

Media Release

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Midterm forecasts gaining momentum among large Swiss companies

- **The vast majority of companies included in the SMI Expanded state forward-looking targets in their annual reports for 2023**
- **Slightly fewer companies published targets in 2023 compared to 2022**
- **85% of companies use qualitative and quantitative targets simultaneously**
- **The proportion of companies with short-term forecasts of one year has decreased. midterm forecasts of two to three years are increasing instead**
- **Targets and information mainly include turnover and operating result as well as the current market situation and economic outlook. Geopolitical developments now have a strong influence on forecasts**
- **Forecasts and targets for ecological factors reach 100% for the first time**

The vast majority of the largest listed Swiss companies (SMI Expanded) have once again published forward-looking target figures in the form of a financial forecast in their 2023 annual reports. According to a regular study conducted by IRF – a leading consultancy for strategic communication – there is a trend towards the publication of midterm forecasts. However, short-term forecasts are still the standard. For the first time, 100% of all companies are publishing climate-related forecasts due to the new non-financial disclosure requirements.

Almost all Swiss companies included in the SMI Expanded provided a qualitative or a quantitative outlook as part of their business reporting for 2023 (93%). In the previous year, this proportion was 98%. A large majority (85%) provided qualitative and quantitative information. In 2022, the proportion was 80%. The proportion of companies that published a qualitative guidance was 89% and has not changed compared to 2022. The number of companies that published quantitative key figures fell slightly. In 2023, this proportion was 87%, 4 percentage points lower than in 2022. Almost three quarters of the companies surveyed published the outlook for the current financial year in a dedicated section of the annual report – an increase of over 5% compared to 2022.

Oliver Seifried, Partner at IRF, comments: "The proportion of large listed Swiss companies with mid- and long-term forecasts is increasing. This means that companies are meeting the demands of institutional investors for the greatest possible transparency regarding future developments. This trend is also reflected in the increasing professionalism of companies in underpinning their strategic goals with key figures and providing the necessary space for the outlook in a separate section of the annual report. The decisive factor here is that companies apply the same concept over a longer period of time. If the circumstances change, as they did in 2023 with the increased emergence of geopolitical risk factors, these should be presented transparently and comprehensively."

Revenue and operating profit remain key targets

When providing quantitative outlooks, companies continue to most frequently comment on revenue and operating profit (EBIT, EBITA, or EBITDA), with 85% and 78% respectively. Both figures have increased compared to the previous year (2022: 82% and 62%), with targets related to operating profit showing a particularly significant rise. "The fact that operating profit has increasingly been included in the guidance is likely due to various factors. Firstly, companies have restructured to better manage supply chain issues and are able to handle such risks more effectively. Additionally, inflationary pressure has largely eased, making costs more predictable. Furthermore, many companies have used the significant events of recent years to optimise their cost bases and hope to benefit again from improved economies of scale. This makes it easier for companies to publish profitability targets," says Yasemin Diethelm-Ersan, Senior Consultant at IRF.

The target of cash flow remains consistently popular, used by 30% (2022: 31%) of companies in their outlook. The mentions of profit or earnings per share have only minimally increased by one percentage point to 28%. The mention of future dividends (26%) has clearly decreased in weight compared to 2022 (33%), when the dividend outlook was often cited as a stable factor in uncertain times. The percentage mention of return on equity remained unchanged at 9%.

In terms of internal parameters, the development of individual business segments or product groups continued to play the most important role in 2023, with 39% of companies making this mention (2022: 38%). Notably increased are mentions of cost savings or operational efficiency, rising from 29% to 35%, while regional segments appeared in 22% of the outlooks (2022: 18%). Market position was mentioned in the 2024 guidance by only 13% of companies, a decrease of 11 percentage points from the previous year. Similarly, the mention of development relative to the market fell from 18% to 13%.

Among external factors, the description of the market situation (74%; 2022: 78%) and the economic outlook (65%; 2022: 67%) continue to dominate in 2023. Due to current events, mentions of currency forecasts have increased (28%; 2022: 22%). The significant rise by 15 percentage points to 37% in mentions of geopolitical risk factors in guidance, as well as the markedly less frequent mention of supply chain issues (20%; 2022: 33%), reflect the current environment.

