



Deloitte study 2022: M&A activity of Swiss SMEs First half of 2022

August 2022

Note: this document is an update of the Deloitte study 2022 on the M&A activity of Swiss SMEs published in February 2022. Please refer to this study for more information on the methodology.

The M&A activity of Swiss SMEs during H1 2022 keeps trending upward after record-high 2021



+13.7%

133 transactions involved Swiss SMEs in H1 2022, versus 117 in H1 2021

Following restricted M&A activity in 2020 due to the spread of COVID-19, in 2021 the global and Swiss M&A market experienced a sharp rebound and hit an all-time record. The deals “frenzy” has since continued, with a historic increase in the number of transactions conducted by or targeting Swiss SMEs in the first half of 2022 (“H1 2022”). In total, 133 transactions were closed, compared to 117 in H1 2021 – an increase of 13.7% from the previous half-year record. Inbound transactions jumped by 25.5% and outbound transactions by 25.0%, reaching record-breaking levels. This upturn in cross-border activity (74.4% of total M&A transactions) set an all-time high. There was a slight drop in domestic transactions (-10.5%); but unlike cross-border deals, these had increased in number during the COVID-19 pandemic in 2020 and after.



74.4%

Cross-border activity hits all-time high

This optimism in deal-making, however, is sensitive to the current economic outlook. As the latest [Deloitte CFO Survey](#) indicates¹, CFOs’ expectations for the Swiss economy are now markedly less optimistic than previously. The economy had been expected to improve as COVID-19 restrictions were lifted; but instead, the war in Ukraine has placed a damper on the outlook of CFOs. However, they do not currently expect Switzerland to face a recession during the next 12 months. The corporate outlook remains broadly positive, even though ratings by CFOs are less optimistic than in H2 2021. However there has been a dramatic shift in their perception of risk: there are major concerns about the impact of the war, supply chain issues remain acute, and companies are facing large increases in the cost of raw materials, primary goods and services. Not all companies are able to pass on this extra cost to their customers.



+25.0%

Rise in outbound transactions in H1 2022 (40 transactions) from 32 in H1 2021

The uptrend in the Swiss M&A market has not been repeated globally, with transactions down 17% in volume terms and 21% in value terms in the first half of 2022 compared to [H1 2021](#).² Global dealmaking has slowed amid rising interest rates and inflation, more expensive acquisition financing, the war in Ukraine and growing fears of an economic recession.



+25.5%

Increase in inbound transactions in H1 2022 (59 transactions) versus 47 in H1 2021

Analysis by type of transaction

Transactions	Buyers	Targets	H1 2020	H1 2021	H1 2022	Change, 22/21
Domestic	Swiss, all sizes	Swiss SMEs	31	38	34	-10.5%
Inbound	International, all sizes	Swiss SMEs	25	47	59	25.5%
Outbound	Swiss SMEs	International SMEs	16	32	40	25.0%
Total			72	117	133	13.7%
Cross-border activity			56.9%	67.5%	74.4%	+6.9 pp



9.5x EV/EBITDA

The Deloitte small & mid cap valuation multiple fell slightly in Q2 2022 (9.5x EV/EBITDA)

¹ Deloitte Swiss CFO Survey – A damper on economic recovery, H1 2022

² Refinitiv

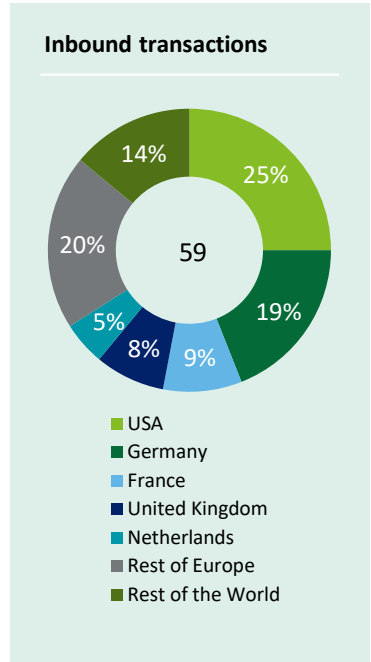
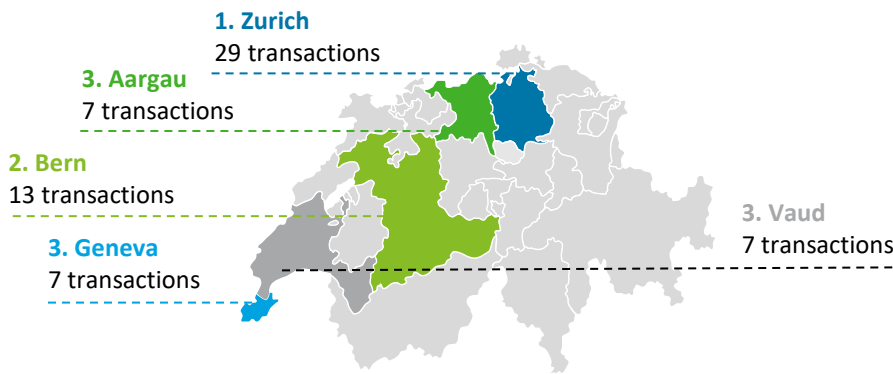
Strong cross-border activity mainly with European partners and in the TMT and industrial sectors

