

SWISS M&A

Contacts



Thierry Afschrift
Partner
AFSCHRIFT
+41 22 737 10 00
avocats@afschrift.ch
www.afschrift.com

ALTENBURGER



Massimo Calderan
Partner
Altenburger LTD legal & tax
+41 44 914 88 88
calderan@altenburger.ch
www.altenburger.ch



Andreas R. Bihrer
Attorney at Law
Bihrer Law
+41 (0)44 212 3000
bihrer@bihrerlaw.ch
www.bihrerlaw.ch

CAPE | CAPITAL



Stephanie Galantine
PE Investment Adviser
Cape Capital
+41 (0)43 888 6068
stephanie.galantine@capecapital.com
www.capecapital.com

Deloitte.



Konstantin von Radowitz
Partner
Deloitte AG
+41 (44) 421 6457
kvonradowitz@deloitte.ch
www.deloitte.ch

KELLERHALS.
ANWÄLTE | ATTORNEYS AT LAW



Dr. Thomas Bähler
Partner
Kellerhals Anwälte
+41-58-200 35 57
thomas.baehler@kellerhals.ch
www.kellerhals.ch

LENZ & STAEHELIN



Andreas Rötheli
Partner
Lenz & Staehelin
+41 58 450 70 00
andreas.roetheli@lenzstaehelin.com
www.lenzstaehelin.com

LustenbergerGlaus&Partner



Hannes Glaus, Dr.iur.
Partner
Lustenberger Glaus & Partner
+41 (0)44 387 19 00
hannes.glaus@lgpartner.ch
www.lgpartner.ch

POLEDNA | BOSS | KURER

The Swiss M&A market recorded a relatively strong first quarter in 2011, especially in terms of number of transactions, according to the Ernst & Young Mergers & Acquisitions Quarterly Switzerland – First Quarter 2011. The total number of M&A transactions nearly tripled compared to the first quarter of 2010, while disclosed deal volume remained approximately the same.

The largest transaction announced in the first quarter of 2011 was the acquisition of German-based Süd-Chemie AG by Swiss-based specialty chemical company Clariant AG with a deal volume of approximately US\$2.5 billion. In addition, Group Bruxelles SA announced the acquisition of an equity stake in Imerys SA, a leading company in industrial minerals, valued at US\$1.6 billion in March 2011; the second largest transaction in Switzerland.

The current business environment Switzerland has one of the world's most stable economies. According to Dr. Juerg Luginbuehl at Vischer AG, the country's political stability, its low unemployment, its highly skilled labour force, high product quality and a per capita GDP larger than that of the big western European economies have made Switzerland a safe haven for investors.

Dr Luginbuehl also noted that the Swiss legal system is highly developed with solid laws and policies to protect investments. In recent years, Switzerland has brought its economic practices largely into conformity with the EU's to enhance international competitiveness.

Renowned institutions such as the World Economic Forum (WEF) or the IMD are constantly ranking Switzerland at the top of their lists when measuring the competitiveness of the Swiss business environment.

"Switzerland's scientific research institutions, which are among the world's best, tightly collaborate with many private companies' R&D-divisions which, in connection with a high-level of legal protection for IP-rights, translates into a high degree of innovation in marketable products," explained Dr Thomas Bähler at Kellerhals.

"Whereas the legal system is among the world's most reliable and sought after as one of

the leading place for cross-border commercial arbitration, the level of red tape is very low, in particular compared to Switzerland's neighbouring countries."

Dr Bähler noted that federalism provides for a strong fiscal completion resulting in one of the lowest tax-levels in Europe. Switzerland's main cities such as Zurich, Geneva and Berne are constantly rated in the top 10 when measuring the quality of life in the relevant cities around the world.

"This outstanding and quite unique blend of both 'hard' and 'soft' factors might explain why exponents of important industries such as oil trading and hedge fund managements are currently flocking to Switzerland," commented Dr Bähler.

Andreas Bihrer at Bihrer Attorneys at Law believes that Switzerland still has one of the most stable business environments in Europe. He added that it was not impacted heavily by the global economic crisis and recovered rapidly.

"With a very attractive and stable law and taxation system for companies it provides strong opportunities for investors and foreign companies to either bring their headquarters, holding domicile or investment vehicles to Switzerland," explained Mr Bihrer. "Beside this, Switzerland's economy knows many mid-size companies which are strong and financially healthy and look for acquisitions in- or outside of Switzerland and as well as investment capital."

