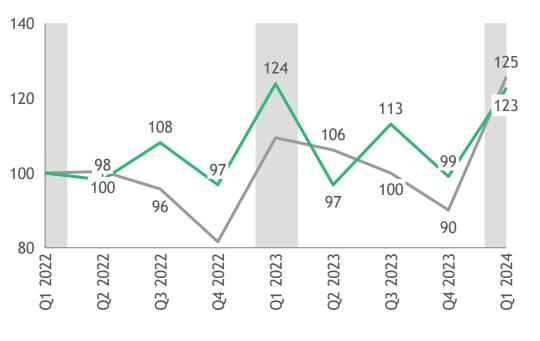
Al-powered sentiment analysis shows transformation and restructuring topics are gaining momentum for last two years, on a par with European average

Development of transformation and restructuring citations in public company documents Q1 2022 through Q1 2024, index, base 100 = Q1 2022

Relative frequency¹ of transformation-related company talks

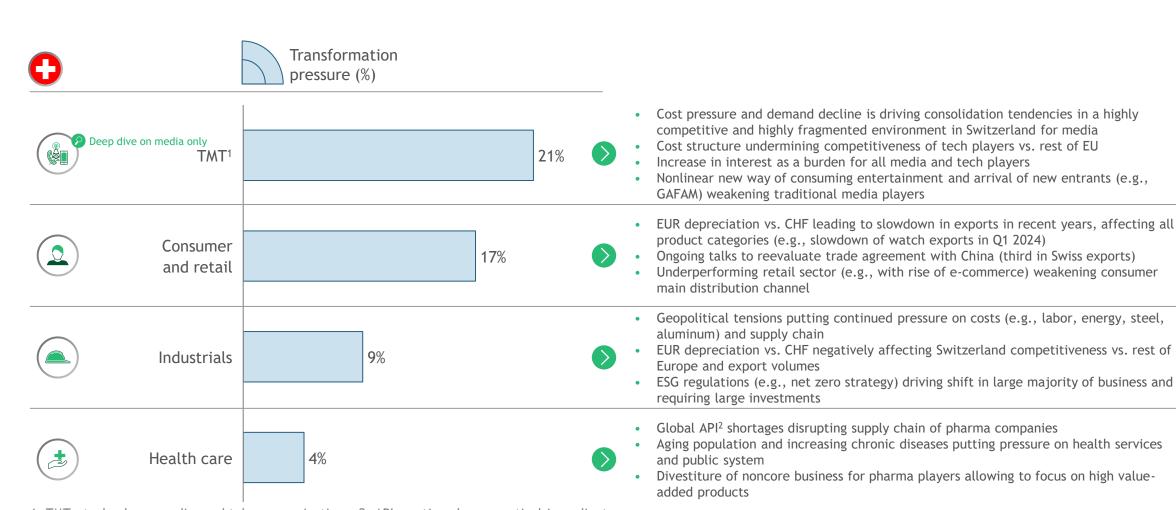


Relative frequency¹ of restructuring-related company talks



^{1.} AlphaSense trend score (based to 100 for Q1 2022), calculated based on all publicly available documents (company documents, research documents, transcripts), smoothed quarterly data. Sources: AlphaSense: BCG analysis.

Media, consumer and retail, and industrials face strong transformation pressure



^{1.} TMT - technology, media, and telecommunications. 2. API = active pharmaceutical ingredient. Note: Sectors with more than ten companies in scope.

Sources: S&P Capital IQ; BCG analysis.

Key figures

21% (≈) vs. 32% in 2023



Transformation pressure

Restructuring and transformation topics¹



Top executive views³

vs. 34% in

Worried about uncertain economic outlook

Worried about human capital and talent accessibility for their company



vs. 10% in

Have margin enhancement as their top priority for 2024



Key trends and challenges in Switzerland

Demand decline

Nonlinear consumption of media content driving sectorial transformation with traditional players/broadcasters losing market share vs. digital players

Inflationary pressure leading to:

- Decrease of household discretionary spending in media and entertainment
- Decrease of advertising spending for companies

Paradigm shift in competitive environment with arrival of international players (e.g., GAFAM) in traditionally local markets



Technological disruption

Ongoing challenge on monetization model with increase share of digital media

Al and GenAl allowing:

- Enhanced productivity for key functional functions (e.g., content production for marketing)
- · Hyperpersonalization and targeting for advertising—currently undergoing stress testing throughout Europe

Cost pressure

Drop in advertising revenue (-20% to 30% vs. last year) for TV and newspapers adding pressure on profitability

Tipping point reached with main cost savings already achieved, requiring a review of operating model (e.g., outsourcing) and/or a look for consolidation/partnerships to leverage cost synergies at local and EU levels

Debt/financing costs

Capex requirements to produce own content and drive differentiation (e.g., for broadcasters) with European media relying more and more on national production vs. US

Regulatory pressure

(Antitrust) regulation slowing down consolidations/partnerships that aim to maintain competitiveness of European players in an extended competitive environment (digital and international)

Intent of recent EU initiatives (e.g., Digital Markets Act) to limit the dominance of big tech and deter anticompetitive conduct

Challenges on content censorship and related regulation for media players

1. Relative frequency of restructuring and transformation topics via public citations. 2. Comparing Q1 2023 with Q1 2024. 3. View from TMT top executives.