Transactions in Switzerland (93)

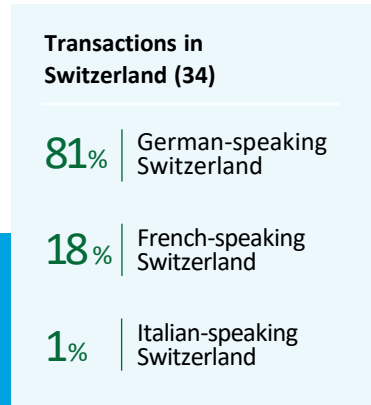
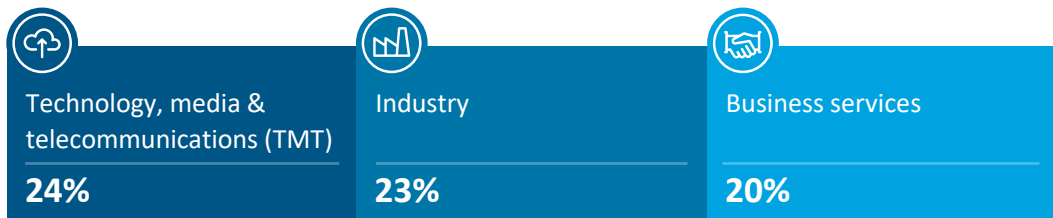
The main buyers of Swiss SMEs in H1 2022 were European (61%) and North American (29%) partners, with the remainder primarily companies in Asia and Oceania. The USA and Germany are the largest investors in Switzerland, and neighbouring countries represent 34% of investors.

Swiss SMEs in the TMT and industrial sectors, which historically have been the most sought-after, again topped the ranking, followed by business services companies.

These acquisitions were made primarily in the German-speaking part of Switzerland (81%), with the canton of Zurich being the region with the most M&A activity (29 transactions).



Top three sectors in Switzerland

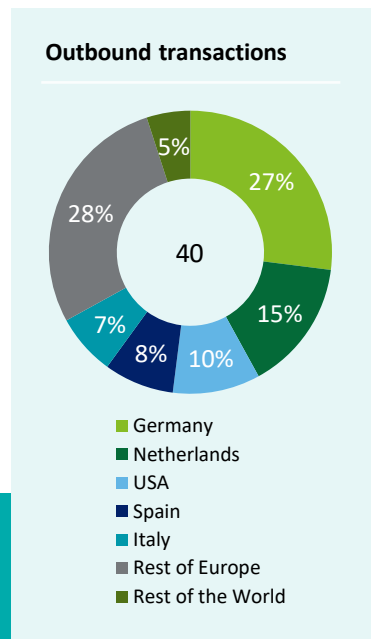


Outbound transactions

Europe has been the main region for acquisitions by Swiss SMEs, representing 85% of outbound transactions, with the remainder primarily North American companies. Neighbouring countries account for 40% of acquisitions for Swiss SMEs, and Germany (27%) remains the number one destination.

