



# ARGOS

---

# INDEX

the mid market reference

June 2015

The Mid-Market eurozone index

Prepared by  
Argos Soditic & Epsilon Research

# Table of contents

page 3

Methodology

page 4

Index trend

page 5

Buyout vs strategic

page 6

Eurozone M&A trends

page 7

Sample analysis

page 8

Argos Soditic & Epsilon Research

# Methodology

The Argos Mid-Market Index measures the evolution of euro zone private Mid-Market company valuations. Carried out by Epsilon Research for Argos Soditic and published every three months, it reflects median EV/EBITDA multiples, on a six-month rolling basis, of Mid-Market M&A transactions in the euro zone.

The preparation of the Argos Mid-Market Index is based on a rigorous methodology and in-depth scrutiny of transactions making up the sample:

- Choice of the relevant multiple

The EV/EBITDA multiple is the most suitable for a European index as it is not impacted by the target's financial structure nor by its policies regarding depreciation and provisioning (which vary in time and between countries). It is also the closest readily available proxy for operating cash flow.

- Sample of transactions analysed

A sample of transactions studied since 2004, using the following criteria:

- acquisition of a majority stake,
- target based in a euro zone country,
- Mid-Market (equity value in the €15m-€500m range),
- certain activities excluded (financial services, real estate, high-tech),
- availability of relevant target financial data.

- Information sources are those used by Epsilon Research to prepare analysis reports on transactions available in its e-MAT database:

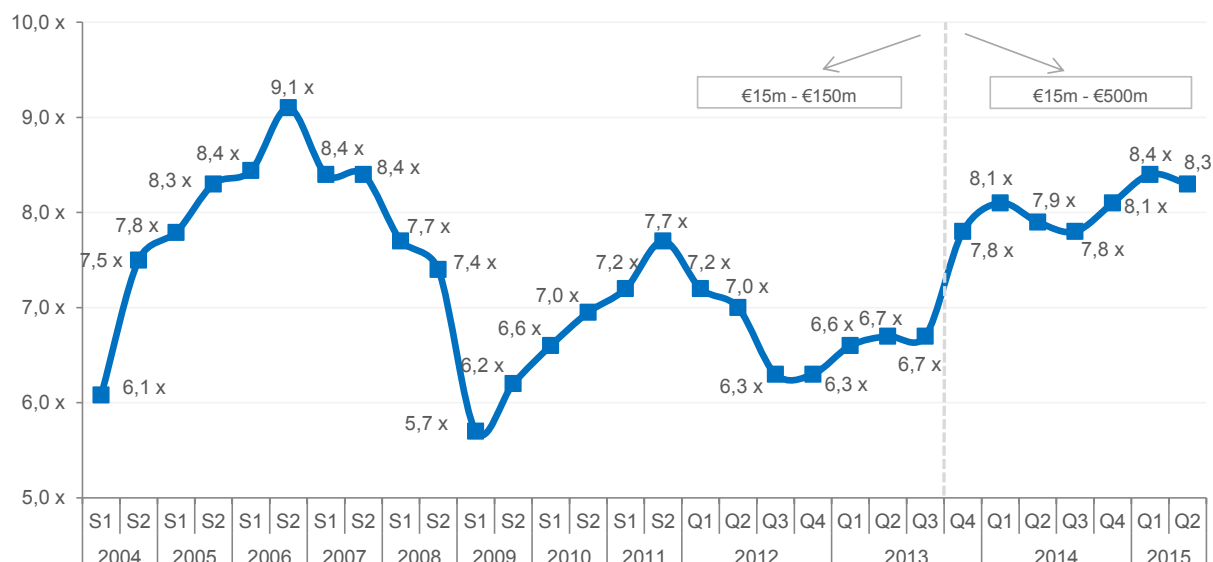
- professional partner databases: CorpfInDeals (transactions), CompanyQuery (company accounts),
- publicly available information: company accounts, press releases, annual reports (buyers / sellers), press articles, etc.

- Comprehensive analysis of each transaction identified: research covering all available information; verifying, cross-checking, restating financial data; analysis of target activity and of the context of the deal; calculating and analysing acquisition multiples; rating the reliability of multiples.

The index in perspective: The Argos Mid-Market Index is intended to reflect the evolution of valuations of private mid market companies. It is not designed as a business valuation tool.

