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Ernst & Young's "Mergers and Acquisitions Quarterly Switzerland" - Swiss M&A activity showed strong Q4 and full year 2011 performance

Zuerich (ots) -

In the fourth quarter of 2011, Swiss M&A market activity remained strong, showing a significant rise in disclosed deal volume compared to the previous quarter on a slightly lower number of transactions, contributing to a solid performance of the Swiss M&A market environment for the full year 2011.

ZURICH, 16 JANUARY 2012 - The Swiss M&A market showed a strong fourth quarter in 2011 in terms of number of transactions as well as disclosed deal volume, which grew by over 150% compared to the previous quarter. Jürg Stucker, Head of M&A at Ernst & Young Switzerland, explains: "With 216 announced M&A transactions, the number of deals in the fourth quarter remained close to the level of the first three quarters. Compared to 2010, the total number of Swiss M&A deals nearly doubled to approximately 900 transactions with an average deal volume of USD 98m in 2011."

Midcap transactions (USD 50m - 250m) increased from a share of 23% in the third quarter to 33% in Q4, while small transactions below USD 50m decreased from 57% to 45%. Large transactions with announced deal sizes of over USD 250m contributed to 22% of the transactions in terms of number. This represents a slight increase in large deals compared to the previous quarter. As a result of these developments, average disclosed deal volume rose substantially in Q4.

The biggest transaction announced in the fourth quarter of 2011 and also the second largest transaction for 2011 was the sale of Pharmasset Inc., a pharmaceutical company, to Gilead Sciences Inc. by Roche Venture Fund and other shareholders for approximately USD 11.0b. Other relevant transactions in the fourth quarter included the acquisition of a 46% equity stake in Bank Sarasin & Cie AG by Safra Group from Rabobank for USD 1.1b and the sale of Orange Switzerland, a mobile telecommunications provider, to Apax Partners for USD 2.1b. Commenting on the banking sector, Nick Blaydes, Head of Financial Services M&A at Ernst & Young Switzerland, stated: "The acquisition by Safra Group with its Brazilian roots as well as the entry of Sberbank, a leading Russian bank, into the Swiss market via an acquisition in Q4 2011 illustrate that not only are Swiss banks looking to increase their presences in emerging markets, but that a Swiss presence for banks from emerging markets is considered beneficial for their clients and their international standing."

In the last three months of 2011, the media, technology and telecommunication sector was the most active industry in terms of number of M&A transactions, accounting for about 21% of all transactions, followed by chemicals, construction and materials and industrial goods and services at 15% and 14%, respectively. These three sectors represented half of all Swiss-based M&A transactions in Q4 2011.

Outlook M&A activity in 2012 In December 2011, the Swiss State Secretariat for Economic Affairs (SECO) revised its 2012 GDP growth forecast to 0.5%, representing a decrease of almost 50% compared to its previous estimate of 0.9% in September 2011. This revision is mainly due to the weakening European economy. SECO believes, however, that current economic indicators do not point to a severe economic dip and the economy is expected to pick up again in the second half of 2012.

The exchange rate intervention of the Swiss National Bank (SNB) - and its recent reaffirmation of the floor for the euro in December 2011 - gradually eased the situation for some Swiss exporting companies. However, the Swiss franc remains strong compared to previous periods. The SNB's forecast for the local economy is also in line with that of SECO with GDP expected to grow by 0.5% in 2012. Neither institution predicts a broad-based financial debt crisis in Europe in 2012 but both indicate that this risk cannot be fully ruled out.

Jürg Stucker explains: "In view of limited economic growth prospects and overall uncertain macroeconomic conditions, M&A activity in Switzerland throughout 2012 is expected to be modest. As yet unresolved political issues in Europe are also forecast to cause further uncertainty in the market and, consequently, high volatility. Hence, potential buyers and sellers left unsure about market timing might potentially reduce transaction activity." However, as already noted in Ernst & Young's Q3 edition of M&A Quarterly Switzerland, volatile market conditions and corporate M&A activity are not mutually exclusive. Jürg Stucker: "M&A activity in 2012 is, hence, assumed to be partially dependent on politics, and Europe's ability to solve the aforementioned problems and uncertainties; thereby catalyzing economic growth."

With respect to large transactions, the turbulent market environment and recapitalization requirements for financial institutions might cause banks to reduce lending and thus make it difficult for financial investors to finance mega-deals using adequate leverage. However, acquirers with cash at hand and strong balance sheets, which applies to a large number of Swiss firms, would be in a good position to make use of market opportunities and execute transactions. This suggests that M&A activity in Switzerland for 2012 is less likely to be affected by stricter lending conditions. In addition, the strong Swiss franc could still favor outbound deal flow for Swiss companies.

Private equity statistics: Germany, Switzerland and Austria In Q4 2011, private equity (PE) activity in Germany, Switzerland and Austria (GSA) declined sharply by approximately 70% in terms of disclosed deal volume accompanied by a drop in the number of deals by more than 30% compared to the previous quarter. For the full year 2011, GSA PE activity was up by approximately 10% to 71 deals but showed a decrease in disclosed volume by approximately 17% to EUR 6.5b compared to 2010.

During 2011, leveraged buy-outs of less than EUR 50m accounted for approximately 66% of total deal volume and, hence, the bulk of PE activity in GSA. Buy-outs in the mid and large-cap market reached 25% and 9%, respectively. Thus, the overall distribution in terms of deal volume for the 12-month period ended 31 December 2011 shows roughly the same split as in 2010.

Swiss PE activity recorded a deal volume of about EUR 0.8b in 2011 on 11 transactions compared to a deal volume of EUR 2.8b on 6 transactions in 2010.

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