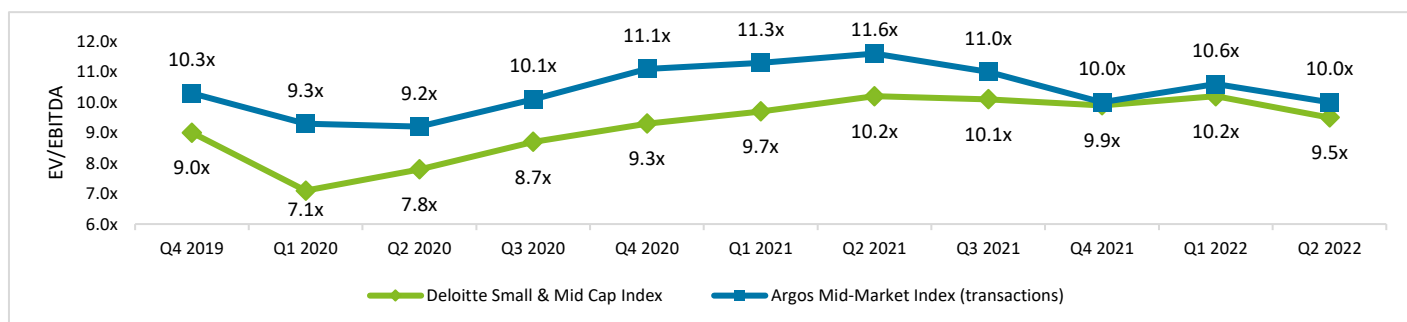
Swiss SMEs look mostly for acquisitions in the industrial sector. The healthcare and TMT sectors, which have been winners from the COVID-19 crisis, are still among the most sought after.

Top three sectors (Outbound)



Deloitte Small & Mid Cap index fell slightly in Q2 2022 amid deteriorating geopolitical, economic, and financial conditions

Quarterly change in multiples



The Deloitte Small & Mid Cap index fell in the first quarter of 2020 (“Q1 2020”) amid the COVID-19 outbreak and high market volatility, but the index then recovered on the strength of central banks liquidity injections and government support programs which led to bullish stock markets and signs of economic recovery. The index is based on the ratio of company value to corporate earnings for the most recently available 12 months, and its rally from Q2 2020 is explained by a buoyant equity market and falls in EBITDA during 2020 for many companies. Taken together, these two factors produce a higher EV/EBITDA ratio when enterprise values rise and EBITDA falls. The slight slip in the index observed in Q3 and Q4 2021 can be attributed to the equity market still on the rise but generally better EBITDA performance by companies in 2021 compared to 2020. The index fell in Q2 2022 amid stock market turmoil, uncertainties created by the war in Ukraine and fear of a recession, together with rising interest rates and inflation.

The Europe-wide acquisition multiple for unlisted companies (Argos Mid-Market index¹) declined in Q2 2022 to 10.0x EBITDA. Although down by 14% (1.6x EBITDA points) year on year from the peak in Q2 2021, the index level remains high at around the average for the past five years. While the stock markets and global M&A market, both down significantly in H1, have been affected by the deteriorating geopolitical and economic environment (war in Ukraine, a steep rise in inflation with increases in energy and commodity prices, hikes in interest rates, and significantly slower growth in the United States and Europe), the impact of these turbulent conditions on prices paid in the European mid-market remains moderate so far.



Outlook for H2 2022: sustained M&A activity despite headwinds ahead

After the record M&A activity in 2021 both globally and in the Swiss SMEs market, Switzerland reached a new high in H1 2022 – unlike global dealmaking which hit a few bumps and slowed down. Rising interest rates and inflation, depressed stock markets, looming recession and war in Ukraine are all reasons for lower M&A activity that may curb the appetite of Swiss SMEs for acquisitions in the second half of 2022.

The fall in the value of many currencies (euro, sterling) against the Swiss Franc makes foreign targets attractive for Swiss companies, but conversely makes Swiss targets expensive – which should affect inbound M&A. We are cautiously optimistic about M&A activity in H2 2022 as the taming of inflation, interest rate rise, supply chain disruption and geopolitical instability (war in Ukraine and Sino-American trade tensions) will be key factors affecting the transaction landscape.

¹ Argos Mid-Market index, Argos Wityu, July 2022

Contacts and authors

Jean-François Lagassé



Partner
Financial Advisory
Geneva
Deloitte SA
+41 58 279 81 70
jlagasse@deloitte.ch

Anthony West



Partner
Financial Advisory
Zurich
Deloitte AG
+41 58 279 72 94
awest@deloitte.ch

Konstantin von Radowitz



Managing Partner
Financial Advisory
Zurich
Deloitte AG
+41 58 279 64 57
kvonradowitz@deloitte.ch

Jules Boudrand



Director
Financial Advisory
Geneva
Deloitte SA
+41 58 279 80 37
jboudrand@deloitte.ch

Arnaud Widmer



Assistant Manager
Financial Advisory
Geneva
Deloitte SA
+41 58 279 81 79
awidmer@deloitte.ch



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