



ARGOS

INDEX

the mid market reference

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The Mid-Market eurozone index

Prepared by
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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 declines by 6.6% in 1st quarter 2016



The Argos Mid-Market index has fallen by 6.6% in the first quarter of 2016 to 8.5x EBITDA, but remains at a historically high level.

This decline is more pronounced in the segment €15m to €150m, falling by 9.2% to 7.9x EBITDA, while multiples paid in the €150 to €500m segment continued to increase to 10.8x EBITDA. The overall shrinkage is linked to the decrease in prices paid by buyout funds to 8.2x EBITDA, with strategic buyers holding their prices at 9.1x EBITDA.

The decrease in the index comes within the context of a fall in Mid-Market M&A activity in the first quarter (-4% in volume and -14% in value terms compared to the 4th quarter of 2015). This slowdown is however more moderate for mid-market M&A in Europe than for the global

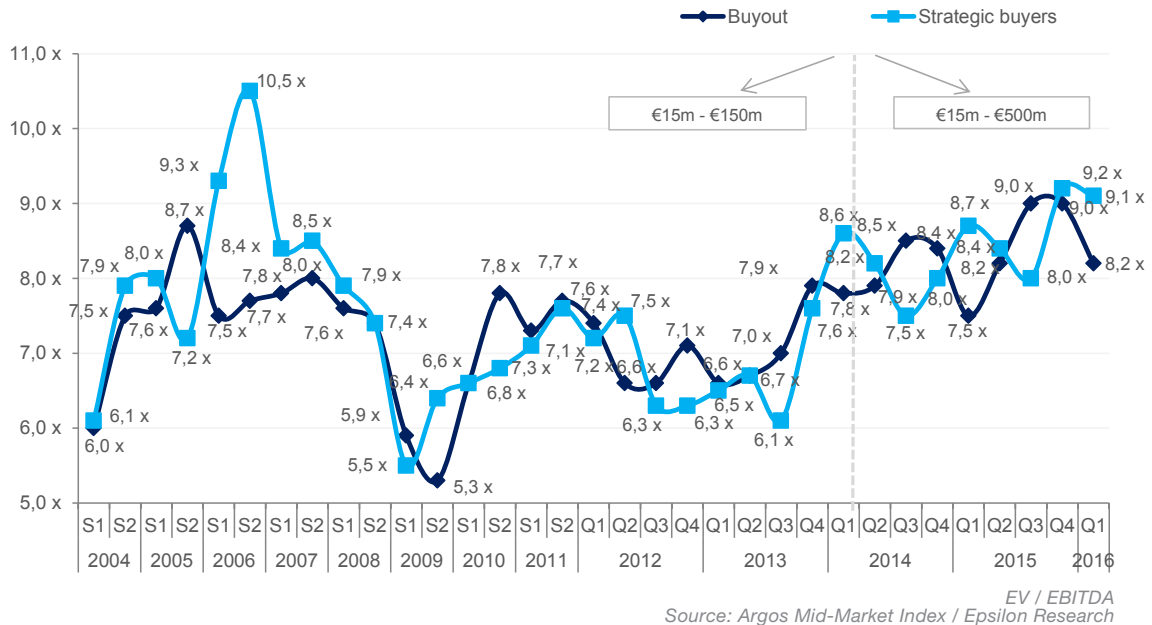
M&A market (decline of 25% in value terms across all transactions in the 1st quarter of 2016). The high levels of uncertainty concerning the global economy has interrupted the growth trend in the global M&A market, even though the financial environment (low interest rates) as well as microeconomic (external growth policies, available cash levels) remain very favourable.

In particular, investor confidence was hit hard in January. Several factors have increased concern and precipitated the fall in stock markets: i) risks from the slowdown of the Chinese economy and the continuation of a fall in the price of raw materials and petrol, ii) the end of the US growth cycle and the strengthening of the monetary policy announced by the Fed after a first increase in rates in December 2015, and iii) the possibility of a UK exit from the EU.

