



**Deloitte 2021 survey on  
M&A activity in the Swiss  
SME sector  
First half of 2021**

July 2021

Note: This document is an update of the Deloitte 2021 study on the M&A activity of Swiss SMEs published in February 2021. Please refer to this study for more information on the methodology.

# Spectacular recovery in M&A activity among Swiss SMEs during H1 2021, in an economic environment still marked by COVID-19



## +62.5%

117 TRANSACTIONS INVOLVED SWISS SMEs IN H1 2021, VERSUS 72 IN H1 2020



## 67.5%

CROSS-BORDER ACTIVITY RETURNS TO GROWTH IN H1 2021 (+10.6 pp), AFTER H1 2020 SAW THE LOWEST LEVEL SINCE 2013



## +100%

SIGNIFICANT RISE IN OUTBOUND TRANSACTIONS IN H1 2021 (32 TRANSACTIONS) FROM 16 IN H1 2020



## +88%

RESURGENCE IN INBOUND TRANSACTIONS IN H1 2021 (47 TRANSACTIONS) VS 25 IN H1 2020



## 10.2x EV/EBITDA

THE DELOITTE SMALL & MID CAP VALUATION MULTIPLE REACHED A RECORD LEVEL IN H1 2021 (10.2x EV/EBITDA)

After a sharp decline in the M&A activity of Swiss SMEs over the first nine months of 2020, M&A transactions rebounded in the fourth quarter and Switzerland recorded only a moderate decrease in its volume of M&A activity in 2020 (-4.6%). The recovery in M&A activity continued, translating into a historic rise in the number of transactions conducted by or targeting Swiss SMEs in the first half of 2021 (“H1 2021”). In total, 117 transactions were closed, against 72 in H1 2020 – an increase of 62.5%. In particular, Inbound transactions jumped by 88% and Outbound transactions by 100%. This upturn in cross-border activity (67.5% of transactions) reflects the renewed confidence in the overall economic outlook. The growth in Domestic transactions was less significant (+23%), although this category had seen its volume unchanged between H1 2020 and H1 2019.

This increase in transactions was driven by inflows of liquidity into the market, historically low interest rates and accommodative bank lending – with the strength of banks’ balance sheets supporting the financing of buyouts of high-quality companies – and a backlog of unrealised transactions during the pandemic. Government support also helped keeping the economy afloat and avoided high numbers of insolvencies.

This trend in the M&A market was repeated at the global scale, with transactions up 27% in volume terms in H1 2021, and by 132% in value terms (USD 2.8 trillion). The volume of cross-border transactions was also up by 33% compared with the same period last year.<sup>1</sup>

As the latest Deloitte CFO Survey indicates<sup>2</sup>, a clear majority of Swiss CFOs rate the prospects for the Swiss economy over the next 12 months as positive. However, the situation remains fragile, and despite renewed optimism, CFOs are not yet confident there will be an economic boom. Swiss CFOs hope that the sharp recession seen in 2020 can be offset by a solid recovery. But Switzerland’s economic prospects remain influenced by the pandemic and measures taken to tackle COVID-19, with implications for the dynamism of the M&A market.

### Analysis by type of transaction

| Transactions                 | Buyers                   | Targets            | H1 2019      | H1 2020      | H1 2021      | Change, 20/19   | Change, 21/20   |
|------------------------------|--------------------------|--------------------|--------------|--------------|--------------|-----------------|-----------------|
| Domestic                     | Swiss, all sizes         | Swiss SMEs         | 31           | 31           | 38           | 0.0%            | 22.6%           |
| Inbound                      | International, all sizes | Swiss SMEs         | 43           | 25           | 47           | -41.9%          | 88.0%           |
| Outbound                     | Swiss SMEs               | International SMEs | 21           | 16           | 32           | -23.8%          | 100.0%          |
| <b>Total</b>                 |                          |                    | <b>95</b>    | <b>72</b>    | <b>117</b>   | <b>-24.2%</b>   | <b>62.5%</b>    |
| <b>Cross-border activity</b> |                          |                    | <b>67.4%</b> | <b>56.9%</b> | <b>67.5%</b> | <b>-10.5 pp</b> | <b>+10.6 pp</b> |

<sup>1</sup> Refinitiv

<sup>2</sup> Deloitte Swiss CFO Survey – Glimmers of hope for recovery, spring 2021