# Index trend

## Index is stable, but still high



Argos Mid-Market Index - median multiple EV/EBITDA over last six months  
Source: Argos Mid-Market Index / Epsilon Research

The Argos Mid-Market index saw a marginal fall in the second quarter of 2015 (-1%) to 8.3x EBITDA. However, it remains at a historically high level (12% above its long term average).

This relative stability hides contrasting changes in the multiples offered by strategic buyers and by private equity funds:

- Prices paid by trade buyers were slightly down (-3%) in the 2nd quarter to 8.4x EBITDA after the strong growth seen in the previous quarter. This contraction is linked to uncertain economic factors once again present in the Eurozone which translate into setbacks in stock markets and increases in sovereign bond rates.
- Multiples paid by private equity funds increased to 8.2x EBITDA, after the fall in the 1st quarter.

The prices offered by the trade players are still propped up by overseas investors who are still very active in the Eurozone and who represent nearly 60% of strategic buyers. In particular, the dynamism of US and Asian buyers (2/3 of overseas buyers) who are capitalising on the fall in the euro for a year now, contrasts with the withdrawal of European buyers.

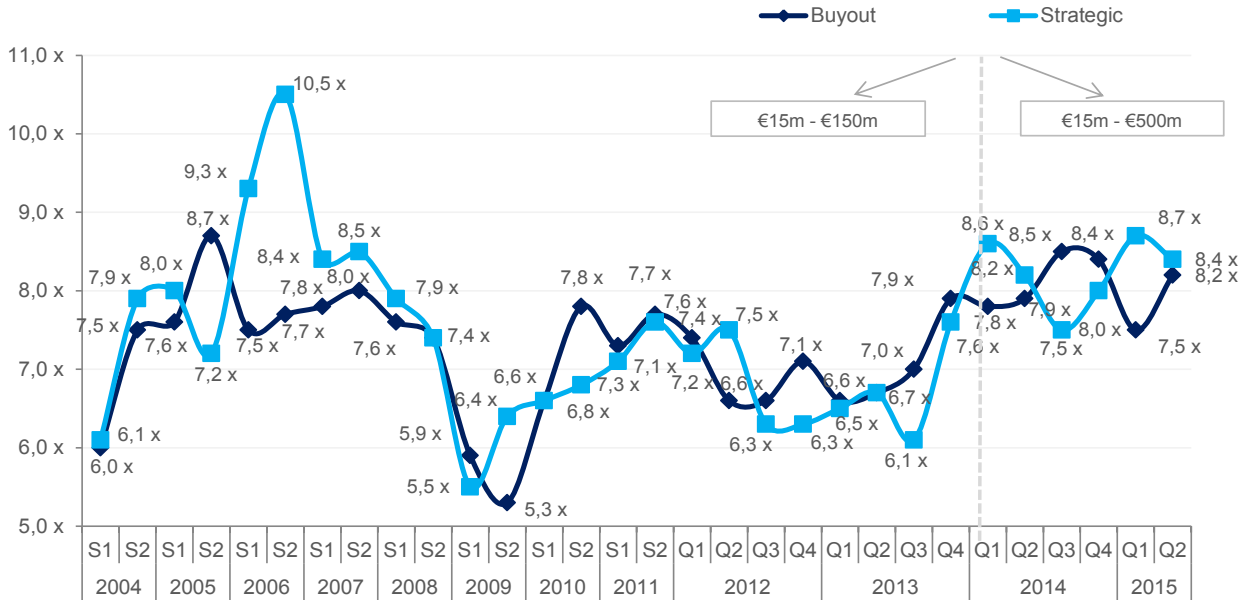
M&A activity in the Mid-Market has increased in the 2nd quarter (+10% volume), but has remained stable over the first half. The general overall increase in multiples since 2013 has not yet been dependent on M&A volumes which have been growing since 2009. Hindered by a lack of confidence in economic perspectives, the European M&A market is still far from the recovery seen in the global M&A market.

### Enlargement of the Argos Index:

Since December 2013, the Argos Mid-Market Index includes transactions with an equity value between €150m and €500m. The Argos Mid-Market Index therefore covers transactions between €15m and €500m of equity value.

# Buyout vs strategic

The rapid increase in the multiples paid by strategic buyers since mid-2014 stopped in the second quarter of 2015, with a slight fall of 3.5% to 8.4x EBITDA.