This year, D&B ranked Switzerland as the most business-secure country in the world. "This is a sign... and this is normal," commented Thierry Afschrift at AFSCHRIFT Law Firm.

"Switzerland offers stability, from all points of view: political, economical and industrial. Furthermore, Switzerland has an important and well-exported services industry, protects the competition, and foreigners may benefit of a liberal legislation, which almost excludes bureau-

cracy," continued Mr Afschrift.

"From a business point of view, Switzerland has a foot in the past and another in the future.

Actually, beside traditional activities (such as sophisticated banking activities, regulated in a way to protect all the investors), Switzerland keeps an eye to the future, by developing new high-end technologies (biotechnology, nanotechnology, pharmaceutical products, etc.).

"Furthermore, a foreign investor will find in Switzerland qualified and multilingual (and almost never-striking) personnel."

Mr Afschrift also noted Switzerland's moderate tax, VAT and duties burden, and that healthy competition between cantons maintains this moderation. Tax rates on profits vary up to 17% ; as for capital tax, the usual rate is 0.1%. Switzerland also concluded double-taxation treaties with many other countries.

However, Massimo Calderan and Mark Hippenmeyer at Altenburger believe that the generally friendly business environment in Switzerland will be negatively influenced by the ongoing strength of the Swiss Franc.

"It remains to be seen in how far the domestic demand is sustainable enough to compensate the impact of the strong local currency," explained Mr Hippenmeyer. "Against this background, growth will primarily be achieved through acquisitions; all the more since cash reserves of Swiss companies seem considerable."

Dr Martin Schneider at Schneider Feldman Ltd noted that the country is seeing reliable economic progress, however the growing number of competitors and pressure to margins means innovations and saving rights are required.

Hannes Glaus of Lustenburger Glaus & Partner believes that many SMF businesses remain cautious, at best cautiously optimistic in spite of rather optimistic forecasts by the official and semi-official agencies. He added that the consumer goods industry is less affected than machinery, which cut back drastically but staged an impressive return in 2010, albeit from low levels.

"In the recent downturn many SME's cut back personnel and capital investments also due to stricter lending standards by local banks. These firms find it difficult now to switch swiftly into expansion mode," explained Hannes Glaus.

"The CHF exchange rate is a challenge for primarily local SME's – international groups are less affected. On the other hand private equity investors have excess cash and appetite for new investments."

Legal challenges

Mr Calderan believes that the legal environment

Contacts



Dominik Heer
Vice President
Riverside Europe Partners
+49 (89) 232 494 724
hed@riversideeurope.com
www.riversideeurope.com



Dr Martin Schneider
Managing Partner
Schneider Feldmann Ltd
+41 (0)43 430 32 32
martin.schneider@schneiderfeldmann.ch
www.schneiderfeldmann.ch



Bernd Pfister
Chairman
State Secretariat for Economic Affairs
+41 41 724 65 75
bernd.pfister@mmmag.ch
www.seca.ch



Dr. Juerg Luginbuehl
Partner
Vischer AG
+41 44 254 34 59
jluginbuhl@vischer.com
www.vischer.com



Gregory Walker
Managing Owner
Walker Risk Solution AG
+41 41 511 7888
gregory.walker@risksolution.ch
www.risksolution.ch



“There is certainty of law, especially regarding **M&A transactions** and, a critical point for foreign investors, **tax issues** are typically addressed in a ruling which may be obtained from the competent tax authority in a rather short time frame.”

for M&A transactions in Switzerland is not always as investor friendly as it could be.

“While the Swiss Merger Act brought a clear set of rules and procedural guidelines for the structuring of M&A transactions, there remain some uncertainties with regard to the admissibility of alternative ways of structuring and some of the procedures foreseen (in particular, on demerger and transformation) are often too cumbersome and time consuming,” explained Mr Calderan.

“Swiss corporate law and the requirement to have all steps related to the share capital registered in the Trade Register of the competent Swiss Canton based on a detailed documentation provide for mechanisms which are not always sufficiently flexible as compared with those of common law countries.”

In recent months, the Swiss Competition Commission has taken a much tougher stand on merger-control than in previous terms. Dr Bähler noted that it in particular vetoed the merger between numbers two and three in the market for mobile telecommunications between Orange, a subsidiary of France Telecom, and Sunrise, at the time associated the Danish TDC, in an unprecedented manner.

“It is therefore essential to seek advisory services from legal experts at an early stage of a planned transaction who might advise the parties to outline the business background of the said deal to the authorities informally as early in the deal-phase as appropriate,” explained Dr Bähler.

