



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:

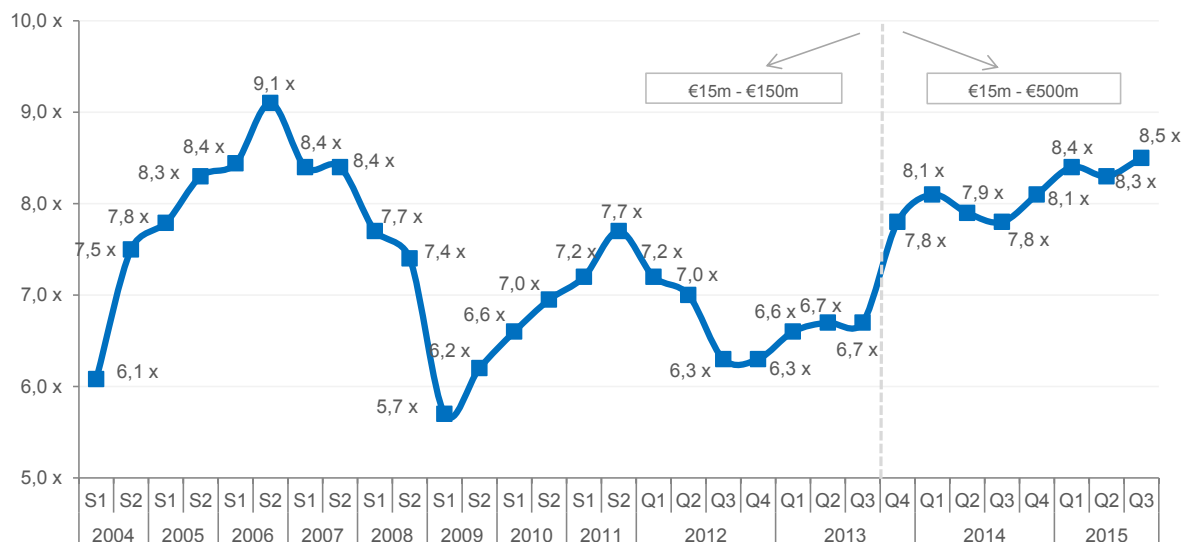
- professional partner databases: CorpfInDeals (transactions), CompanyQuery (company accounts),
- publicly available information: company accounts, press releases, annual reports (buyers / sellers), press articles, etc.

- 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

The index is picking up again, driven by buyout funds



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

The Argos Mid-Market Index picked up again in the third quarter of 2015 to 8.5x EBITDA and is drawing closer to its all-time high from the second half of 2006. The index is driven by the rapid increase in prices paid by private equity funds to 9.0x EBITDA, while the multiples paid by trade players fell to 8.0x.

Even so, M&A Mid-Market activity contracted in the third quarter (-10% in volume terms and -20% in value terms) and since the start of the year (-6% in volume and -9% in value compared with 2014), despite the vigour of foreign buyers, especially US and Asian ones. Mid-market M&A activity has not kept track with the recovery (in value terms) of Eurozone M&A as a whole (which includes transactions whose equity value exceeds €500m), which increased by 12.5% in value over the first three quarters

of 2015 ⁽¹⁾ to €214bn.

The ongoing rise in multiples over the past three years is rather explained by a persistent imbalance between supply and demand:

On the one hand, competition is still fierce between private equity funds and strategic buyers for quality assets, bolstered by the historically high cash level (dry powder) the funds have available, and the same holds for trade buyers;

On the other hand, the number of quality companies on the market is limited, as many have not recovered from the financial crises in 2007/08 and 2011/12 and the long period of economic stagnation that has followed.

