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Press Release

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Further sharp fall in mergers involving Swiss SMEs – domestic acquisitions slump by over a quarter

The number of mergers and acquisitions involving Swiss SMEs dropped sharply once again in 2024. According to a Deloitte study, almost 9 per cent fewer transactions were recorded year on year, very much bucking the global trend. The dominant factor in Switzerland was the fall in purely domestic deals, which were down by over a quarter (28 per cent). An environment of falling interest rates permits cautious optimism for 2025.

Swiss small and medium-sized enterprises (SMEs) conducted far fewer transactions in 2024 than in the previous year: 179 in all between January and December, down 8.7 per cent on the 196 seen in 2023. This is one of the findings from a recent study by the audit and consulting company Deloitte on M&A activity among Swiss SMEs. The downward trend was driven mainly by domestic transactions, meaning when a Swiss SME takes over another company also based in Switzerland. These fell by over a third to 48 (down 28.4 per cent on 2023), their lowest level for six years.

The sharp drop in purely domestic transactions involved every sector of the economy. It was mainly caused by Swiss SMEs prioritising acquisition-driven growth outside the country in a bid to expand their access to new markets and cheaper resources. They are also having a tougher time financing transactions due to greater consolidation in the Swiss banking sector. At the same time, the strained economic situation in Germany is also likely to have curbed Swiss SMEs' appetite for acquisitions.

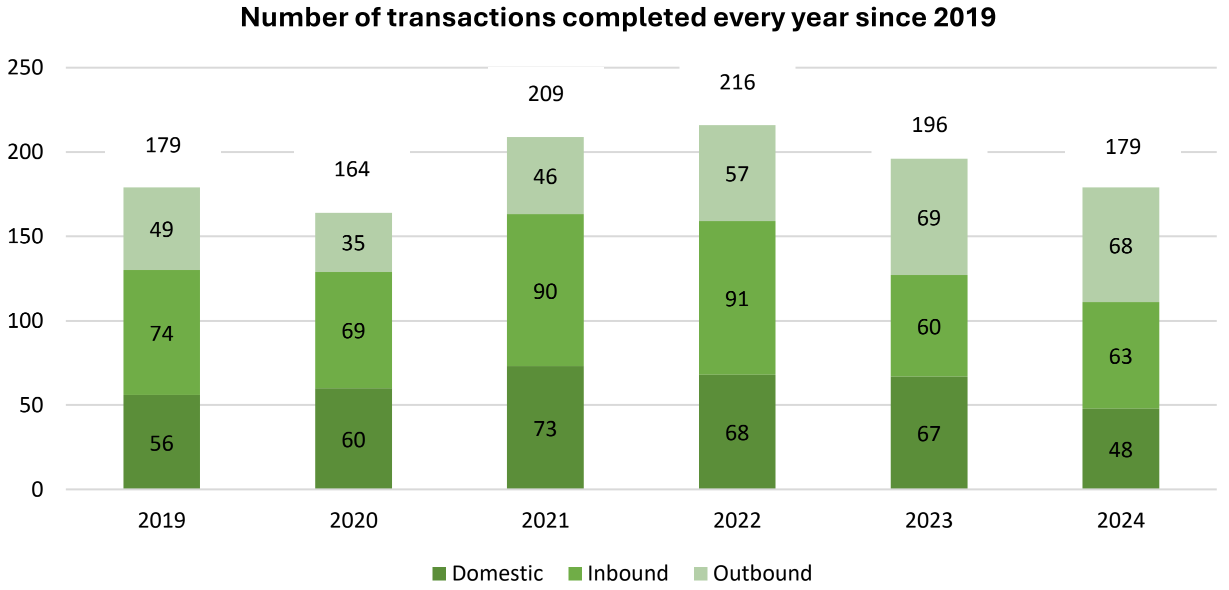

Figure 1: Annual M&A activity of Swiss SMEs.

2024 saw a shift in the trend involving deals where Swiss SMEs bought foreign companies ('outbound' transactions). Having risen steadily since 2020 and peaked at 69 in 2023, the figure actually fell slightly last year to 68 transactions. European companies were the main target for acquisitions by Swiss SMEs in 2024, accounting for 82 per cent of all transactions. What is interesting here is the shift away from Germany and France – two of Switzerland's closest neighbours and major trading partners – towards smaller, more distant but also faster-growing markets where prices tend to be lower, such as Poland and Spain.