Mr Bihrer noted that, as with every acquisition, a serious due diligence of the investment target needs to be undertaken first, in order to discover the risks and chances, and then to think about how to structure the acquisition transaction in a way that fits corporate and tax wise.

Despite the smaller amount of formalities to comply with in Switzerland if compared to certain foreign jurisdictions, Walter Boss at Poledna Boss Kurer AG believes that there is an increased tendency to tighter regulations. Swiss corporate and accounting regulations have been recently amended and further reforms are in the political pipeline, especially with respect to the remuneration of the top management.

“In order to overcome these challenges, PBK endeavours to gain a clear understanding of the client’s objectives and business,” explained Mr Boss. “This allows us to properly structure, negotiate and implement the transaction at issue and to pursue a project management approach which includes the legal and documentation process through all phases of the transaction. Depending on the specifics of the case, we work in an integrated team of our specialists in areas such as taxes, government regulations, environment, etc.”

The Swiss corporate landscape is dominated by many small and medium sized enterprises. Dominik Heer at Riverside Europe Partners explained that many of these SMEs face succession issues in the coming years.

“In addition, many entrepreneur-run compa-

nies need to internationalise and professionalise their operations in order to remain competitive in the long-term," commented Mr Heer. "Riverside has a clear understanding of the needs of entrepreneurs facing succession issues, and has successfully facilitated several succession processes. For example, we have facilitated succession in the management buyout of Switzerland-based EM Test AG, a global leader in electromagnetic compatibility test equipment."

"Also, the Swiss pension system qualifies as Defined Benefit Scheme under international accounting standards which can have adverse impacts on valuations," commented Konstantin von Radowitz.

Hannes Glaus explained that the provision of upstream loans is a challenge both under corporate (prohibition of repayment of nominal capital and restrictions on intra-group loans) as well as tax law (thin capitalisation, constructive dividend and arm's length interest considerations).

"In the past few years the formerly stringent requirements of our tax laws were considerably relaxed allowing for interesting leveraged re-financing transactions of privately owned businesses, e.g., private owner sells majority and keeps important stake thus realising substantial cash extortions at favourable tax rates," commented Dr Glaus.

He added that the recent exemption from taxation of repayments of paid-in capital-surplus repayments has further helped to allow for innovative acquisition financing.

"The tax efficient structuring of the transaction remains a challenge but is helped by Switzerland's long-standing practice to obtain tax rulings ahead of the transaction."

According to Dr Luginbeuhl, the Swiss legal and tax framework is reliable, predictable, and generally very attractive for foreigners.

"However, unpredictable revenue projections will make it more difficult for transactions to be closed in 2011," he commented. "Also, export-led industrial players may suffer from the strong Swiss Franc in 2011."

Mr Afschrift explained that Swiss conflict of laws rules allows the parties to a cross-border to choose the law governing the contract.

"Nevertheless," he explained, "this choice is limited to the contract, as many operations performed by the company will have to be ruled by the Swiss law, for example: public takeovers of a Swiss listed company are governed by the SESTA, an M&A transaction implying a Swiss insurance company/bank will have to be supervised by a special regulator, etc."

"Besides helping a client to establish in Switzerland, the more important mission of the lawyer will be to help his client, on one hand, choose the law of the contract and, on the other hand, measure the consequences of an establishment in Switzerland and/or of the acquisition of a Swiss company."

Dr Schneider noted that there is strong competition in Switzerland, and innovative products and services to overcome in competition. These

could be saved by intellectual property rights, which he describes as "the only 'weapon' to prevent from copying and decrease of offering prices over certain time".

"Also knowledge of third parties innovation and rights saves time and expenses for R&D and indicates freedom to operate status," explained Mr Afschrift. "Another option in the field of M&A is due diligence and evaluation of such rights."

Foreign investment

Mr Boss believes that the Swiss market is very attractive to foreign investment as far as the legal and tax environments are concerned.

"There is certainty of law, especially regarding M&A transactions and, a critical point for foreign investors, tax issues are typically addressed in a ruling which may be obtained from the competent tax authority in a rather short time frame," commented Mr Boss. "Since the Swiss economy has not been substantially hit by the credit crunch, the investor is usually able to finance the envisaged projects through the financial market."

According to Mr Bihrer, industries such as biotech, pharma, financials and commodities and real estate are very attractive for foreign investors, particularly private equity.