EV / EBITDA, strategic vs. buyout  
Source: Argos Mid-Market Index / Epsilon Research

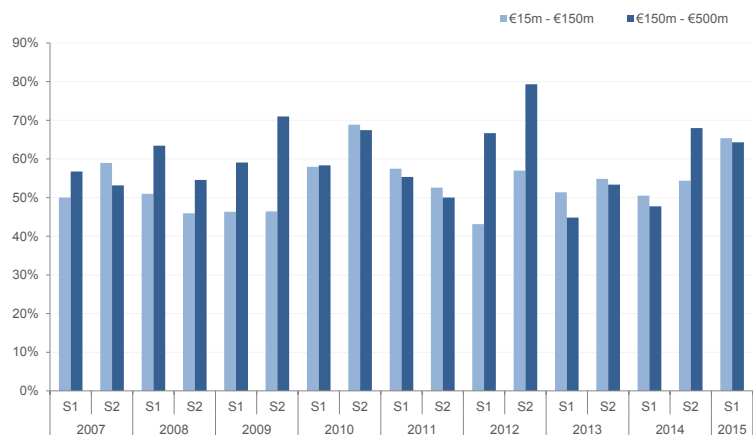
This drop can be explained by the stock market consolidation which took place in the 2nd quarter 2015<sup>(1)</sup>: its impact on non-quoted transaction multiples is even more marked as the percentage of quoted buyers has once again increased over the first half of 2015<sup>(2)</sup>, to reach 65% of trade buyers.

Price levels remain high, the market is buoyed by foreign buyers who i) in the 1st semester

On the other hand, multiples offered by private equity funds recovered by 9% in the second quarter to 8.2x EBITDA after the big drop in the first quarter. However they remain below the median multiple offered by trade buyers, funds do not want to systematically align themselves with prices offered by trade buyers.

represent nearly 60% of strategic buyers (64% in the segment €150m and €500m), and ii) continue to benefit from the fall in the euro.

U.S. and Asian buyers (respectively 42% and 24% of overseas buyers) are especially active whereas the percentage of European buyers (outside of the Eurozone) is historically low (25%).



(1) EURO STOXX® TMI Small Index dropped by 3% in the quarter / (2) Data Epsilon/CorpfInDeals

% Share of quoted buyers within strategic buyers  
Source: Epsilon Research / CorpfInDeals

# Eurozone M&A trends

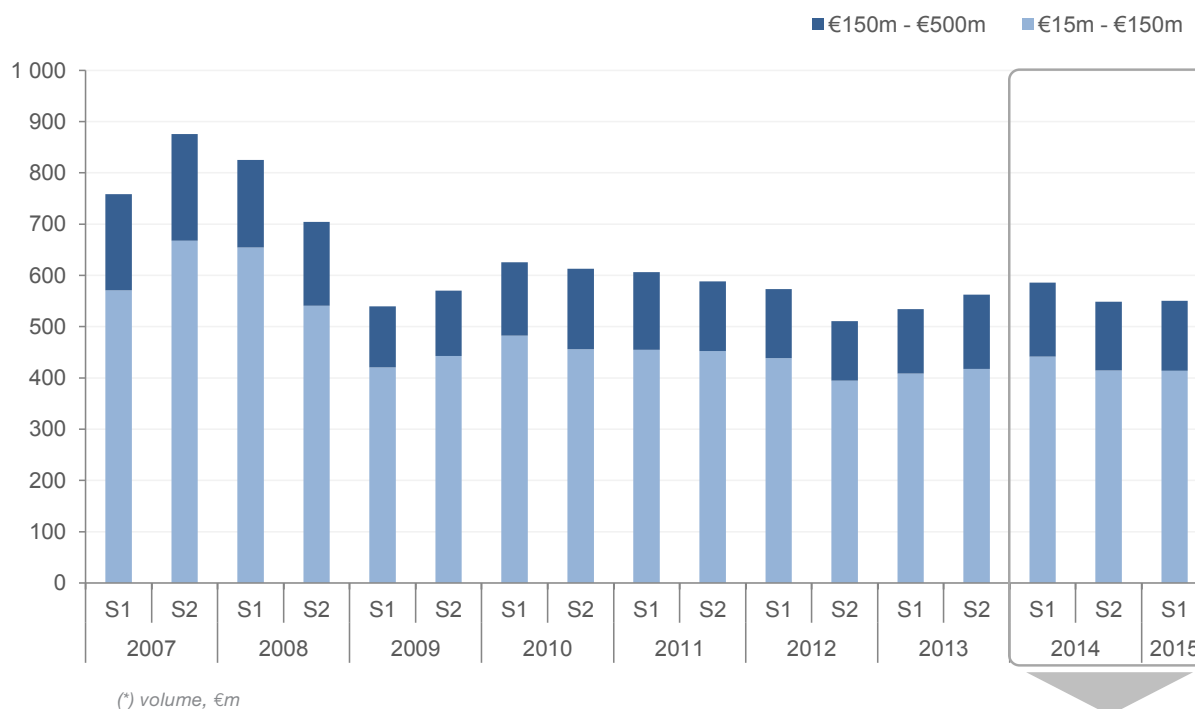
## Measured recovery in Mid-Market M&A activity