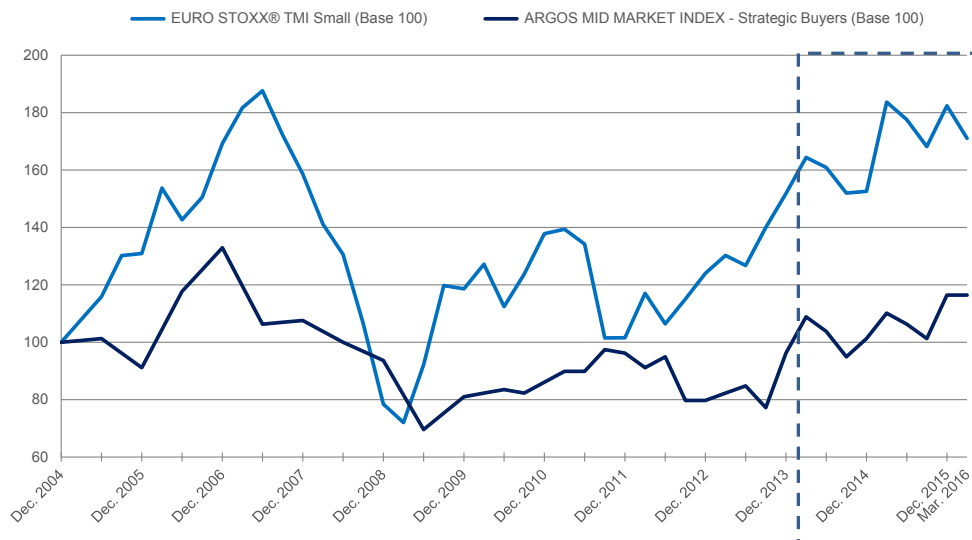
Buyout vs strategic buyers

The 1st quarter of 2016 is marked by a large decrease of multiples paid by buyout funds

The decline in the index in the first quarter of 2016 is partly explained by the decrease by 8.9% in multiples paid by buyout funds to 8.2x EBITDA.



Even though buyout funds still benefit from the high levels of surplus liquidity which continue to grow⁽¹⁾, they have appeared to be more hesitant than trade buyers and more sensitive to risks arising from macroeconomic uncertainty in comparison with the high valuations at the end of 2015.



In spite of the high proportion of listed companies among trade buyers (i.e. 65% of strategic buyers in the last 6 months were listed, which is 10 points above the average of 2008-2015), multiples paid by trade buyers have stabilised at an elevated level (9.1x EBITDA) and don't seem to reflect the decrease of the stock market in the first quarter⁽²⁾. This resilience is partly due to the dynamic external growth policies of quoted industrial groups, as well as the strong interest from overseas buyers for businesses in the Eurozone.

⁽¹⁾ 59% of institutional investors want to increase their investment in private equity in the next 5 years according to a poll carried out by State Street Global Exchange, in FTfm, 28.03.2016

⁽²⁾ The EURO STOXX® TMI Small index has fallen by 6.3% over the first quarter of 2016, after a drop of 18.6% by mid-February.