"Particularly for private equity investors companies from these business sectors have still taken the attention of foreign investors during the last couple of months," commented Mr Bihrer. "We have assisted in a variety of investment transactions particularly in young biotech and pharma companies as well as majority acquisitions in smaller Swiss banks here in Switzerland by foreign investors."

Mr Bihrer noted that German investors are particularly looking for biotech investments, and clients from the Middle East are interested in acquiring shares in Swiss banks and asset management companies. He has also seen investors from various European and Middle Eastern countries looking for real estate investment opportunities in real estate projects.

Dr Schneider pointed out that Switzerland has stable business, social and legal conditions, including low taxes, which keeps interest from foreign acquirers continuously high. He believes that the offering of tax reduction may have an influence on foreign investment, but stated that stability is the current main concern, across all industries.

Hannes Glaus noted that Swiss companies are particularly attractive for investment due to the lack of interference in acquisitions of Swiss companies by the authorities; the generally favourable tax environment and (advance) ruling practice; the flexible labour laws; and the disciplined and well educated labour force. "The high-tech and luxury goods sector is favoured," commented Hannes Glaus. "Swiss SMEs are often too small, however, to attract and justify interest from the bigger international players, i.e. international private equity

houses and multinational companies."

According to Hannes Glaus, foreign interest mainly comes from Germany, Austria and continental Europe in general. US buyers also play an important role, and Asian buyers are "snooping around but remain hesitant in the end."

"Interestingly we have also seen interest in acquisitions in the financial industry, mainly from the UK and the USA," explained Hannes Glaus. "There may be an interesting match because smaller Swiss banks and asset managers are under pressure as a result of the eroding banking secrecy."

Another attractive feature is the fact that margins across industries for domestic sales remain higher compared to other countries.

"Analysis of announced deals with Swiss targets from Bloomberg for the first two months 2011 vs. the same period of the prior year shows that Swiss targets remain attractive for foreign acquirers," explained Mr von Radowitz.

Mr Heer has witnessed a continuous deal flow of attractive investment opportunities since Riverside Europe Partners started covering the market a decade ago. The firm has encountered both succession cases of family-owned businesses as well as spin-offs from corporate sellers, across typical Swiss industry segments such as watch-making, mechanical engineering or medical technology.

Mr Calderan and Mr Hippenmeyer stated that Altenburger is continuing to see ever increasing foreign investments in all sorts of business branches, with attention coming primarily from the USA, Germany and Russia. The majority of the action was seen in the healthcare and consumer markets, but also in the much developed technology sector.

Dr Luginbeuhl noted the stable Swiss economic and legal environment; the rising confidence of buyers in general; and the debt market which is beginning to support M&A activity as important factors in Switzerland's increasingly conducive investment environment. He expects banking, life sciences and energy to lead M&A activity in 2011.

However, according to Dr Bähler the strong Swiss franc is currently curtailing foreign interest in Swiss acquisition targets. This is especially true for the Euro-zone, where the strength of the Swiss franc weighs high.

"This reluctance might partly explain the emerging interest of companies from Brazil, China or India in selected Swiss targets," explained Dr Bähler. "This might not signify a 'mega-trend' for the time being but rather a slowly emerging development. At any rate, we are being approached by a growing number of Chinese clients showing great interest in Swiss industrial targets guaranteeing outstanding manufacturing quality."

Dr Bähler is convinced that this market segment has a considerable potential in the coming years given the official Chinese strategy to enhance both quality standards of its produce and the labour conditions of its domestic workforce.

"As mentioned before, at least in connection with some of our own clients we are currently

experiencing an emerging trend as to which companies from emerging markets are seeking targets within Switzerland in contrast to the common business model which worked the other way around," added Dr Bähler.

Acquisition abroad

According to Dr Schneider, Swiss businesses constantly seek acquisition opportunities in other jurisdictions in light of the political 'stand alone position' of Switzerland, but also to minimise currency risks, transportation costs etc, and to have an option to overrule home protection in third markets.

The strength of the Swiss franc, coupled with the still depressed prices in some regions, may provide Swiss companies with promising M&A opportunities.

"Especially many mid-market players in both Germany and France are said to have succession issues which are likely to turn such companies into attractive targets for Swiss corporations," commented Dr Bähler.

Given the healthy balance sheets of many Swiss companies, Dr Luginbuehl is witnessing an increased appetite for acquisitions in foreign jurisdictions.