Mid-Market M&A activity in the Eurozone picked up in the 2nd quarter (+9% volume and +14% value), but remains stable over the first half: the number of transactions is identical to the 2nd half of 2014 (at 550 deals), with a reduction in value terms. This trend is similar in both segments of the market (€15m to €150m and €150m to €500m), with the second segment still covering one quarter of Mid-Market transactions.

The M&A market in the Eurozone is still behind the recovery in the global M&A market<sup>(1)</sup>.

In spite of active monetary policy from the ECB and the start of an economic recovery, confidence levels remain low with respect to growth prospects in the Eurozone, undermined by a new Greek crisis. Historically high treasury levels<sup>(2)</sup> in large European companies and the absence of a recovery in business investment reflects this lack of confidence, which continues to hinder the recovery in an M&A market which is fluctuating between 500 and 600 deals per semester since 2009.

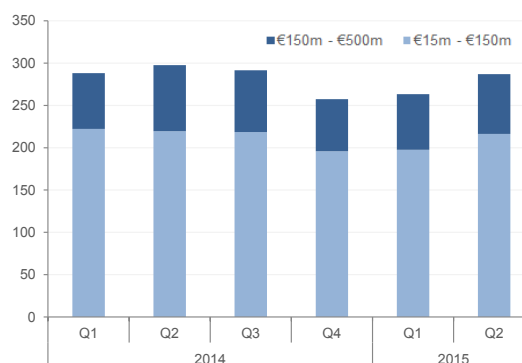
Eurozone M&A Mid-Market activity (€15m - €500m)\*



(\* volume, €m)

In this context, private equity activity remains stable in the first half (+4% in volume terms). Funds can take advantage of the market conditions to accelerate their portfolio exits, which have been at a high level since the 2nd half of 2013 (more than 80 transactions per semester), and representing 15% of the M&A Mid-Market this semester (20% in the segment €150m to €500m).

(1) In the 1st half of 2015, M&A activity in the United States and in Asia has surpassed the level of the 1st half of 2007 in value terms. In Europe, activity remains 40% lower (Source : Thomson Reuters - Financial Times 30/06/2015) / (2) Cash levels held by companies in the EMEA have increased by 69% since 2008. At the end of 2013 levels were €870m for the 672 companies monitored by Moody's (an increase of 6% compared to 2012) - source: Moody's (Financial Times 07/07/2015).



Source: Epsilon Research / CorpfintWorldwide

# Sample analysis

## Stability of the transaction sample used to compile the Index

Sample characteristics - size and type of deals, countries and sectors involved - are very stable from one Index to the next.

The following table shows the main characteristics of each index since 2011.