Acquisitions in the IT sector becoming less significant
There has been a slight rise in inbound transactions, where Swiss SMEs are targeted by foreign firms for either a merger or an acquisition. 2024 witnessed 63 such deals (compared to 60 in 2023). The lion's share of all M&A activity (85 per cent) involved companies based in German-speaking Switzerland.

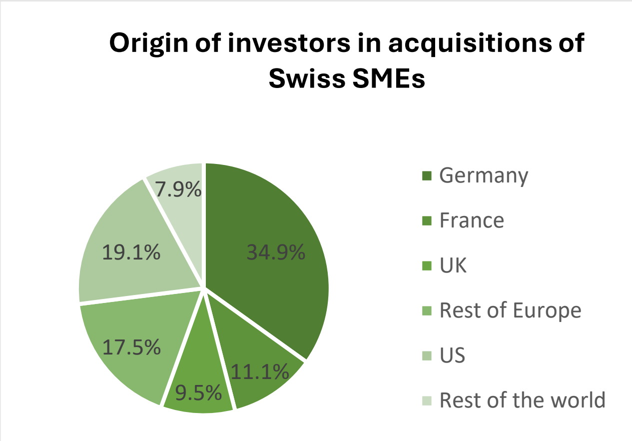

Figure 2: Key acquisition markets.

European investors in particular are interested in Swiss SMEs. They are responsible for almost three-quarters (73 per cent) of all takeovers. The main groups of European investors were those from Germany, France and the UK. In all of these countries, more deals were done in 2024 than in the previous year. Non-European investors were mostly from the US. Within Switzerland, it was primarily industrial companies that were the target of foreign acquisitions (20 per cent), while there was a sharp fall in acquisitions involving IT and software firms (14 per cent in 2024 compared to 20 per cent in 2023).

Grounds for cautious optimism
Following a poor year for transactions in 2023, the global M&A market mounted a slight recovery in 2024 (US up 2.8 per cent, Europe up 8 per cent). This is based on the year-on-year figures published by the financial news agency Mergermarket, which showed Switzerland lagging well behind the international trends. "Tougher regulatory systems in the US, UK and other countries have also put the brakes on deals involving a Swiss party, especially in innovative sectors and for strategic goods," says Kristina Faddoul, Managing Partner Strategy, Risk & Transactions Advisory at Deloitte Switzerland. "This has created a significant backlog, which is set to ease somewhat in 2025 as many postponed deals are closed out," she adds.

The current state of the economy is also likely to encourage more deal-making. Figures from the Swiss State Secretariat for Economic Affairs (SECO) suggest that Switzerland can look forward to slightly faster economic growth of 1.6 per cent in 2025, while falling key interest rates are also expected to keep the M&A market buoyant and create a more attractive market for financing. This positive outlook is further underpinned by the strong Swiss franc and the resilience of its economy compared to those of its neighbours.

Uncertainty and global unknowns
Kristina Faddoul: "We've already seen an uptick in mergers and acquisitions in Switzerland in January of this year. This makes us generally optimistic for the rest of 2025, and we expect M&A activity among Swiss SMEs to pick up again, injecting more momentum into the market. Looking at our near neighbours, however, it is clear that a raft of economic and geopolitical factors are causing uncertainty and instability. The situation is highly volatile, something that is also reflected in the global transaction figures for January, which show a fall of 49 per cent year on year. It is therefore hard to make a conclusive forecast for 2025 as a whole."

About the Deloitte study
The Deloitte study on M&A activity among Swiss SMEs looks at merger and acquisition transactions (i.e. the purchase of majority interests) involving SMEs 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.

The methodology used for the 2024 study has changed slightly compared with previous editions, as this time Deloitte only counted completed deals, not those that had merely been announced. This adjustment makes our analysis more accurate by shifting the focus to the final outcomes, which provide a sound basis for understanding the economic impact of M&A activity. Our previous methodology, which is an effective way of capturing the market sentiment and aligns with industry standards, remains a valid approach to analysing the trends affecting business transactions.

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