# Strong recovery in cross-border activity mainly with European partners and in the TMT and consumer goods sectors

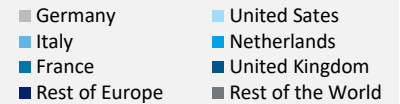
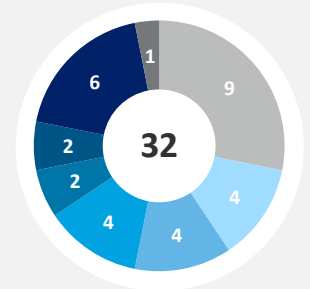
## Outbound transactions

Europe is the main region for acquisitions by Swiss SMEs, representing 84% of transactions. Neighbouring countries account for 50% of acquisitions, and Germany remains the number one destination for Swiss SMEs, with a 28% share. The TMT and healthcare sectors, which have been winners from the COVID-19 crisis, are among the most coveted by Swiss SMEs.

### Top three sectors (Outbound)



### Outbound transactions



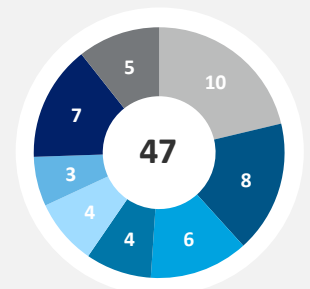
## Transactions in Switzerland

The main buyers of Swiss SMEs in H1 2020 were also European partners (81%), with the remainder primarily North American and Asian companies. Germany is the largest investor in Switzerland.

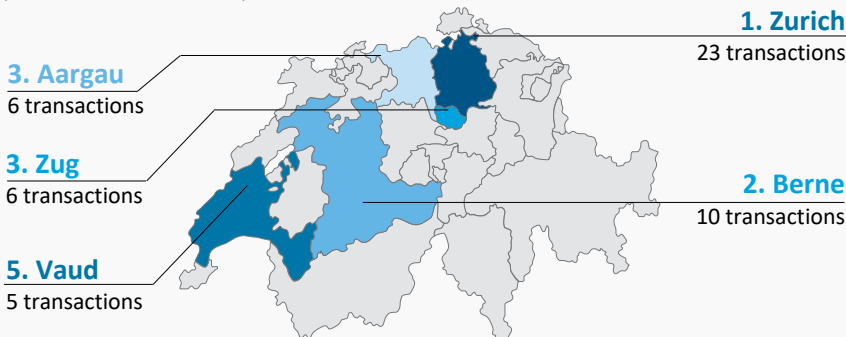
The industrial and TMT sectors, which tend to top the rankings as the most sought-after Swiss SMEs, have been dethroned by consumer goods which is benefiting from the economic recovery.

These acquisitions were made primarily in the German-speaking part of Switzerland (81%), with the canton of Zurich being the region with the most dynamic M&A activity (23 transactions).

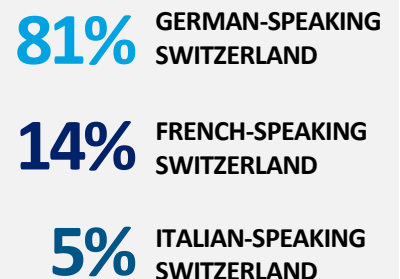
### Inbound transactions



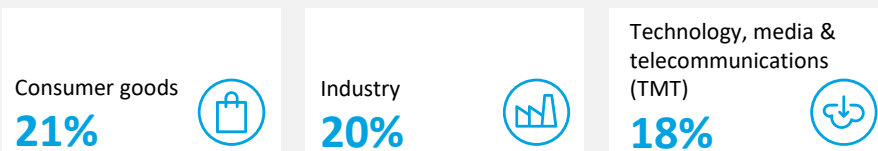
### Top five cantons by number of transactions (Inbound and Domestic)



