PILFOR
LENDING SOUNDNESS

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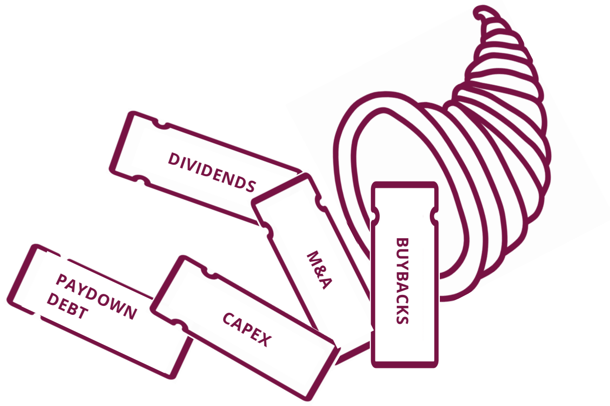
# Monthly Market Insights

## Bond Markets

Corporate World borrowed a record USD 5.4tn in the bond markets during the roller-coaster 2020, spurred by central banks' lending hand and subsequent investor's endless appetite. While for more fragile borrowers funding remains key to survival, other borrowers in better shape need to decide how to allocate their borrowings across their five pillars: 1) paying down debt is perhaps the most obvious, as investors are increasingly concerned about leverage, 2) capex spending to foster organic growth, 3) acquiring external growth in a world pointing towards lower future growth, 4) share repurchases to the detriment of bond investors, and 5) pay extraordinary dividends. Others may just hold on to their extra cash, not "counting their chickens before they hatch". And then there're the SMEs, having stood at the side-lines of the 2020 debt spree, due to their lack of capital market access, treading on thin ice of their liquidity and battered balance sheets.

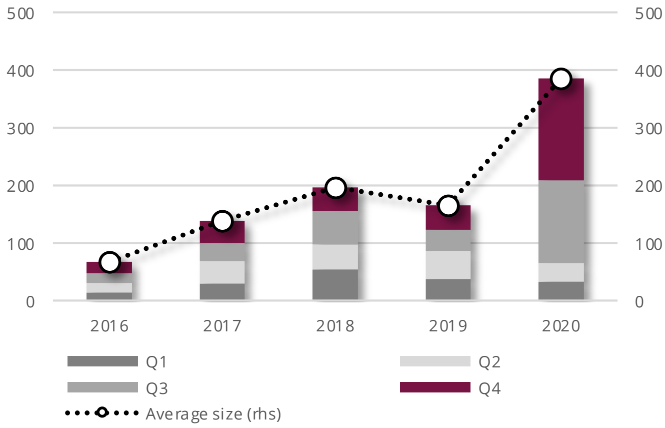
**Record volumes offer a rich menu to corporates**




## SPACs

Blank-checks received quite a different meaning in 2020, when Special Purpose Acquisition Companies or SPACs ploughed their way into capital markets, raising an unprecedented USD 97bn. While being around for some time, the 2020 spree outgrew previous years. The ten largest accounted for north of 14% overall, led by Pershing Square Tontine Holdings Ltd. raising USD 4bn. More and more companies sidestep the traditional IPO process in favor of a faster and cheaper path to public markets. Despite a somewhat mixed acquisition / reverse merger track record, the 2020 frenzy was strongly driven by an increased focus on growth over value. This represents a shift from past sectors such as energy, industrials and financials in favor of IT, healthcare and consumer discretionary. The growth trend is likely to continue at high pace, with European SPACs joining-in, rates remaining near zero, ample dry powder and an increasing number of companies wanting to go public.

**Number of SPAC offerings and average annual size (USD m)**




Sources: Refinitiv, S&P

## Venture Capital

Considering all the circumstances, 2020 was a very positive year for Swiss startups: They raised a total of CHF 2.1 billion, almost as much capital as in the record year 2019. The most significant sectors reflect the major international trends of Digital Transformation (ICT with 34% total share), Sustainability (such as Cleantech with a 69% increase since 2012) and of course the increased focus on Life Sciences due to the pandemic with Biotech as the leading sector with 39%, as well as Medtech (+109% since 2012) and Digital Health. The distribution of total capital was more balanced this time, with an average of CHF 57m among the top 20 rounds and CHF 3.4m among the rest. The reluctance of domestic investors has sometimes been a downer in the past. Fortunately, in 2020 Swiss investors participated in the majority of the largest 20 financing rounds.

**Resilient funds pouring on fertile ground**


Source: startupticker.ch

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