

Press release

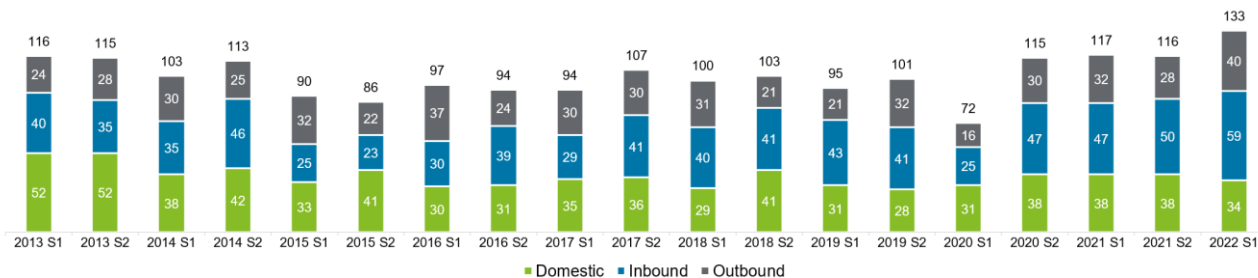
Zurich/Geneva, 17 August 2022

M&A activity of Swiss SMEs: uptrend continued after record year – outlook for rest of the year less optimistic

The number of mergers and acquisitions of Swiss small and medium-sized enterprises (SMEs) reached a new all-time high in the first half of 2022. According to the latest Deloitte mid-cap M&A study, 133 SMEs acquired other companies or were taken over themselves. This compares to 117 in the first half of 2021 and 116 in the second half. The economical and geopolitical instability in the world are key factors affecting the transaction landscape and may curb the appetite of Swiss SMEs for acquisitions in the second half of 2022.

The M&A activity of Swiss SMEs reached a historic high in the first half of 2022, with a total of 133 transactions – by far the highest half-year figure since the Deloitte mid-cap M&A study was first published in 2013. Swiss inbound M&A activity increased by a quarter to mark a new record of 59 transactions. The number of cross-border transactions (99) also reached its highest level since the introduction of the study.

There are several reasons for this buoyant M&A activity: “Lower market valuations for acquirers, persistently cheap financing in Switzerland, and the strong Swiss franc have made the acquisition of foreign companies attractive and sparked an M&A frenzy among Swiss SMEs,” explains Jean François Lagassé, Financial Advisory Partner and Financial Services Industry Leader at Deloitte Switzerland. On the other hand, the number of purely domestic transactions fell again slightly, with a decrease of just under 11%.



Graph: Number of transactions per half year by type of transaction

Swiss SMEs acquired mostly by European investors

In Switzerland, a total of 93 SMEs were acquired in the first half of the year. European (61%) and North American (29%) companies made up the majority of buyers from abroad. The US and Germany have been the main investors in Switzerland for some time now; in terms of numbers, 34% of investments originate from neighbouring countries. Deloitte M&A expert Jean-François Lagassé believes this is mainly due to the strong Swiss economy and many Swiss SMEs are global leaders in their niche.

At the same time, Swiss SMEs mainly acquired companies in Europe (85%). Most of the remaining transactions involved companies in North America. Around 40% of the acquisitions were companies in neighbouring countries, with Germany alone accounting for 27% of the transactions. Many Swiss SMEs prefer foreign firms in the industrial sector. Companies in the healthcare and TMT sectors, which have both profited from the COVID-19 crisis, also remain highly coveted.

Sustained M&A activity despite headwinds ahead

M&A activity worldwide has slowed considerably this year, due to rampant inflation, rising interest rates, higher financing costs, the Ukraine war, and growing fears of a recession. Optimism at global level has therefore waned, explains Lagassé.

Lagassé believes that the overall outlook for Switzerland remains positive, albeit slightly less optimistic than at the start of the year. Many new risks have arisen since then in relation to the Ukraine war and its widespread impact on the global economy. “Uncertainty is toxic for mergers and acquisitions: slumping market valuations, supply chain disruptions and the rising cost of raw materials, commodities and services are weighing heavily on many companies in Switzerland, but

even more so worldwide. All of these factors point towards less M&A activity globally and a reduced appetite for acquisitions among Swiss SMEs in the second half of the year,” says Lagassé.

Good buying opportunities due to lower company valuations

Since many central banks raised interest rates to counter growing inflation, it has generally become more expensive and riskier to finance acquisitions. At the same time, however, the rising cost of capital has reduced the valuations of many companies. This offers some exciting takeover opportunities, both for investment funds with large cash reserves and for financially strong companies with a strategic focus. Furthermore, many currencies – including the euro and the British pound – have weakened against the Swiss franc, making foreign companies even more attractive to Swiss investors.

About the study

Deloitte’s semi-annual analysis of the M&A activity of Swiss SMEs studied the merger and acquisition transactions of Swiss small and medium-sized enterprises in the period of 1 January to 30 June 2022. Deloitte defines an SME as a company with a turnover of more than CHF 10 million, fewer than 250 employees and a valuation of between CHF 5 million and CHF 500 million.



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