	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q2 2015
<b>Samples size</b>							
Deals retained for the index	114	108	107	111	108	101	98
Average Equity Value (€m)	105,0	105,2	101,6	114,7	108,7	98,8	124,0
Average N-1 sales (€m)	116,3	137,1	183,3	186,2	139,7	154,1	154,8
N-1 EBITDA margin	13,2%	13,9%	13,1%	13,1%	13,3%	12,4%	16,3%
N-1 EBIT margin	9,8%	9,8%	9,4%	9,6%	9,4%	8,0%	10,9%
<b>Breakdown by size (Equity Value)</b>							
[15-49] €m	45%	45%	45%	36%	36%	43%	36%
[50-99] €m	21%	19%	20%	22%	22%	20%	21%
[100-149] €m	10%	13%	15%	16%	18%	15%	12%
[150-500] €m	24%	23%	20%	26%	24%	22%	31%
<b>Breakdown by deal type</b>							
Strategic	76%	73%	71%	73%	76%	71%	65%
Buyout	24%	27%	29%	27%	24%	29%	35%
<b>Breakdown by country</b>							
France	26%	32%	33%	29%	18%	15%	30%
Germany	21%	18%	16%	16%	19%	22%	17%
Italy	16%	17%	18%	17%	21%	29%	23%
Benelux	13%	19%	14%	20%	21%	12%	14%
Spain-Portugal	13%	10%	8%	7%	11%	13%	8%
Other (Eurozone)	11%	4%	11%	11%	10%	9%	8%
<b>Breakdown by sector</b>							
Energy, raw materials, chemicals	10%	9%	10%	15%	15%	12%	10%
Building, construction	5%	5%	4%	2%	4%	6%	9%
Industrial equipment	16%	9%	9%	16%	26%	28%	18%
Consumer products	6%	8%	2%	4%	6%	5%	2%
Agro-food	9%	7%	6%	6%	5%	5%	5%
Healthcare-Pharma	11%	16%	17%	15%	13%	10%	8%
Wholesale, retail	5%	5%	6%	6%	5%	9%	13%
Transport	8%	12%	16%	10%	8%	6%	8%
TMT	23%	21%	18%	18%	13%	12%	21%
Business and consumer services	7%	8%	12%	8%	5%	7%	6%
<b>Multiples (median)</b>							
EV / historic sales	1,2x	1,2x	1,0x	1,1x	1,1x	1,0x	1,2x
(Argos index) EV / historic EBITDA	7,8x	8,1x	7,9x	7,8x	8,1x	8,4x	8,3x
EV / historic EBIT	9,6x	11,2x	11,2x	10,5x	11,1x	11,1x	10,4x
Price to Book	2,5x	2,2x	2,3x	2,4x	3,1x	3,1x	3,3x

Source: Argos Mid-Market Index / Epsilon Research  
 NB: Equity Value (Eq.) = price paid for 100% of the shares / Enterprise Value (EV) = Eq. + net financial debt

# Argos Soditic



Capital for your future ■■■

Argos Soditic is an independent European private equity group with offices in Paris, Milan, Geneva and Brussels.

Since its creation in 1989, Argos Soditic has carried out more than 60 transactions focusing on management buy-outs and buy-ins in small and medium companies. Argos Soditic typically takes majority stakes ranging from €10m to €60m in companies with revenues of €20m to €400m.

With €675m under management for MBO (€400m for the last fund), the firm has developed a track record of unusual, complex and off-market transactions where the firm's combination of local presence and international experience is able to add value to the small and medium-sized businesses it invests in.

Contacts: Gilles MOUGENOT – Raphaël BAZIN  
Argos Soditic - 14, rue de Bassano – 75783 Paris Cedex 16, France  
Tel. +33 1 53 67 20 50  
[www.argos-soditic.com](http://www.argos-soditic.com)

# Epsilon Research



Epsilon Research developed the first online platform for the management of non-quoted M&A transactions, aimed at professionals: M&A advisers, private equity funds, valuers, corporates. The Epsilon Platform includes data, analysis reports, software tools and services essential to private company valuation / deal management:

- (1) EMAT, the largest database of European private company transaction multiples, with detailed analysis of 6,000+ M&A deals, ranging from €1m to €500m in value, covering all industry sectors;
- (2) Indices and studies published regularly by Epsilon, such as the Argos Index;
- (3) Cloud-based software for M&A contacts and project management ("M&A CRM Suite"); and for valuation projects (comparables, private equity fund portfolios).

Contact: Grégoire BUISSON  
Epsilon Research - 7, rue Ambroise Thomas – 75009 Paris, France  
Tel. +33 1 47 70 30 24  
[www.epsilon-research.com](http://www.epsilon-research.com)



Capital for your future ■■■



web

[www.argos-soditic.com](http://www.argos-soditic.com)

14, rue de Bassano  
75783 Paris Cedex 16  
Tel: +33 1 53 67 20 50  
Fax: +33 1 53 67 20 55

Piazza Diaz 5  
20123 Milano  
Tel: +39 02 00 660 700  
Fax: +39 02 00 660 799

118, rue du Rhône  
1204 Genève  
Tel: +41 22 849 66 33  
Fax: +41 22 849 66 27

Avenue Louise 391, Boîte 1  
1050 Bruxelles  
Tel: +32 2 554 12 40  
Fax: +32 2 554 12 49