

## Press release

Zurich/Geneva, 22 February 2023

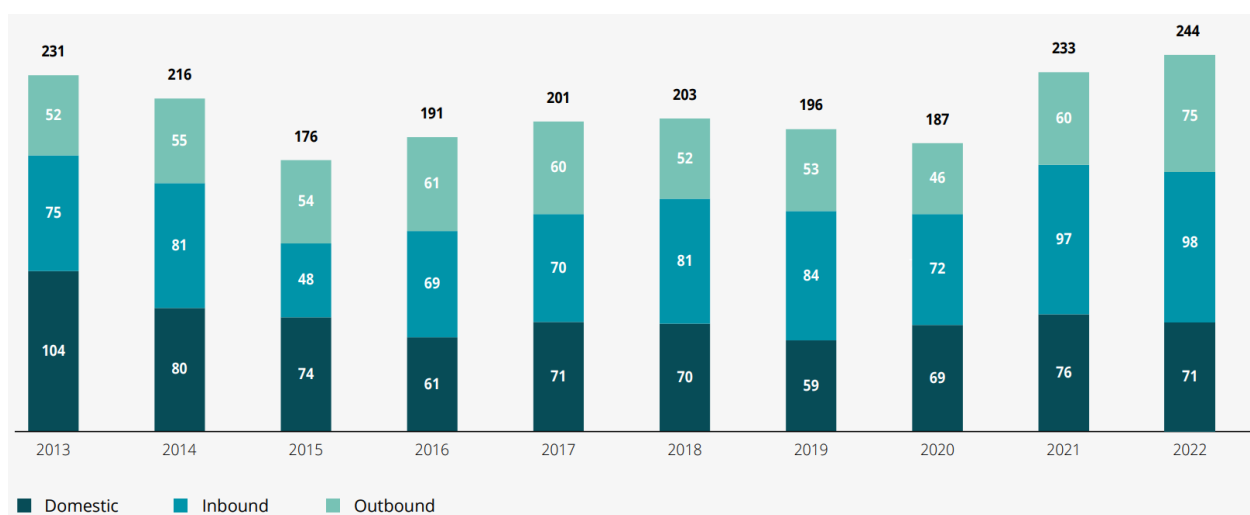
### M&A activity of Swiss SMEs hit another new high in 2022, with the IT sector a major driver

After M&A activity had already increased to new record levels both globally and in Switzerland in 2021, the number of deals involving Swiss SMEs rose again in 2022. Swiss small and medium-sized enterprises acted either as the buyer or the target in a total of 244 transactions – some 5 per cent more than in the previous year (233). The fastest rise related to Swiss SMEs buying up companies abroad. This development is clearly bucking the global trend and is a sign of the strength of Switzerland’s SME sector. The country’s healthy economy, relatively low inflation from an international perspective and strong franc kept activity brisk overall, although the number of transactions fell back sharply in the second half of 2022. The trend is likely to reverse again this year.

There were 244 M&A transactions in Switzerland involving Swiss SMEs, 4.7 per cent more than the previous year and another new record. The main reason is the high number of cross-border transactions, which made up over 70 per cent of the total. Of the 173 international deals, 75 involved Swiss SMEs making an acquisition abroad – 25 per cent more than in 2021. This means that more Swiss SMEs bought companies abroad than at any time since the Deloitte MidCap Study was first published in 2013. The number of domestic transactions fell by 7 per cent to 71.

#### Swiss SMEs still an attractive proposition for investors

At 169, the total number of Swiss companies acquired in 2022 was only 2 per cent lower than in the previous year. The number of acquisitions made by foreign companies remained more or less unchanged at a high 98, having risen by over a third in 2021. No fewer than 65 per cent of the buyers of Swiss SMEs were companies from Europe, with the others coming mainly from the US (23 per cent). Whereas the total number of M&A transactions involving Swiss SMEs was still very high in the first half of 2022 at 133, it fell significantly in the second half to a mere 111 amidst fears of inflation and a recession. Thus, only 45 per cent of all the deals in 2022 were instigated in the second half of the year, the lowest percentage for a six-month period since these studies began in 2013.