"This is supported by opportunities in jurisdictions where companies are still struggling and prices for targets are still rather low," explained Dr Luginbuehl. "Since the financial crisis, greater attention has been paid to due diligence work and the results of in-depth analyses of the targets' business plans."

Mr Bihrer observed that most Swiss businessmen are looking for expansion opportunities in foreign countries for their own Swiss businesses.

"This can be a partnership of a joint venture more often than the acquisition of an entire company," explained Mr Bihrer. "Most of the targets are private owned companies. However, we have advised one of our major clients also in the acquisition of a German competitor, which is today a subsidiary of our Swiss domiciled client."

Mr Bihrer stated that foreign investment transactions need to be very well prepared. This begins with the right advisors in the foreign country, which show the same quality and working skills as the client is used in Switzerland.

"All persons involved must speak the same technical language in order to understand what the clients want and what is possible," observed Mr Bihrer. "Then it is important that during the entire transaction the communication is working and progress in the transaction can be made without delays or communication problems. That the entire team containing of domestic and foreign advisor are working hand in hand."

Large Swiss companies, such as Novartis and Nestlé, continue to acquire businesses worldwide. According to Mr Hippenmeyer, Swiss businesses are currently primarily focussing on Asian markets.

"Besides considerable differences with regard to infrastructure in the various Asian countries, cultural distinctions are probably the main challenge," added Mr Hippenmeyer.

The credit crunch

The Swiss business environment has been affected the global credit crisis, although to a lesser degree than many other jurisdictions, according to Mr Boss.

"Meanwhile, the market has considerably improved," he explained. "Transactional activities have resumed and are not far away from the level they used to be at before the crisis. The industrial and technology sectors as well as the real estate sector have been particularly resilient. Even though the finance sector as well as the IT sector were the most severely affected by the crisis, they are regaining ground."

"In general, the Swiss banking industry has been less affected and has also recovered fairly well from the financial crisis," commented Mr Heer. "Financing for small and medium-sized private equity transactions is readily available again, even though leverage levels remain low."

While Switzerland was not severely affected by the credit crunch, Mr Bihrer observed that it stopped M&A activities more or less completely. However, M&A and investment activity is now returning as the world economy recovers.

"Investors are still very cautious and reluctant when investing and wait longer as before," explained Mr Bihrer. "However, as enough capital is around there will be further investment activities seen in the next months."

The credit crunch led companies to search for other ways of financing besides bank loans, which have run dry, noted Stephanie Galantine at Cape Capital. Private equity funds and private placement agents did the same and turned more often towards co-investments with capital rich families, a resource of which Switzerland has plenty.

"As a Family Office adviser active in direct investments and acquisitions, we've always felt that family capital was a smart choice to finance growth and new ventures," explained Ms Galantine. "Indeed, family members are often entrepreneurs, business men and women with networks and industry knowledge, who are excellent co-investors. The credit crunch placed family capital in the centre again. M&A teams should definitely look into this direction for deal mandate sourcing."

Large transactions have rarely been seen over the last few years, observed Mr Calderan. He added that the bulk of the remaining transactions were mainly driven by restructurings and divestitures or the sale of privately held business.

According to Hannes Glaus, the credit crunch was not a big issue in 2008-2010 for SMEs, provided their overall financing remained sound. However, LBOs were difficult to finance.

"Since very recently Swiss banks seem to become more cautious possibly in anticipation of the stiffer capital adequacy requirements," he added.

Mr von Radowitz believes that Switzerland was affected to a much lesser extent than Europe and the UK.

"The quarterly CFO Survey which is done by



"Switzerland offers stability, from all points of view: political, economical and industrial."

Deloitte in Switzerland since Q4 2009 clearly showed that Swiss corporates did not feel any crunch and that credit was always available to corporates – somewhat more expensive than in normal times though. Leverage deals and buyouts however were significantly less to none during the crisis," he explained.

Mr Afschrift also believes that Switzerland suffered fewer difficulties than countries in the Eurozone, which he attributes to the high value of the Swiss franc.

"Switzerland has indisputably been touched by the crisis but not as badly as Eurozone countries; this also allowed Swiss companies to mostly keep their highly qualified personnel, on the contrary of their concurrent companies," commented Mr Afschrift.

In terms of number of deals, Swiss M&A activities declined by approximately 20% in 2009 and by 10% in 2010. However, the deal value increased by approximately 30% in 2009 and 20% in 2010.