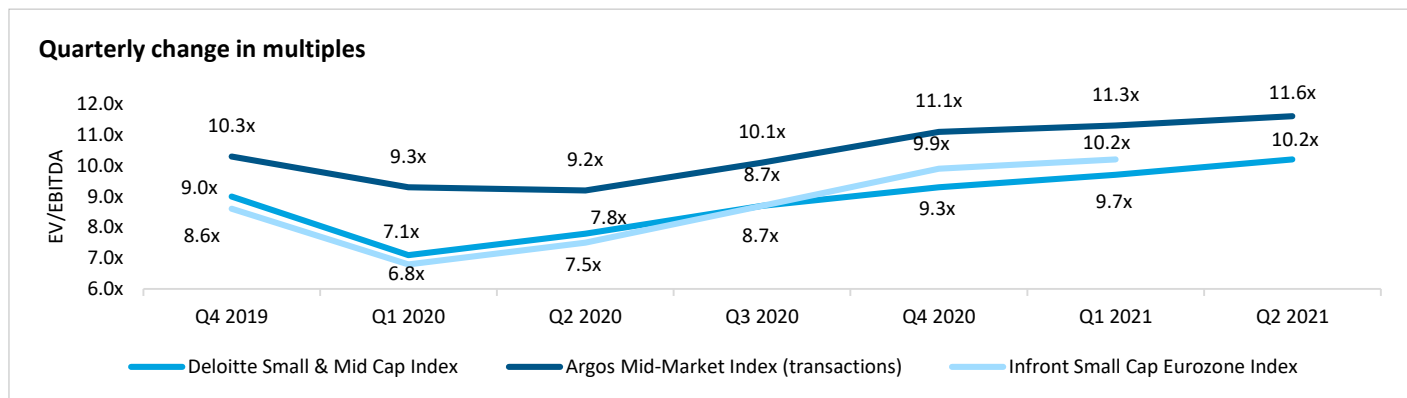
### Transactions in Switzerland (85)



### Top three sectors in Switzerland



# Deloitte Small & Mid Cap index reaches a record level in a buoyant market



## Deloitte Small & Mid Cap valuation index surges in the first half of 2021 to set a new EV/EBITDA record (10.2x)

After the Deloitte Small & Mid Cap index had stabilised as at 31 March 2020 (7.1x EV/EBITDA) amid high stock market volatility sparked by COVID-19, the index has risen steadily. The multiple reached a record of 10.2x on 30 June 2021, on the strength of bullish stock markets buoyed by encouraging signs of economic recovery. Multiples are also benefiting from technology and healthcare stocks – sectors which have been winners from the pandemic. As the index is based on corporate earnings over the last available 12 months, the index's rally since Q2 2020 is explained by a buoyant equity market combined with many companies experiencing falls in EBITDA during 2020. Taken together, these two factors naturally produce a higher EV/EBITDA ratio as we move forward. This rise in multiples is replicated at European level: the

Infront – Small Cap Eurozone valuation index (listed companies) set a new record on 31 March 2021.<sup>1</sup>

The Europe-wide acquisition multiple for unlisted companies (Argos Mid-Market) observed on 30 June 2021 also reached a new record of 11.6x, driven by the prices paid by private equity funds, inflows of liquidity into this sector, the prospect of a return to growth and persistently low interest rates. The index is also benefiting from the prices paid for technology and healthcare companies, which represent a majority of the transactions comprising the index as at 30 June 2021.<sup>2</sup>

<sup>1</sup> Infront Small Cap Eurozone index, Infront Analytics, June 2021

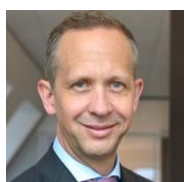
<sup>2</sup> Argos Mid-Market index, Argos Wityu, July 2021

## Outlook for H2 2021: Continued catch-up effect and high levels of liquidity should support strong M&A activity

M&A activity recorded a historic rally in H1 2021, bolstered by the prospect of a historically strong economic recovery. This is despite a public health situation that remains concerning: the upsurge in the Delta variant around the world threatens to bring about a fourth wave and could again weigh on the activity. As the latest Deloitte CFO Survey indicates, the outlook for all key metrics of the companies surveyed has improved compared with last autumn's survey and is positive overall. Revenue expectations are particularly optimistic: half of the CFOs surveyed expect to return to pre-crisis revenue levels by the end of the year at the latest. Nevertheless, the pandemic is overshadowing all else in the risk landscape. It remains the most serious business risk and also has ramifications for other risks, such as demand weakness, supply chain interruptions, digitalisation and cybersecurity.

Visibility as to companies' future performance is becoming clearer as vaccination campaigns get into full swing. M&A activity should therefore remain vibrant in the second half of 2021, while the catch-up effect observed in the first half of the year is expected to continue as the backlog of transactions deferred from 2020 are concluded. Inflows of liquidity into private equity and accommodating lending policies should also prop up an intense market. The improvement in the general public health situation should continue to stimulate the recovery in cross-border activity in Europe observed in H1 2021. Valuation multiples should remain strong, with a polarisation between sectors spared by the crisis and others. The technology and healthcare sectors should therefore remain attractive and benefit from high valuations, whereas other sectors more affected by the pandemic (transport, hotels, leisure) could be the subject of opportunistic acquisitions at lower valuations.

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