Zuger Kantonalbank

Market Minute

Swiss Equities Conference / Reality Check

06.10.2025

At the UBS Best of Switzerland Equities Conference at the end of September, companies reported that economic growth continued to be dogged by uncertainties on trade as well as inflation. Throughout the summer months, consumers and producers alike remained cautious in terms of their investment decisions. A number of firms are nevertheless cautiously optimistic on account of their structural strength and transformation, Germany's investment initiative and the ongoing boom in investment for data centres. At the same time, companies are having to contend with a weak Chinese economy. In view of the economic backdrop and company presentations, we have divided our feedback and assessment on individual firms into three categories: "Optimistic", "Realistic" and "Cautious". Taking into account valuations and short-term business momentum, we regard SGS, Georg Fischer and Bachem as attractive investment ideas; however, we think there are grounds for caution on shares in Straumann and Aryzta.

Feedback on individual companies

"Optimistic" category

(+) SGS (on our top picks list):

The CEO of SGS highlights the more rapid progress on Strategy27, with a streamlined structure (including portfolio restructuring) and higher growth ambitions. The company is pulling out of less value-adding services and simultaneously investing through M&A (major acquisition of US testing firm ATS for USD 1.3 billion in summer 2025) and organically in more rapidly growing markets with the aim of generating annual growth of more than 5-7% from 2028. Despite temporary headwinds (project delays in North America, setbacks in automotive and minerals businesses), SGS anticipates robust business in China as well as in electrical and electronic products related to connectivity and security. SGS continues to expect stable growth at the level seen in the first half of 2025 (+5% organic). The shares are currently valued at approximately 20 times expected 2026 earnings, which is below their historical average and does not fully reflect long-term earnings prospects.

"An uncertain, subdued demand backdrop favours structurally strong companies."

Reto Amstalden
Investment Advisor

(+) Galderma:

The Head of Product Strategy points to Galderma's strong dynamism with regard to the launch of new products in Aesthetics (around 50% of group sales) – a market with considerable growth potential. Galderma hopes this will enable it to capture greater market share. In addition, management is confident about its ability to drive expansion into the US and Chinese markets. Although its competitors boast a dominant market position, Galderma enters these markets armed with an unrivalled product portfolio. Initial feedback received for the next generation of Relfydess (for treating wrinkles) has been excellent, with US approval expected by the end of the year. Furthermore, Nemluvio (used to combat neurodermitis) is showing strong results, particularly for the alleviation of itching. Financial analysts have estimated peak sales of USD 3-4 billion – well above Galderma's USD 2 billion estimate. Overall, Galderma is having a very good year in operating terms and is showing no signs of flagging momentum.

(+) Georg Fischer (on our top picks list):
Management reports that the portfolio transformation has largely been concluded and the focus in future will be on selective acquisitions in the remaining core business of water infrastructure. 2025 is a transition year in organisational terms, while the market environment across the infrastructure, industrial and construction sectors remains challenging and mixed. In Germany there are signs of a bottoming out with the potential for an improvement in the construction and infrastructure sectors due to the government investment programme starting in 2026, while the industrial business is set to remain weak. The North American infrastructure business is developing strongly, although commercial and residential newbuild are subdued. In Asia, investment in industrial applications remains solid and infrastructure is at a high level. New growth opportunities are arising for Georg Fischer, particularly in cooling systems for state-of-the-art data centres.
Although there is little growth momentum in sight for the second half of 2025, the stage is set for growth recovery and margin improvement in 2026. Georg Fischer has a strong market position that should enable it to benefit from a new investment cycle in the semiconductor industry in 2026 and from the government investment initiative in Germany. This growth outlook is attractively valued with a price/earnings ratio of under 20.

(+) Landis+Gyr:
The CEO underscores the focus on monetarisation of strong market demand in the US. There is an enormous need to optimise the energy efficiency of buildings and infrastructure. In addition, the demand for electricity is rising sharply due to data centres and the reshoring trend in the US. This is driving investment by utility firms and in the case of Landis+Gyr is reflected in a record order backlog in the US. In addition, the strategic transformation is continuing apace. With the announcement that it is selling its European business to Aurelius (Germany) and returning the proceeds to shareholders via a buyback programme, Landis+Gyr can now devote all its attention to its highly profitable US business. The planned new listing of the shares in the US in 2027 will mark the completion of the transformation. With its strategy of focusing on the US market, Landis+Gyr should see a return to attractive earnings and dividends prospects in the long term, which is not fully reflected in the price/earnings ratio of around 20. In view of a possible delisting of the stock from the Swiss Exchange in 2027, we would nevertheless advise private investors to sell the shares during 2026 in view of the financial risks in connection with the US inheritance tax act.

