

Press Release

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Sharp decline in M&A activity, while Swiss SMEs acquire a record number of foreign companies

The strained economic situation in the international market is reflected in the number of acquisitions globally. Worldwide M&A activity has fallen to 2005 levels. Acquisition activity has also declined sharply in Switzerland: compared with the previous year, mergers and acquisitions involving Swiss SMEs were down by more than 13 per cent. Yet while foreign companies bought a much lower number of Swiss SMEs, there was a slight increase in M&A activity abroad by SMEs based in Switzerland. In particular, they took advantage of the strong Swiss franc. As economic growth is likely to be weak, the forecast for 2024 is no more than cautiously optimistic.

Overall, Swiss SMEs conducted far fewer transactions in 2023 than in the previous year. Between January and December 2023, there were 211 transactions (2022: 244 transactions), corresponding to a decrease of 13.5 per cent. [This was found in the latest Deloitte study on the M&A activity of Swiss SMEs.](#) The main negative drivers were inbound transactions, that is activity in which Swiss SMEs were the target of foreign acquisitions. These fell by more than a third to 64 transactions (-34.7 per cent vs. 2022). That is the lowest level since 2015.

There is a more positive picture for acquisitions in which Swiss SMEs are featured as buyers of foreign companies. This is a trend that started back in 2022. Whereas, previously, cross-border deals were driven mainly by inbound investment, more outbound transactions have been apparent since mid-2022 (see Figure 1). Therefore, Swiss SMEs have primarily been involved in buying foreign businesses, with fewer being the targets of mergers or acquisitions themselves by foreign investors. Having already reached a high level in 2022, the number of M&A deals by Swiss SMEs abroad saw a further slight increase in 2023 (+1.3 per cent vs. 2022). Overall, Swiss SMEs featured as buyers of foreign companies in 76 cases. This is the highest figure since Deloitte began recording this activity in 2013.

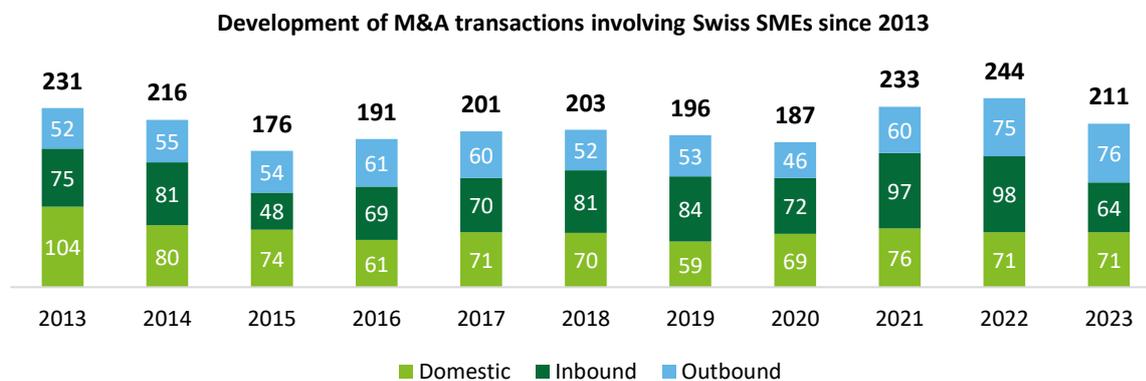


Figure 1: Annual M&A activities of Swiss SMEs.

Meanwhile, domestic transactions, that is, acquisitions of SMEs by domestic companies, remained unchanged at 71, which is roughly in line with the average for the past ten years. Taking 2023 as a whole, M&A activity by Swiss SMEs was lower in the second half of the year than in the first. Anthony West, partner and Head of Corporate Finance Switzerland at Deloitte, sees several reasons for this development: “For Swiss SMEs, the strong Swiss franc makes foreign companies attractive acquisition targets – this explains the ongoing rise in numbers here. It is a different picture for foreign investors. Soaring inflation, fears of a recession and challenging economic conditions prompted a more cautious approach by these companies and investors, resulting in a prolonged downturn in mergers and acquisitions in Switzerland.”