"Unlike other jurisdictions, the financial crisis did not hit the Swiss economy that hard and there are strong signs that M&A activity will increase during the rest of 2011," commented Dr Luginbuehl.

Gregory Walker at Walker Risk Solution AG noted that M&A transactions typically come with risk and, not only since the financial crisis, buyers and sellers are increasingly more risk conscientious.

"The 'quick deal' has become a thing of the past," he explained. "Even if the parties to the deal know each other well, a due diligence will be undertaken and contracts will be drawn up to allocate the risk between the parties. From adverse tax treatment and valuation issues, to hidden liabilities or legal and environmental obstacles, many unforeseen risks could hinder a deal or bring it to a halt altogether. Warranty & Indemnity (W&I) insurance, offering the option of a risk transfer, however, may enable both the buyer and the seller, to overcome these deal breakers."

"Learning from the private equity investors, who aim for a 'clean exit' from their investments, the consideration of W&I-insurance has become almost commonplace in the UK and its application is growing fast also in the rest of Europe," he explained.

"The economic fundamentals in Switzerland seem to be robust so that the outlook for 2011 is optimistic, unless geopolitical developments jeopardise market participant sentiments."

Warranty & Indemnity Insurance in Switzerland

"In Switzerland, demand for transferring M&A-related risks has only just begun," Mr Walker noted. "Some ten years back, when W&I-insurance first appeared in the Swiss market, policies were worded in English language and applied mostly to cross-border deals," he recalled. "Today, three Swiss regulated insurers are offering transaction risk insurance on a competitive basis. German and French language policies became available, which made W&I-insurance accessible to domestic M&A transactions."

"Yet, only few Swiss insurance brokers are familiar with this type of risk transfer and in consequence they may not even bring it up during the insurance due diligence of a prospective deal," commented Mr Walker. "I expect more M&A-advisors discovering W&I-insurance as a means to facilitate M&A-deals by creating win/win-situations for their clients and hence it becoming also an instrument in their toolbox," he envisioned.

He is positive that practical knowledge about

these solutions will continue to spread in the Swiss M&A market. "It will allow domestic buyers to benefit from higher warranty amounts on the one side, without on the other side the seller having to tie-up excessive capital in an escrow account," he summarises.

"Based on experience, the W&I insurance becomes relevant in the later part of the due diligence procedures. It is discussed in connection with the risk allocation between the seller and the buyer."

Mr Walker explained that an insurance broker should get involved at this stage to assist in the process.

"First indications with regard to the expected premium and to the standard requirements are usually gained within a short period of time. It then may take up to fourteen days, until the insurer has received all documents required and until the insurer makes a final offer, that can be bound at the time of closing."

Current trends

Ms Galantine has noticed that some family offices have begun to favour direct acquisitions as a way to create wealth, whereas fund of funds structures or very large PE funds have turned out of fashion, especially due to their lack of liquidity, transparency and performance compared to liquid stock market indices.

"Going back to quasi entrepreneurship/acquisitions as a way to create value, we have been approached by other family offices to brainstorm and pool resources into companies," she added.

Hannes Glaus noted an increased presence of family offices or investor pools, and a certain preference for such buyers by Swiss SMEs. He also believes that an increased focus on Asia is a noticeable trend.

As the Swiss Franc is quite high compared to the Euro and Dollar, it is more currently expensive for foreign investors to invest in Switzerland than vice versa.

"But nevertheless investors are very inter-

ested to acquire real estate and to invest in real estate in Switzerland as they prefer the stability here regarding political, financial and law systems which gives the confidence that their money is safely and profitably invested here," commented Mr Bihrer.

Dr Bähler expects that the recent incident in Fukushima, Japan, will add to the considerable investment volume in renewable energy.

"According to the experience with our own clients, this trend is not only driven by European countries but by investors from emerging markets, especially from China," explained Dr Bähler. "Furthermore, the tightened measures of many European countries and the United States in order to curb tax-evasion are most likely to result not only in adjustments of the traditional business model of some private banking institutions but in a consolidation of the whole market."

Mr Calderan has seen less financial investors and more strategic buyers in the last two years, and he expects this trend to continue.

Private equity is becoming more and more acceptable among entrepreneurs in Switzerland, noted Mr Heer – a trend which "strongly supports the Riverside business model."

Dr Luginbuehl expects banking, life sciences and energy to be the most prominent industries in Switzerland's 2011 M&A activity.

Mr von Radowitz believes that Switzerland is at a "critical point where the next one to two months will be decisive as to which direction the M&A market for 2011 will trend."

