

Press Release

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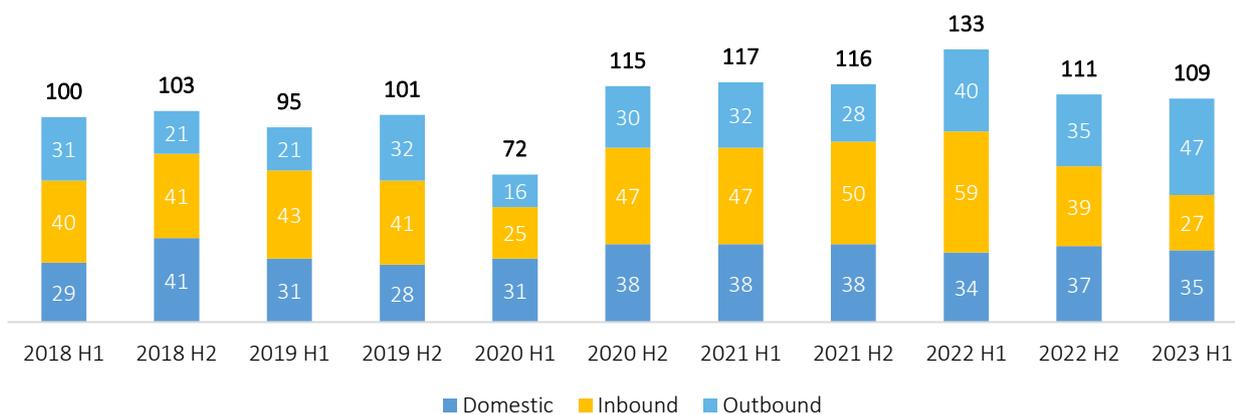
Foreign takeovers hit record levels – total M&A activity of Swiss SMEs falls compared to last year

The number of mergers and acquisitions (M&As) involving small and medium-sized enterprises (SMEs) based in Switzerland has declined year on year. This was found in the latest Deloitte study on the M&A activity of Swiss SMEs. The number of Swiss SMEs acquiring businesses abroad has hit a new high, a trend driven mainly by IT service providers, which were responsible for more than a quarter of all transactions.

Overall, Swiss SMEs concluded fewer deals in the first half of 2023 than they did in the same period last year. [Deloitte’s latest study on the M&A activity of Swiss SMEs](#) reveals that the number of transactions dipped by 18 per cent in the first half of 2023 in direct comparison to H1 2022, with Swiss SMEs either the buyer or the target company in a total of 109 deals. Although the level of mergers and acquisitions has fallen overall, there has been a remarkable rise in the number of foreign takeovers. While cross-border deals in the past few years have been driven primarily by inbound investment, there has been a noticeable shift towards outbound transactions since mid-2022. In other words, Swiss SMEs have mainly been involved in buying other businesses, with fewer being the targets of mergers or acquisitions themselves.

The figures reveal a sharp fall in inbound transactions (–54% vs H1 2022), while outbound transactions hit a record high in the first half of 2023 (+18% vs H1 2022). The number of deals for acquiring Swiss firms (62 domestic and inbound transactions) is one of the lowest since Deloitte began recording this information in 2013. There are several reasons for this, explains Anthony West, partner and Head of Corporate Finance Switzerland at Deloitte: “Foreign investors are showing less appetite for Swiss targets at the moment, while business owners in this country are reluctant to sell up. However, Swiss SMEs are making up for it with more buying of their own in other countries. The main factors fuelling this trend are the resilience of the Swiss economy and the strength of the Swiss franc.”

Evolution of M&A transactions involving Swiss SMEs since 2018 (half-year analysis)



Foreign investors eyeing up Swiss IT firms

IT service providers are the most popular targets for inbound transactions in Switzerland. Accounting for over a quarter of all deals (26% vs 21% in 2022), Swiss IT SMEs have taken top spot in a sector comparison. In the process, they have pushed the industrial sector down from first place last year to fourth this time around (13% vs 22% in 2022). The life sciences and healthcare sector came in second (19% vs 14% in 2022). The most frequent buyers of Swiss SMEs in the first six months of 2023 were European and North American companies (67% and 26% respectively), which sealed 62 deals between them. Swiss IT SMEs also attracted the greatest demand among all industries when it came to takeovers from abroad.

While investors in other countries are most keen on Swiss IT service providers, industrial companies are the main foreign targets for SMEs in Switzerland. The IT sector remained the most highly sought-after sector for acquisitions in the first

half of 2023, while Europe was still the most popular region for Swiss SMEs mounting takeovers abroad, accounting for 83 per cent of transactions. The bulk of these were attributable to Switzerland's neighbours, above all Germany (36%). Most of the remaining acquisitions made by Swiss SMEs were in North America.

IT sector a highly attractive proposition for acquisitions

"The great interest being shown in Swiss IT service providers is likely to be due mainly to the country being an attractive place to do business and to the many new cloud and cyber firms that have sprung up," says Stephan Brücher, Partner Financial Advisory at Deloitte Switzerland. "Up-and-coming IT firms that are driving forward the IT sector's growth in a targeted way and offering solutions for companies of all kinds are a vital resource in our country. The highly active start-up community in this industry is also being lent major support by ETH and EPFL – the two Swiss Federal Institutes of Technology – by setting up new businesses, for instance, and is making Swiss IT firms extremely attractive targets for an acquisition."

The fact that there is less of an appetite for mounting takeover bids than in previous years reflects investors' caution in the face of uncertain and volatile market conditions. The first half of 2023 presented companies with many challenges, including interest rate hikes to curb high inflation, persistent supply chain problems, the ongoing war in Ukraine, the strong Swiss franc, and upheaval in the financial sector. Although the total number of transactions remains above pre-Covid levels, there is a discernible trend suggesting that foreign investors are still completing fewer deals in Switzerland.

Big challenges remain for Swiss and foreign firms

The situation is unlikely to change much in the second half of 2023. "Sellers are wary, and foreign investors are showing little interest in Swiss companies," says Jean-François Lagassé, Partner Financial Advisory and Swiss Financial Services Industry Leader at Deloitte Switzerland. "However, Swiss SMEs look set to remain highly active and seek out acquisition opportunities abroad. The strong Swiss franc is making foreign targets attractive to Swiss investors, while Swiss businesses are getting more expensive for potential buyers in other countries. Further interest rate hikes are likely to accelerate the trend even more, which could lead to a further drop in foreign investment in Switzerland. Nevertheless, we're still cautiously optimistic and are expecting the macroeconomic conditions to improve towards the end of this year or early next year. If so, it should pave the way for foreign companies to ramp up their acquisition activity on the Swiss market once again."

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 30 June 2023. 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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