⁽¹⁾ Epsilon/CorpfinDeals data

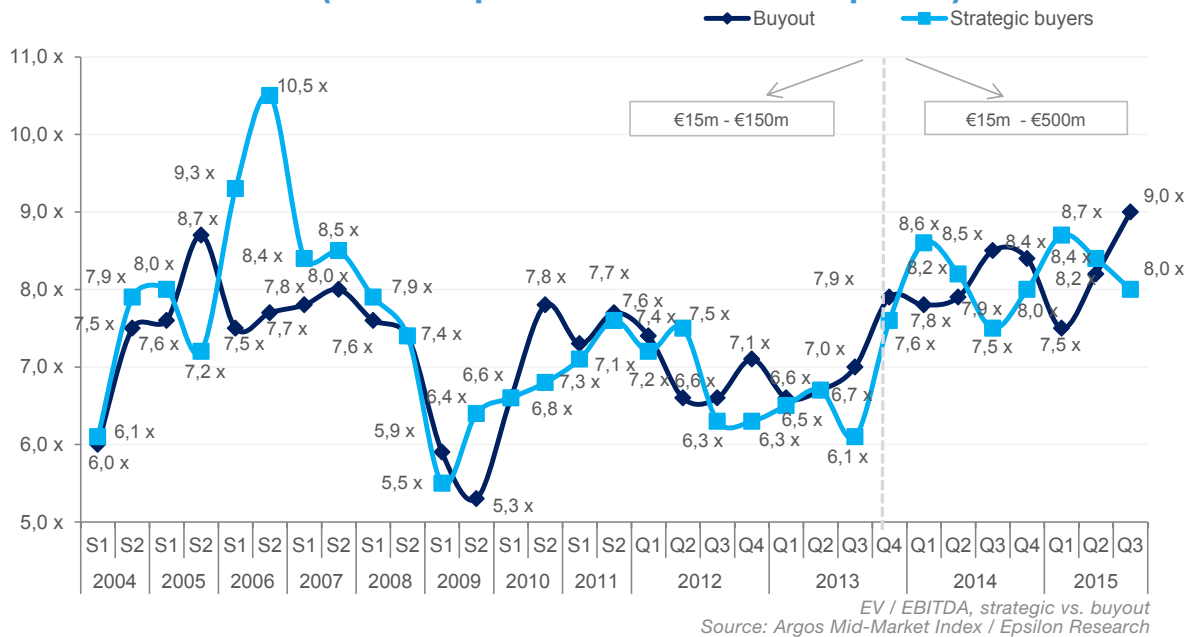
Enlargement of the Argos Index:

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 buyers

The fall in the multiples paid by trade buyers continued in the third quarter of 2015 to 8.0x EBITDA (-5% compared with the second quarter)

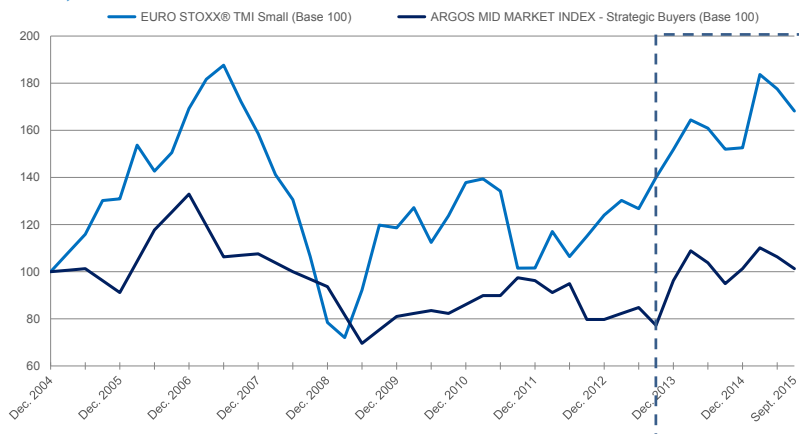


Prices remain high, but seem more volatile over the past two years, which reflects the high volatility in financial markets and opposing trends in the M&A market:

- Bearish in the short term, due to the equity market fall which gathered momentum in the third quarter (1);

- Bullish in the medium term: against a backdrop of low organic growth, listed companies have to use their cash (still at a record level) to carry out acquisitions.

(1) The EURO STOXX® TMI Small index fell 5.3% in the quarter



Furthermore, the market remains underpinned by cross-border transactions (2), which account for more than half of the acquisitions made by trade buyers. North American buyers (41% of the foreign buyers over the past six months) and Asian ones (24%) remain particularly active (3), at the expense of European buyers from outside the Eurozone (28%).

(2) Cross-border: buyers outside the Eurozone making an acquisition in the Eurozone

(3) Epsilon/CorpfinDeals data

The multiples offered by private equity funds continued their sharp rise (+10%) in the third quarter, to 9.0x EBITDA. The exceptional market conditions - fierce competition for available assets, record amount of funds to invest, access to particularly favourable financing conditions - continue to drive up prices.