Transparency

When PE/M&A industries start again, Ms Galantine believes that more transparency is needed on the practice around deal making. ILPA guidelines and negotiations are an attempt to create rules around funds and private equity investments.

"Is more regulation the right answer? Some argue it might slowdown an industry that creates numerous jobs and performing companies," commented Ms Galantine. "Another angle to solve the transparency issue could be improved access to quality information, transparency on the deal advisers and intermediaries, increased liquidity and use of comparison tools.

"Internet media can be a solution. For example, to gain access to higher transparency level and benchmark investment opportunities, as well as to multiply co-investments opportunities with other family offices, we recently started using Dealmakert.com, a new platform dedicated to qualified financial investors that

provides an overview of the sector because it is a fantastic comparison tool and relevant live deal database."

"Unlike other jurisdictions, the financial crisis did not hit the Swiss economy that hard and there are strong signs that M&A activity will increase during the rest of 2011."

2011

M&A activity increased towards the end of 2010 and in early 2011, which seems to indicate that 2011 will be a much stronger year for M&A. Given the healthy business environment in Switzerland and the substantial excess cash on many companies' balance sheets, Dr Luginbuehl expects an increase in M&A activity in 2011.

"While large cash reserves and very low interest rates make it easier for transactions to be closed in 2011, unpredictable revenue projections will be the main challenge for deal makers and their advisors in Switzerland," he explained.

Ms Galantine noted that PE funds are still sitting on cash of non-invested commitments from the money raised pre-2008, especially since numerous teams have refrained from investing in the last three years, as a result of the struggle to forecast their cash flows and growth.

"Strategic buyers know inside-out the product/technology they are acquiring and also how accretive/dilutive the financial impact is," commented Ms Galantine. "However a lot of companies have been waiting for the end of the turmoil to carry on their M&A activities and entrepreneurs to sell their businesses at decent valuation.

"There is a good chance that these elements will fuel a rebound in the M&A and PE industries in a 'seller friendly way'. If this were to happen, it is time to sell. And on the other hand, buyers should make sure they are in a position to source the best deals."

Mr Bihrer anticipates that M&A activities will increase in 2011, not only in private companies but also in listed companies.

"I assume that foreign investors will consider Switzerland more and more as a place for their holding companies due to our tax and law systems and the stable financial system," commented Mr Bihrer. "Furthermore, real estate will remain an attractive investment target."

Mr Boss expects the rest of 2011 in the Swiss M&A market to continue to be strong, despite the tragedies in Japan and the recent developments in northern Africa and the Middle East.

"A critical point may be the strength of the Swiss franc, especially in comparison with EUR and USD," he commented. "The Swiss National Bank may well refrain from interfering in the currency markets since the last attempt to do so fell short of the expectations."

While Mr Hippenmeyer expects Swiss M&A activity to further increase in 2011, he does not believe that it will reach pre-financial crisis levels for another one – two years.

Dr Bähler predicts growing activities from venture capital and the private equity industry. He noted that these "suffered heavily during the financial crisis but are now facing growing pressure to show activities in order to gain new funds given the many attractive targets in the current market."

According to Mr Afschrift, the Swiss M&A market this year will pursue the progression observed during the last quarter of 2010. He noted that a 1.5% increase is expected (SECO, December 2010 forecast).

"Of course, there could be a negative effect because of the (strong) Swiss franc on export but, in the same time, domestic demand got stronger; new demand from emerging countries (India, China, etc.) also did," explained Mr Afschrift.

"Thanks to this double demand, and their cash reserves, Swiss companies should normally move to acquire local companies in order to strengthen their presence in these regions."

Hannes Glaus anticipates a 'cautiously optimistic' year, with the strength of the Swiss franc making acquisitions more expensive for foreign companies. He believes that if the economic recovery continues, SMEs will recover and justify higher prices permitting private equity financed companies to be put on the market.

Mr Heer concluded: "The economic fundamentals in Switzerland seem to be robust so that the outlook for 2011 is optimistic, unless geopolitical developments jeopardise market participant sentiments."

Investments



Dr Khalid Mentak
President & CEO
Adoptics AG
+41 32 366 86 20
khalid.mentak@adoptics.ch
www.adoptics.ch

Adoptics AG

Adoptics is a private medical device company focused on developing a novel accommodating intraocular lens (AIOL) to treat cataract and presbyopia. The company is currently working with the local government, the investment community in Silicon Valley, and entrepreneurs to foster a better approach to attract substantial investments to Switzerland and leverage the unique innovative spirit of the Swiss workforce.