**Chart 1:** M&A transactions involving Swiss SMEs since 2013 (sources: Reuters, Refinitiv)

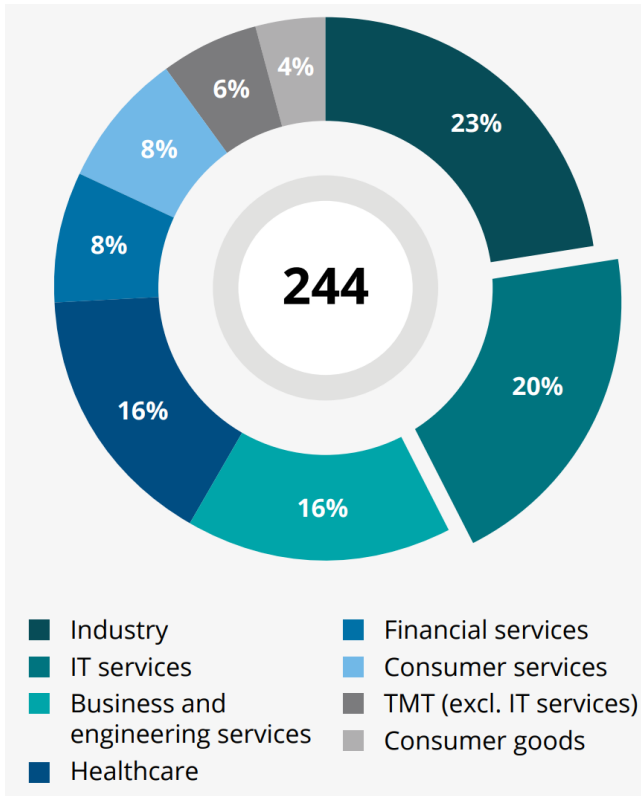
‘The continued increase in acquisition activity involving Swiss SMEs shows just how

healthy the Swiss economy is and how much innovation the country is capable of,’ explains Anthony West, Partner and Head of Corporate Finance Switzerland at Deloitte. ‘The strong Swiss franc and the fact that inflation is rising much faster in other countries also prompted many Swiss SMEs to make acquisitions, while they themselves remained an attractive proposition for investors despite the high price tags,’ he adds.

### Major shifts driving the IT industry

M&A activity in Switzerland's TMT (technology, media and telecommunications) industry hit new highs in 2022 with a total of 62 deals – 26 per cent of all transactions involving Swiss SMEs. For comparison, the figure was 23 per cent in 2021. Worthy of particular note was the IT sub-sector, which accounted for the lion's share of all TMT transactions with

48. Proportionally speaking, many more Swiss SMEs in the IT segment were acquired by foreign companies (56 per cent) than for all sectors as a whole (40 per cent). This demonstrates that the Swiss IT industry has produced a great many attractive businesses over the past few years.



**Chart 2:** Share of transactions involving Swiss SMEs in 2022 (totally 244) by sector

### Swiss IT service providers attracting interest

The significant steps taken towards digitalisation in recent years and the shift brought about by COVID-19 are two likely reasons behind the intense interest being shown in Swiss IT service providers. These twin factors have driven growth and led to a host of new businesses being set up in Switzerland, many of which offer services such as cloud solutions, software as a service (SaaS) and cyber-security software.

'Talented IT specialists are one of the most important resources in the drive to accelerate growth in the IT and tech industry,' says Stephan Brücher, Partner Financial Advisory at Deloitte Switzerland. 'In times of demographic change and a shortage of skilled labour, an SME that has these specialists at its disposal will be a supremely attractive target for an acquisition. Scalability, high growth and a business model based on recurring income will also make a company an extremely appealing proposition. Switzerland's vibrant start-up community, which is being given a great deal of momentum by the two Swiss Federal Institutes of

Technology in Zurich and Lausanne, has also increased the appeal of Swiss IT companies,' adds Brücher.

### Private equity stable at a high level

Having risen steadily over the past few years, M&A activity involving a private equity fund remained stable at a high level in 2022. Private equity companies were involved on the buy or sell side in 94 of the 244 deals completed.

2022 was a subdued year for M&A in global terms: The number of transactions completed worldwide fell from 62,193 to 54,914 due to a sharp drop in the second half of the year. The adverse global economic climate, marked by inflation, rising interest rates and the war in Ukraine, reduced the general appetite for sales and acquisitions.

### Good market conditions in Switzerland

'The slowdown in M&A activity among SMEs in Switzerland in the second half of 2022 is a reflection of the global trend that started earlier in the year. Many economists predict an economic slowdown in the western economies in 2023 due to rising interest rates and inflation that continues to remain at high levels. These elements will create an environment of uncertainty that is not conducive to M&A. That said, the economic data and the overall market sentiment since the beginning of the calendar year are better than expected. This could lead to fertile ground for sustained M&A activity,' says Jean-François Lagassé, Partner Financial Advisory and Financial Services Industry Lead at Deloitte Switzerland.

### About the M&A report

The [Deloitte study on the M&A activity of Swiss SMEs](#) looks at merger and acquisition transactions (that is the purchase of majority interests) involving small and medium-sized enterprises (SMEs) based in Switzerland between 1 January and 31 December. Deloitte defines an SME as a company generating revenues of over 10 million Swiss francs, employing fewer than 250 people and valued at between 5 million and 500 million Swiss francs.



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