Midterm forecast gaining popularity

In this year's study, 83% of companies provided a short-term forecast over twelve months, a decrease of eight percentage points compared to 2022. The midterm forecast over two to three years has gained relevance, with an increase to 76% compared to 64% in the 2022 survey. This

marks another leap for the midterm forecast, which was at 42% in 2019. The proportion of long-term forecasts (3-5 years) is also steadily increasing, reaching 22% in 2023 (2022: 18%, 2019: 16%). The decline in short-term forecasts may be interpreted as a response to the uncertainties of recent years, while the rise in mid- and long-term forecasts indicates a growing demand for more information on ambition levels from long-term-oriented institutional investors. Currently, 61% of companies underpin their strategic goals with Key Performance Indicators (KPI) (2022: 52%; 2019: 38%).

Already standard in 2022 for the annual reporting of major listed Swiss companies, forecasts and targets related to ecological and social factors saw further increases in 2023. Due to the introduction of mandatory non-financial reporting, the proportion of companies providing information on ecological goals rose from 96% to 100%. Four years ago, this figure was just 38%. Similarly, 96% also provided forward-looking information on social factors (2022: 91%), up from 43% of companies in 2019.

Method

In May and June 2024, IRF conducted its ninth study on the financial guidance of Swiss companies. The data collection was carried out through content analysis of the sections of the annual report and the presentation for the publication of the 2023 annual results, in which the strategy or outlook is discussed. Additionally, the press releases on the annual results served as a data basis. The subject of the study comprised 46 companies from the SMI Expanded, which had published their 2023 annual results at the time of the study. The SMI Expanded represents the 50 largest capitalised stocks of 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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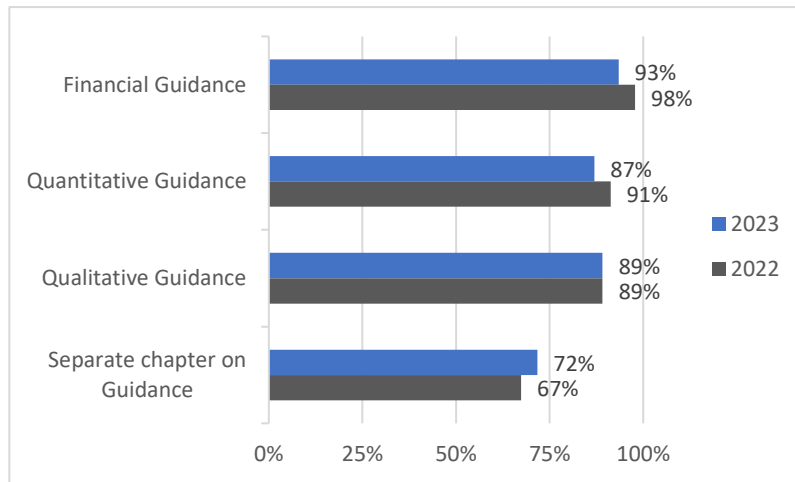
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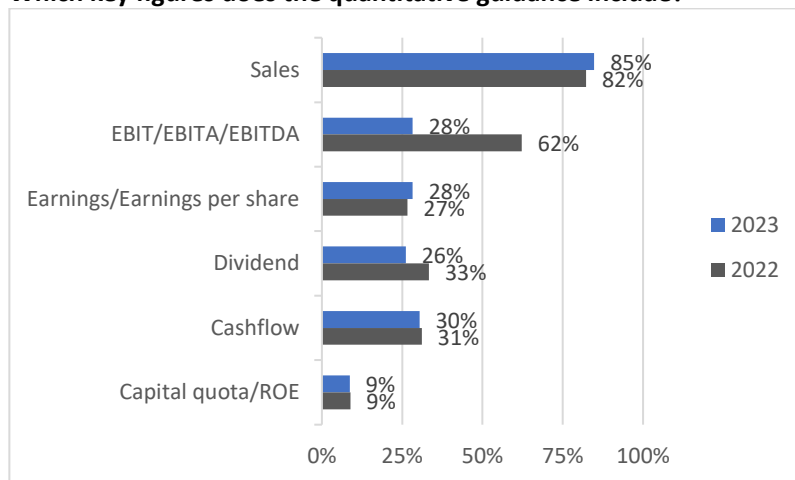
The study results in detail including graphs

Is financial guidance provided as part of the annual reporting?