"Our objective is to establish the Bern area as a value creation centre that would energise M&A activities, especially in the Biotech arena," commented Dr Khalid Mentak, president & CEO.

According to Dr Mentak, the business environment in Switzerland has been fairly encouraging based on business leader confidence. The country has been benefiting from the global recovery and the business community was feeling an upswing in investments and M&A. However, the recent tragic disaster in Japan, widespread unrest in the Middle East and North Africa and the resulting oil price volatility will certainly have an impact on the economy state-of-affairs in the near future.

"We do anticipate that the global investment environment will favour M&A in Switzerland in view of the political stability and the long term focus on innovation, especially in the areas of alternative energy and healthcare," explained Dr Mentak.

Switzerland remains one of the most attractive countries for foreign investments and M&A. The federal and local governments have expended considerable efforts to successfully attract and retain multinationals and innovative start-ups.

"However, we do believe that the unique high technology environment, highly qualified workforce, tax incentives, and legal protection afforded by Swiss law should attract a much higher level of investment from the global community, especially from the US, where technology investments are based on strategic needs of large corporations and are ultimately connected to targeted M&A," added Dr Mentak.

The global investment community is currently going through fundamental changes in view of the demanding world economic realities. It has become critical to challenge existing investment models and explore a novel approach to create value for investors and sustain the innovation process that is even more critical in these challenging times.

"For instance, the current regulatory requirements in the healthcare industry have put considerable pressure on investors and entrepreneurs alike to become much more efficient," explained Dr Mentak. "The reality, however, is that it takes an average of nine and half years and \$50-\$100 in investments to bring a single medical device to market."

Except for a few disruptive technologies, the current M&A values no longer support the viability of the conventional venture capital model. The lack of venture funding would have a deep and lasting impact on innovation, M&A, and the global economy. It has become critical to develop new investment models that promote efficiency and value creation by leveraging specific core competencies regardless of geographic borders.

"We do believe that Switzerland is uniquely poised to take advantage of these changes and become not only a vibrant centre for innovation, but also an efficient vehicle for value creation for investors worldwide," concluded Dr Mentak.



Christian Wipf
Managing Director
Altium
+41 43 499 43 43
christian.wipf@altium.ch
www.altium.ch



Altium is a full service provider for mergers & acquisitions and corporate finance transactions with eight offices throughout Europe and the Middle East. Altium is a member of the London Stock Exchange and the AIM market and provides institutional sales, trading and research on UK companies. The firm advises on initial public offerings, institutional equity fundraisings and public to private transactions in the UK and on international mergers and acquisitions in UK, Europe, US and Asia.

Altium is a generalist advisor focussed on the following sectors: services, clean tech/renewables, ecommerce/internet, technology, FMCG, retail, leisure, media, technology, industrial and capital goods, with very strong practice in retail, ecommerce/internet, renewables and industrials.

Altium is one of the few independent advisors that combine UK equity capital market and brokerage with an international corporate finance, M&A network. Altium is present in all major European markets and the Middle East with own offices, staffed with local professionals.

Altium has been active for 25 years and transactions range from large corporate acquisitions such as the acquisition of Danone's

Cereal and Biscuit division (France) by Kraft Foods (USA) to mid-sized public and private transactions such as the public takeover of Christ Water Technology (Austria) by GLV (Canada); secondary transactions such as the acquisition of SLV Elektronik (Germany) by Cinven, the sale of Grupo Panasa (Spain) to Mercapital, the sale of dress-for less GmbH (Germany) to Privalia (Spain), the acquisition of Hansa / KWC (Germany /Switzerland) by IK Investment Partners, to equity fundraisings for public companies and public to privates such as Spice plc in the UK. Altium has carried out hundreds of corporate finance transactions ranging from €50 million to €2 billion.

2010 was an excellent year for the firm, with significant transaction activity. Altium's breadth of network and activities were able to transact fundraisings for growth companies, public to privates on LSE and a multitude of M&A transactions in 2010.

"Local knowledge and access to a universe of buyers either public, private equity, corporates or entrepreneurs with services ranging from ECM to M&A advisory throughout Europe means that Altium can offer nearly every service a potential seller or acquirer of a business may need throughout Europe," commented Christian Wipf, managing director.

"Transaction activity is expected to increase in all countries in Europe and Altium therefore can benefit in most sectors, markets and activities."