Intensive acquisition activity in industry and IT

German-speaking Switzerland accounts for the majority of all inbound M&A activity, with more than 81 per cent. With over 40 transactions, companies from the canton of Zurich are the biggest drivers of M&A activity in Switzerland. European investors, in particular, are interested in Swiss SMEs. They are responsible for almost three-quarters (73 per cent) of all inbound transactions. The most important individual market here is Germany, followed by the US (see Figure 2). The fact that Germany remains the largest individual market is especially notable, as the country went into recession last year.

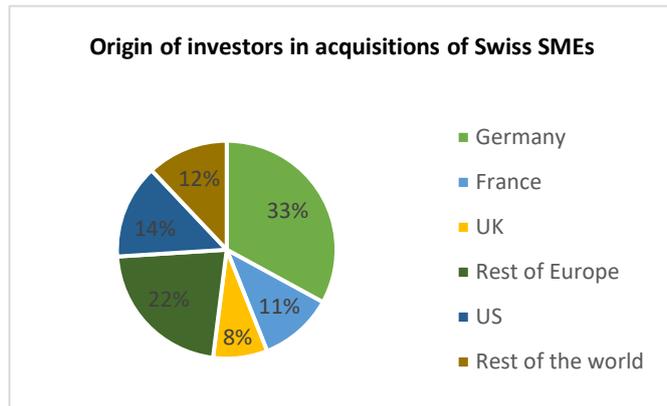


Figure 2: Key acquisition markets.

A look at the sectors of interest to foreign investors is also insightful. In 2023, the main acquisition targets were industrial and IT & software companies (21 per cent each), followed by companies in the life science & health care sector (16 per cent). Whereas foreign investors were chiefly interested in Swiss industrial companies and IT service providers, Swiss SMEs mainly targeted companies in the industrial (28 per cent) and life science & health care sector (20 per cent) when buying foreign companies in 2023.

“For Swiss industrial, IT and software companies, these figures are a seal of quality,” says Stephan Brücher, Partner Financial Advisory at Deloitte Switzerland. “The high level of interest of foreign investors in these sectors underlines the importance of the Swiss SME landscape and start-up community. They provide IT and software services and make products, including in the field of medical technology, that are among the best in the world and, therefore, highly attractive to foreign investors. However, the sharp decline in foreign acquisitions shows that Swiss SMEs are becoming increasingly unaffordable to foreign buyers precisely because of the strong Swiss franc. In the long term, this could mean that the companies lack much-needed investment, such as for product development,” warns Brücher.

Decline in private equity activity

Private equity (PE) funds operate away from the stock markets and often acquire companies with a view to transforming them and then selling them at a profit or floating them on the stock market. Acquisitions by PE funds are also showing a trend towards more domestic transactions against a backdrop of falling investment from abroad. In 2023, PE acquisitions decreased by 18 per cent to 77 transactions (vs. 2022: 94 transactions). This primarily relates to inbound transactions by foreign buyers. At the same time, acquisitions of Swiss SMEs by Swiss PE funds increased sharply. These now account for 42 per cent of all acquisitions, the highest level recorded since 2013. This latter point is explained by the relatively low financing costs (interest rates) that still prevail in Switzerland.

Strained situation makes for a cautiously optimistic outlook

According to figures from the Swiss State Secretariat for Economic Affairs, there was slight economic growth of 1.1 per cent last year. This is well below the historical average and can be attributed to long-term consequences of the pandemic, as well as to geopolitical developments, sluggish economic performance and reform stagnation in key sales markets. The impacts of tightened monetary policy to reduce inflation, possible cutbacks in view of significant debt and persistently slow economic growth are also affecting investor sentiment.

The decline in M&A transactions in 2023 has resulted in pent-up investment potential for the current year. Jean-François Lagassé, Vice Chair and Financial Services Industry Leader at Deloitte Switzerland, says: “The Swiss M&A market could show signs of a slight recovery in 2024. This cautious optimism is based on the likely interest rate cuts by central banks in industrialised nations and the backlog of transactions from 2023, along with highly cautious forecasts for economic growth.”

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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Contact: [Michael Wiget](#)
External Communications Lead
Tel.: +41 58 279 70 50
E-mail: mwiget@deloitte.ch

Contact: [Kevin Capellini](#)
External Communications Specialist
Tel.: +41 58 279 59 74
E-mail: kcapellini@deloitte.ch

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