(+) Bachem (on our top picks list):
The CFO points out that the new production capacity – enabling a doubling of sales between 2023 and 2027 to over one billion – is secure despite market worries. Management does not anticipate any major contractual risks. The expanded capacity is fully sold out already thanks to contracts for the supply of peptides for weight loss drugs. Market demand for specific peptides remains strong and exceeds available production capacity. The newly built plant is in the final phase of Swissmedic approval and on track to begin volume production in the first half of 2026. As for the short term, the efficient processing of orders resulted in lower inventories in 2025. Several orders were therefore brought forward to the first half, leading to substantial growth. Bachem remains on track to expand by around 15% in 2025, with growth set to increase to well over 30% in 2026. Long term, the company additionally thinks the market for peptide-based molecules (internal and outsourced production) could treble by 2030, underpinned by investments and announcements in the pharmaceutical sector (such as Roche as runner-up in the market for weight loss drugs). While Bachem is likely to be an above-average beneficiary of this market growth, geopolitical uncertainties look set to be a damaging factor with regard to Bachem's next major project – Sisslerfeld – from 2030. Negotiations on advance payments with a new strategic partner are proving difficult. In our view, however, the equity market has so far failed to factor any of this additional growth potential into the share price. The current valuation, with a price/earnings ratio of 20 to 25 and the prospect of earnings growth of around 20% annually in the period to 2027, makes Bachem an attractive growth stock.

Company presentations attended, feedback and assessment with classification

	Price (in CHF)	Performance (last 30 days)	Performance (year-to-date)	Market cap. (in CHF mn)	Valuation PER 2025E	Comments/argument (+) Positive / (–) Negative
Optimistic (≥ expectations)						
SGS SA	83.4	4%	–8%	16,241	22.4	(+) Non-cyclical
Galderma	137.0	0%	36%	32,592	60.2	(+) Strong LT growth
Landis+Gyr	64.9	2%	15%	1,876	26.8	(+) Strategic transformation
Georg Fischer	63.2	2%	–8%	5,184	22.0	(+) Strategic transformation
Huber + Suhner	140.1	15%	89%	2,688	33.9	(+) Growth in AI/data centres
Bachem	58.6	–5%	2%	4,395	36.4	(+) Strong LT growth (GLP-1)
DKSH	54.7	–6%	–19%	3,558	15.7	(+) Non-cyclical, valuation
Schindler	296.8	1%	19%	31,034	30.5	(+) LT margin outlook
Realistic (= expectations)						
Lonza	542.2	–4%	2%	38,078	32.5	(=) Growth momentum
Holcim	66.8	2%	51%	37,856	19.3	(=) Mixed demand picture
Geberit	596.8	4%	16%	20,245	32.0	(=) Lack of recovery in EU demand
Daetwyler	140.4	6%	5%	2,387	28.9	(=) Mixed demand picture
Sonova	218.0	–5%	–26%	12,999	20.4	(=) Mixed demand picture
VAT	349.2	36%	2%	10,476	43.9	(=) Delayed recovery in semiconductors
Tecan	152.5	–3%	–24%	1,956	25.8	(=) Mixed demand picture
Cautious (≤ expectations)						
Ypsomed	320.5	–18%	–2%	4,375	20.5	(–) 2026 a transition year
Straumann	88.0	–5%	–23%	14,035	28.2	(–) China growth slowdown
Aryzta	63.5	–13%	0%	1,570	21.1	(–) EU / price pressure
Kühne + Nagel	151.0	–7%	–27%	18,234	17.6	(–) Sea freight / price pressure
Accelleron	65.7	–2%	42%	6,209	34.9	(–) End of capex boom, valuation
Comet	207.8	24%	–16%	1,570	57.9	(–) Margin pressure (tariffs, currency)

Source: Zuger Kantonalbank

"Realistic" category

(=) Lonza

The Head of Investor Relations states that the company is making progress with potential new customer capacity (around CHF 1 billion in sales) in Vacaville. Lonza bought Vacaville from Roche in 2024 and needs to fully replace Roche's production volume at the site by 2027. This progress should help it dispel recent market concerns about future capacity utilisation in Vacaville. In addition, Lonza remains confident about the divestment of its capsule business (Capsugel) as well as the operational improvement of the business, which should alleviate any concerns regarding a potential disposal at a low price. The company also remains optimistic that, despite high investment globally in new production capacity by contract manufacturers such as Lonza, the strong demand in biologicals will keep the market in equilibrium. Lonza is on track to return to double-digit sales growth in 2025, although this is already discounted in the valuation with a price/earnings ratio of around 30.