M&A activity in the Eurozone

M&A Mid-Market activity decreases in the 1st quarter of 2016

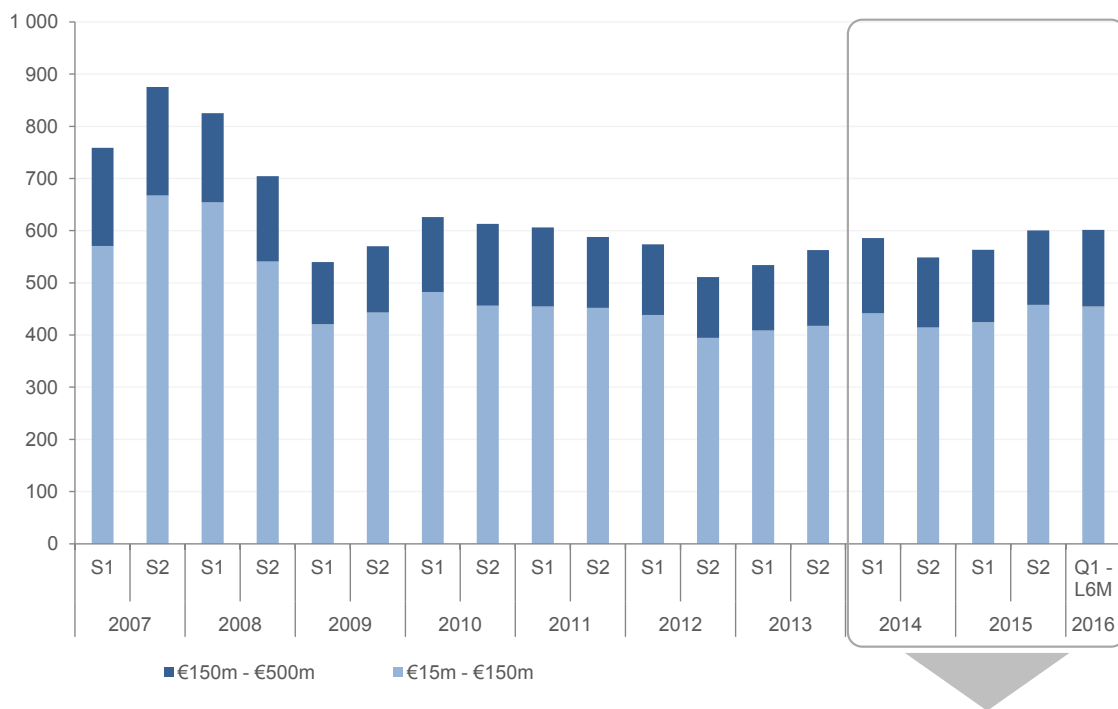
M&A mid-market activity in the Eurozone is slightly down in the first quarter (-4% in volume and -14% in value compared to the 4th quarter of 2015), with similar trends seen in the different market segments (15M€-150M€, 150M€-500M€, buyout funds, strategic buyers).

The decrease in the M&A market in Europe, as in the rest of the world, is mainly linked to investor concern over global economic perspectives (risks perceived from the

Chinese deceleration, slowdown of the US economy, the prolonged low petrol price) and the highly volatile financial markets in the first quarter.

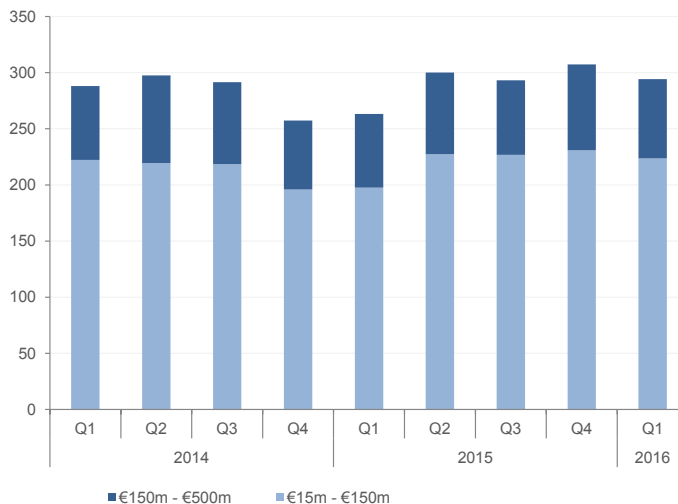
However, the slowdown was less marked for mid-market activity in the Eurozone than for the global M&A market which saw a big fall (-10% in volume and -25% in value in the first quarter) to US\$701.5 billion⁽¹⁾ after 3 quarters where activity was over US\$1 trillion.

Mid-Market Activity in the Eurozone in volume (€15m - €500m)



Mid-Market Activity in the Eurozone, by segment

The Eurozone has benefitted from a more stable economic environment, from a continuing recovery, from rates which look set to remain low driven by the dynamic ECB monetary policy and from strong interest from overseas buyers for European companies%.



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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.

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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).

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