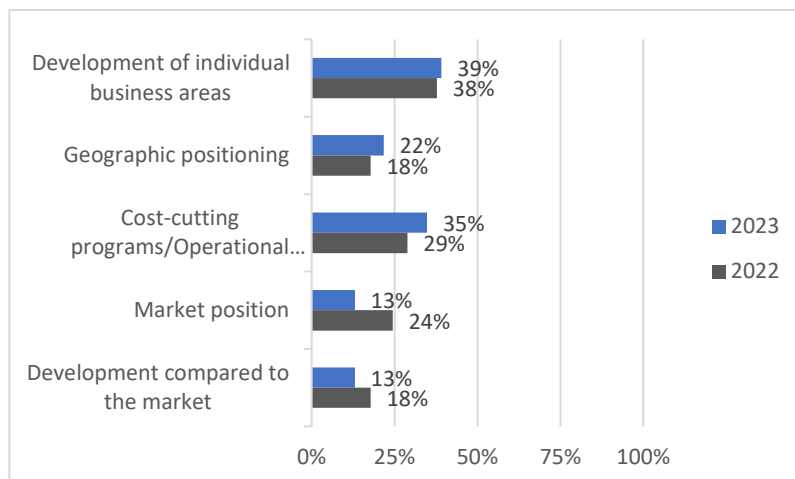
With a few exceptions, all companies provide financial guidance as part of their annual reporting. The proportion has slightly decreased compared to the previous year. Quantitative and qualitative targets are addressed by nine out of ten companies. Over 70% of companies now give their forecasts for future business development a correspondingly prominent place in the form of a separate chapter in the annual report.

Which key figures does the quantitative guidance include?



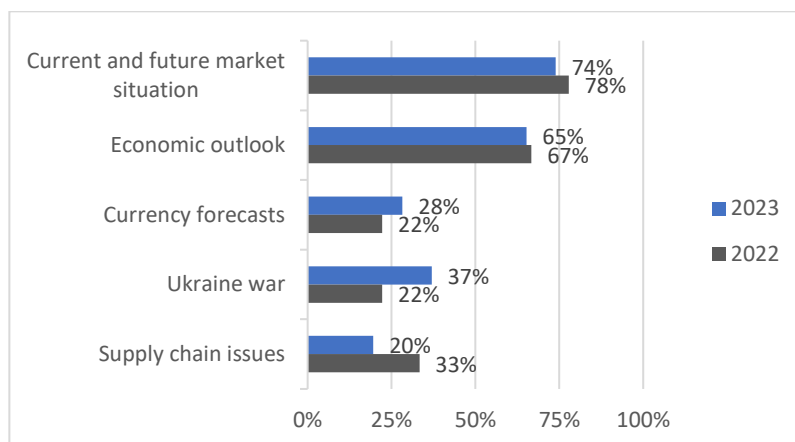
Quantitative metrics are still most frequently addressed with revenue and operating profit (EBIT/EBITA/EBITDA). Revenue was mentioned by 85% of companies in 2023 (2022: 82%). Operating profit saw a significant increase, being mentioned in the guidance by 78% (2022: 62%). The third most common quantitative metric is cash flow, with 30%. The proportion of companies providing guidance on dividends decreased to 26%. Profit/profit per share reached 28% (2022: 27%). Companies continue to less frequently comment on return on equity/equity ratio (9%).

What internal performance metrics are included in the guidance?



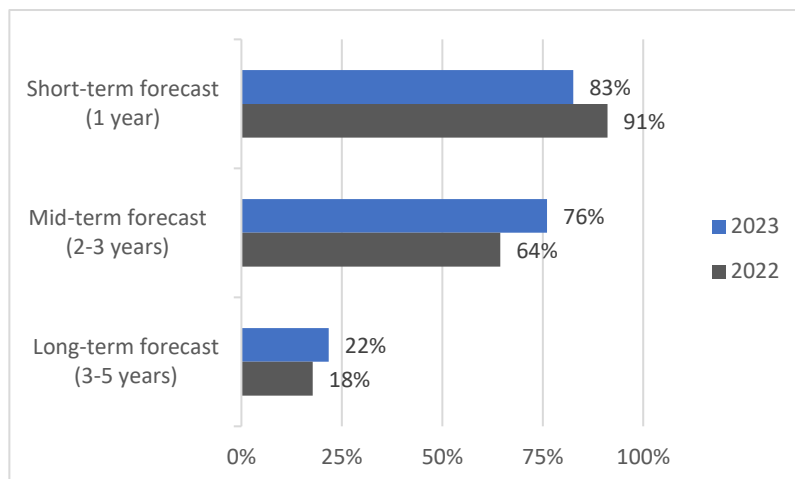
For internal performance metrics, information on the development of individual business units or product groups (39%) and geographic segments (22%) dominates. Mentions of cost-saving programs and operational efficiency have increased (35%). Less frequently addressed are market position (13%) and development relative to the market (also 13%).