(=) Holcim

The CFO mentions that the demand situation is patchy, which in addition also affects various European countries. South America, on the other hand, shows a positive trend in volumes while Mexico is currently flatlining. A key debate among investors right now centres on the price trend in Europe with a view to the EU directive on decarbonisation in the construction industry in 2026. Holcim is optimistic, expecting this to result in positive price trends for the cement industry. Holcim confirms its 2025 financial targets (FCF of CHF 2 billion, improvement in EBITDA margin of around

50 basis points to over 18%). In view of the mixed short-term market trend and ongoing headwinds on the currency front, earnings are likely to be subdued and to fall slightly in the third quarter of 2025, which limits the upside potential for the shares – at least in the short term.

(=) Geberit

The CEO states that the European market is currently showing merely a stabilisation rather than a recovery. Renovation work is increasing, but newbuild activity is decreasing. Germany – the biggest market – continues to be plagued by weak newbuild activity. Building approvals in the residential segment, on the other hand, are starting to recover (though not yet in non-residential). General sentiment in Germany has improved, however. Overall, therefore, market conditions in the second half are likely to be similar to those seen in the first six months. Geberit seems to be on track to meeting its targets for 2025 and 2026 and to achieving the 5% growth acceleration expected by financial analysts. With a price/earnings ratio of 30 and a valuation premium of 20 relative to the long-term average, the high earnings quality and positive earnings outlook are already fully discounted in the share price.

(=) VAT

The company confirmed that the order situation in the third quarter remains subdued and a strong recovery in new business is unlikely over the coming months. VAT is nevertheless confident that the persistently strong demand for AI chips (from the likes of Nvidia) will require major new production capacity and could trigger increased investment and a strong recovery (order intake) in 2026. In terms of the key Chinese market (35% of sales), VAT remains confident that the high level of sales

can be maintained in 2026 despite a strong rise over the last three years, supported by the government localisation strategy for the semiconductor industry. But with key customers having built up component stocks for up to 12 months and signs of stronger competition on the horizon, we no longer expect any substantial growth for the Chinese market going forward.
In our view, VAT is on track to achieving its 2025 targets despite the headwinds from US tariffs and the currency situation. The recent 25%-plus rise in the share price is not due to a short-term improvement in the business situation but to industry news that the big US tech firms intend to invest hundreds of billions more in AI. This could spark a fresh investment cycle in the semiconductor industry from the second half of 2026. With the current valuation of a price/earnings ratio of 45 as well as market expectations of earnings growth of more than 50% over the next couple of years, we consider VAT shares to be fairly valued.

"Cautious" category

(–) Ypsomed

The general tone from management is very positive. Ypsomed expects average growth of 15-20% annually in the period to 2030. Growth prospects are well diversified with over 130 customers as well as 230 clinical and commercial projects. However, the focus is on the contribution from GLP-1 drugs (treatment of diabetes and obesity). Although the contribution to revenues remains marginal to date, Ypsomed anticipates that it will account for around 30% of group sales by 2029/30 (i.e. around CHF 300 million, half of which is expected to come from key customer Novo Nordisk). Ypsomed has a strong market position that should enable it to benefit from the long-term growth trend in auto-injectors for the administration of medications. The company is technology leader in this area with a full project pipeline. We nevertheless remain cautious about investing in Ypsomed shares. First, expiration of contract manufacturing for key customer Sanofi over the next 12 to 18 months will make the next financial year a year of transition.
Second, potential growth in the case of future key customer Novo Nordisk may not be as strong as expected given that the latest study results on the new obesity drug CagriSema have been disappointing.

(=) Straumann
The CEO anticipates a weakening of the important Chinese market, while the key US market is not showing any significant recovery. The company is currently witnessing caution on the part of Chinese distributors as well as patients in expectation of lower prices due to the new price regulation for suppliers of dental implants next year. Furthermore, Straumann believes the US market requires significant interest rate cuts and low inflation in order to recover and for the borrowing position of potential patients to improve (75% of multiple procedures and 30-40% of single-tooth procedures are financed through loans). In addition, the strong Swiss factor weighs heavily on results and does not appear to have been fully taken into account in financial analysts' earnings estimates. We remain cautious on Straumann shares against the backdrop of dwindling growth momentum and a demanding valuation.

(=) Aryzta
Management is of the view that the European market for bakery products has become more challenging in recent months. The company is seeing European retailers ramp up their advertising activities even for bread – the most cost-efficient food category (based on calories). The company intends to engage in price negotiations with key retail customers in 2026. The more challenging market backdrop as well as falling commodity costs (such as butter and wheat prices) increasingly point to pressure on prices in 2026. Labour costs will remain high at the same time, which could put margins under pressure. Against the backdrop of market development and unfavourable cost trends, the outlook for expected growth and margin improvement in 2026 is a gloomier one in our view.

Do you have any questions or thoughts on the Market Minute?
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