

Pre-IPO financing in Switzerland

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Most companies that list on a Swiss exchange have raised capital several times before. Pre-IPO rounds bring in family offices, strategic partners and specialised funds, and the way these rounds are structured determines how smoothly the company can later move to the stock exchange.

1 Convertible loans and conditional capital

A convertible loan lets an investor provide money now and receive shares later, usually at a discount to the price of the next financing round or the IPO. The conversion is secured through conditional capital in the articles of association (Art. 653 ff. CO) or through the capital band (Art. 653s ff. CO), which allows the board to issue the shares without a further shareholders' resolution. The terms of conversion, the discount and any valuation cap should be fixed in writing before the money is paid.

2 Preference shares

Investors in later rounds often ask for preference shares, which give them priority in dividends or in the proceeds of a liquidation (Art. 654 CO). The privileges must be laid down in the articles of association. Before an IPO they are normally converted into ordinary shares, since the market expects a single class of listed shares; the articles and the shareholder agreement should provide for this conversion from the start.

3 Shareholder agreements and transfer restrictions

The rights that matter most to pre-IPO investors are usually contractual: board seats, information rights, consent rights for important decisions, drag-along and tag-along clauses and liquidation preferences. A shareholder agreement binds only its parties, so the articles of association should support it where possible, for example through restrictions on the

transfer of registered shares (Art. 685a ff. CO). These arrangements generally fall away with the listing and should be drafted with an exit clause for the IPO.

4 Offering without a prospectus

Pre-IPO rounds are almost always private placements. No prospectus is required where the offer is addressed only to professional clients, to fewer than 500 investors, requires a minimum investment of CHF 100,000 or does not exceed CHF 8 million over twelve months (Art. 36 para. 1 FinSA). The company should record which exemption it relies on, and the investment documentation must not be presented as a public offer.

5 Preparing for the listing

A company that intends to list should prepare its accounts, governance and capital structure years in advance. SIX Swiss Exchange requires, among other things, a track record and a minimum free float, and investors will examine the company's history of capital increases, the documentation of each round and the treatment of employee participations. Clean share registers, complete board minutes and audited financial statements shorten the due diligence considerably.

6 What pays off in practice

- **Agree the conversion mechanics in the first round**, including how preference shares and convertible loans convert at the IPO.
- **Keep the capitalisation table and the share register current** after every round.
- **Use capital contribution reserves** for premiums paid by investors, so that later repayments are free of withholding tax.

7 How Ressos Legal helps

I advise companies and investors on pre-IPO rounds, convertible loans, preference shares and shareholder agreements, and prepare the corporate documentation for a later listing. [Contact me](#) for a first conversation.

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