What external framework factors are included in the guidance?



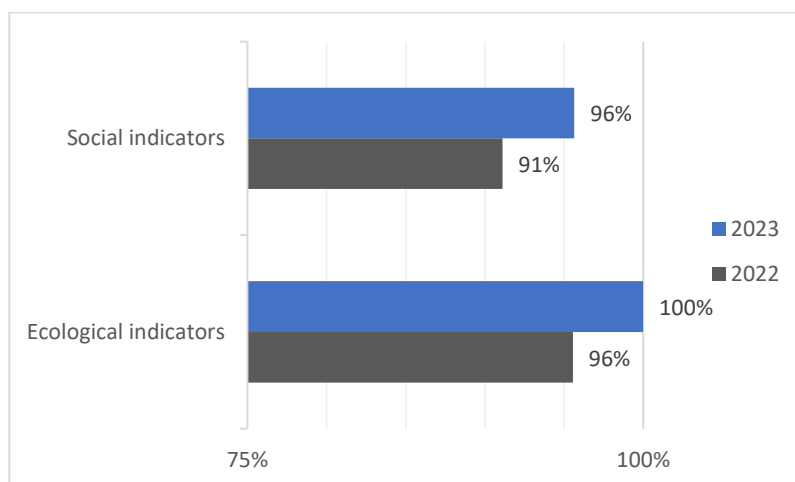
For the outlook, the external framework conditions continue to be influenced by the current market situation (74%) and the economic outlook (65%). Currency forecasts have increased, now included in the annual guidance with 28% specific mentions. The supply chain issue has significantly diminished and consequently lost importance for the guidance. The proportion is now 20% (2022: 33%). In contrast, the geopolitical situation has strongly impacted the guidance. Now, 37% of companies explicitly mention this factor in their outlook.

What is the time horizon of the guidance?

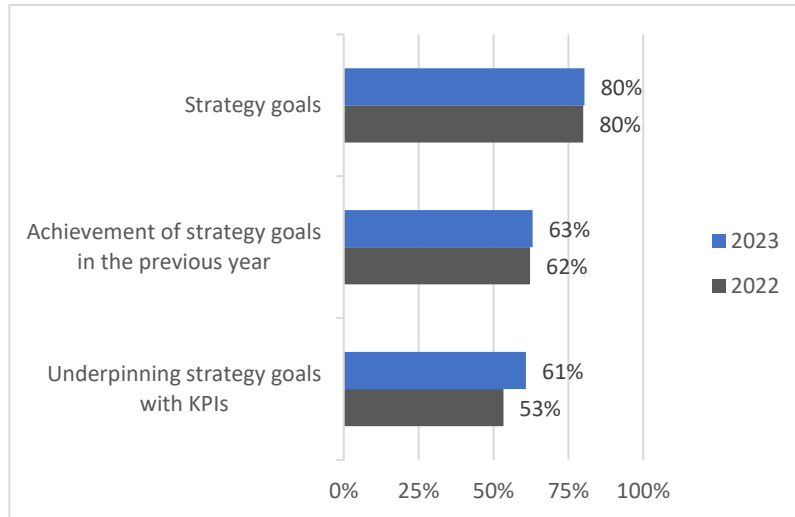


In this year's analysis, short-term forecasts over the next twelve months continue to dominate. However, the proportion has decreased from 91% in 2022 to 83% in 2023. In contrast, midterm forecasts have increased. Three-quarters of the companies provided an outlook for the next two to three years, compared to 64% in 2022 (2019: 42%). Additionally, 22% of companies set targets for the next three to five years (2022: 18%).

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



ESG factors (Environmental, Social, Governance) are increasingly being considered with specific KPIs in the outlook. While social issues are addressed by 96% of companies (such as workplace safety or equality), ecological indicators (such as emissions, energy consumption, water, and waste) are already addressed by 100% of companies. This can be attributed to the introduction of a non-financial reporting obligation for large companies in Switzerland as of 1 January 2023.

What content is mentioned in the strategy discussion?

80% of companies mention target objectives in their strategy discussion in the annual report. 63% of firms address these objectives in terms of progress and achievement. The proportion of companies that underpin these objectives with specific KPIs has increased. In 2023, this was 61%, compared to 53% in 2022. This figure has significantly increased compared to the penultimate survey in 2019, when it was still at 38% and only 32% assessed the improvement of strategic objectives compared to the previous year. In 2019, only 55% published any target objectives in the strategy discussion in the annual report.