Note: Key figures, restructuring and transformation topics, and top executive views section for TMT. Sources: S&P Capital IQ; AlphaSense; Swiss Federal Statistical Office; BCG analysis and BCG expert views; BCG C-Suite survey 2024.

Consumer and retail

Key figures

17% (vs. 8% in 2023



Transformation pressure

Restructuring and transformation topics¹



Top executive views³

vs. 29% in

Worried about inflation and rising interest rates



Considering labor cost actions as very important to remain competitive

Have volume improvement as their top priority for 2024

Key trends and challenges in Switzerland

Demand decline

EUR depreciation vs. CHF leading to exportation slowdown in recent years, affecting all product categories (e.g., slowdown of watch exports in Q1 2024); ongoing talks to reevaluate trade agreement with China (third in Swiss export ranking)

Competitive environment changing, with proliferation of pure digital players that take on business from physical-focused players

Highest price level index of Europe (157 vs. 100 for EU) weakening tourism industry

Supply chain disruption

Political tensions (e.g., Red Sea, Eastern Europe) complicating timely **delivery** from sourcing

Technological disruption

Differentiation driven by ultraconvenience trend, e.g., delivery services and Al for personalized shopping experience

Resurgence of direct-to-customer (DTC)/brand.com channel leaping retailers as intermediaries

Eco-friendly trends inducing investments to develop circularity and secondhand market

Cost pressure

High SG&A burden (staff, distribution cost, rent) reducing profitability in inflationary context

War of talents putting pressure on labor costs, with lower unemployment rate vs. EU

Debt/financing costs

Risk sensitivity at banks increasing in case of high debt with rise of interest rates

Limited availability of debt and equity limiting refinancing and development for retail

Regulatory pressure

Increased monitoring required for sourcing related to EU Supply Chain Act

Sustainability topics ongoing but not new to the industry

1. Relative frequency of restructuring and transformation topics via public citations, 2. Comparing Q1 2023 with Q1 2024. 3. Consumer goods, including retail.

Sources: S&P Capital IQ; AlphaSense; Swiss Federal Statistical Office; BCG analysis and BCG expert views; BCG C-Suite survey 2024.

Industrials

Key figures

9% (vs. 11% in 2023



Transformation pressure

Restructuring and transformation topics¹



Top executive views

vs. 34% in

Worried about uncertain economic outlook

vs. 18% in

Worried about impact of cost of energy



Key trends and challenges in Switzerland

Demand decline

Continued competition from BRICS players leading to overcapacity in several segments

EUR depreciation vs. CHF negatively affecting Switzerland competitiveness vs. rest of Europe and exportation volumes

Supply chain disruption

Reshoring topic trending as building up a resilient supply chain is becoming compulsory to cope with geopolitical conflicts

Persistent global shortage of some components, including chips and rare earths

Technological disruption

Full-scale impact of GenAl and sustainability imperative still uncertain but likely to disrupt several industrial segments

Increased risk from cybersecurity incidents

Cost pressure

Persistent gap in energy costs vs. US and Asia driving competitive disadvantage

Continued inflation on key cost centers

- Fluctuating raw materials
- Labor costs, higher vs. EU average
- Abolition of industrial tariffs in Switzerland to reduce production costs

Debt/financing costs

Sharp increase of financing costs given high capital intensity and relatively high leverage ratio for industrial companies

Deteriorated access to financing for some traditional manufacturers as banks and investors increase ESG requirements

Regulatory pressure

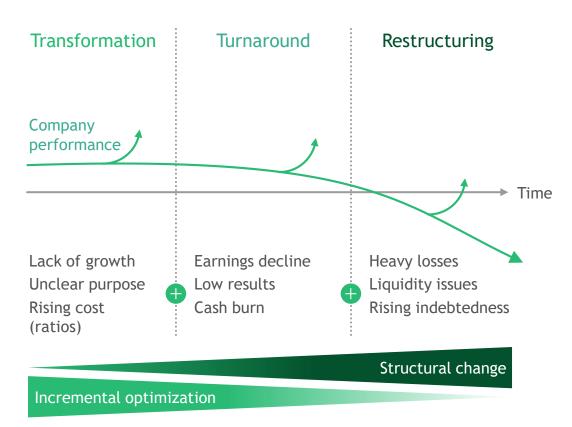
Alignment with European Green Deal and ESG regulatory policies increasing required investments from industrial companies; higher burden for small- and mid-cap companies

Increased monitoring required for sourcing related to EU Supply Chain Act

- 1. Relative frequency of restructuring and transformation topics via public citations.
- 2. Comparing Q1 2023 with Q1 2024.

Sources: S&P Capital IQ; Alphasense; Swiss Federal Statistical Office; BCG analysis and BCG expert views; BCG C-Suite survey 2024.

BCG Transform assists companies for transformation, turnaround, and restructuring



Typical transformation offering



Full potential plan (FPP)

FPP development includes cost efficiency, NWC optimization, and CTO offering



Execution support/ transformation office (TO)

Aligning, monitoring, and steering large-scale transformation programs

Typical special situations offering



IBR/restructuring opinions

Creating new and/or validating existing restructuring programs



Cash office

Establishing 13-week as well as midterm liquidity planning and actively managing cash

Your BCG special situations local experts to assist you along your journey



Pierre Laugeri
Partner & Director
Geneva



Max Lieber
Partner Zurich

Source: BCG.



bcg.com