Comparison between the EURO STOXX® TMI Small index and multiples paid by trade buyers
Source: Epsilon Research / CorpfinDeals

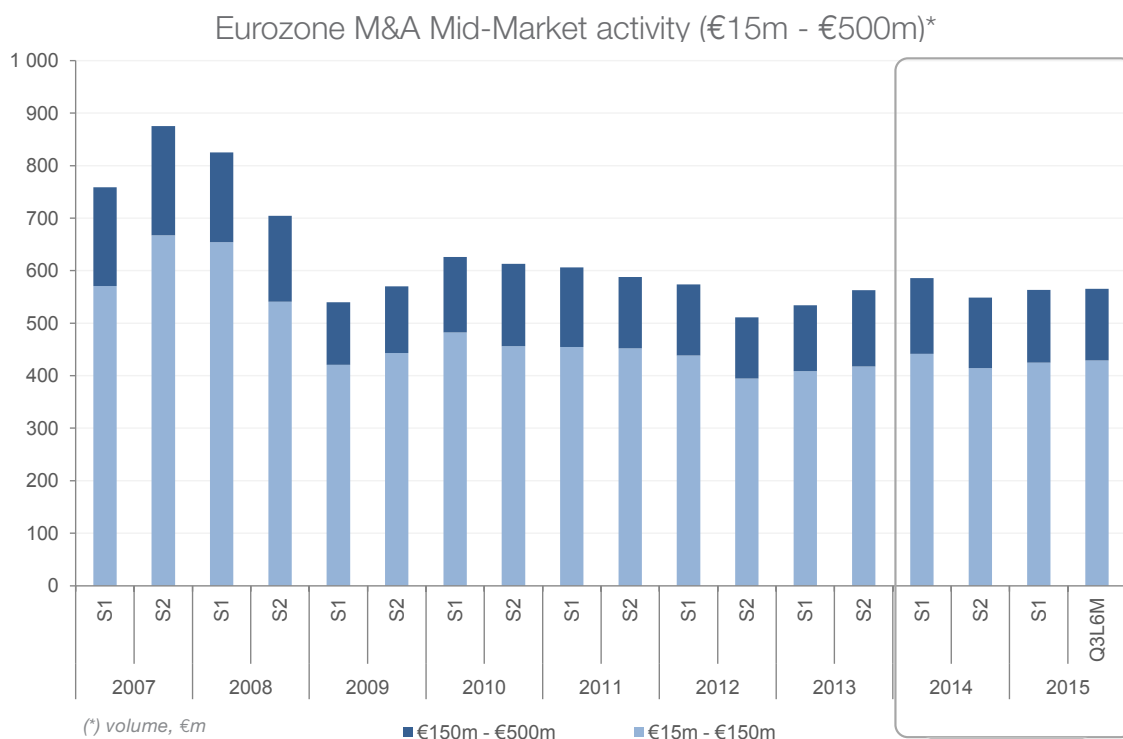
Eurozone M&A trends

Contraction in Mid-Market M&A activity

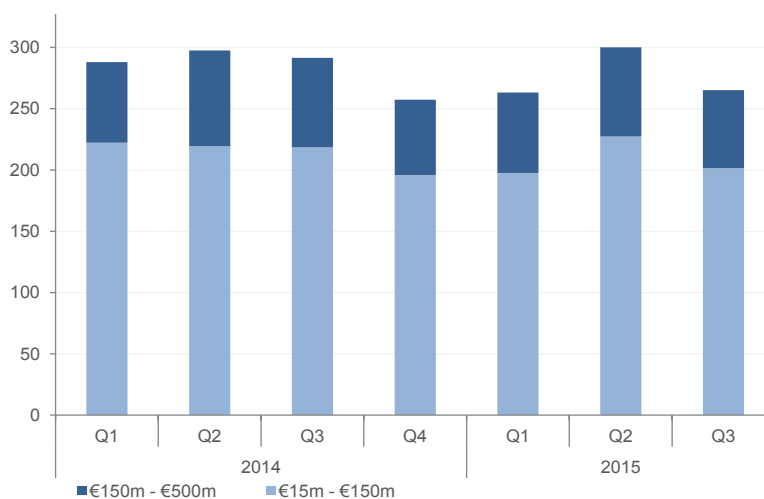
Eurozone Mid-Market M&A activity fell markedly in the third quarter of 2015 (-10% in volume and -20% in value), and returned to its first quarter level. Over the first three quarters of 2015, activity fell 6% in volume terms and 9% in value terms compared with 2014. This trend was similar in the two market segments (€15m-€150m and €150m-€500m).

Beyond cyclical factors - financial market volatility and global economic slowdown caused by growth reduction in emerging markets - the stagnation of the Eurozone

M&A Mid-Market seems to have more structural reasons: persistent lack of confidence among buyers about the outlook for the Eurozone on the demand side; reduced pool of quality medium-sized companies available for takeovers, a consequence of the financial crisis, on the supply side. As a result, buyers have become more selective in their acquisition plans: the median EBITDA margin of companies taken over, within the sample making up the Index, has increased from 13.3% in the period 2011-2014 to 17.4% over the last six months.



Eurozone M&A Mid-Market activity in terms of volume, by segment



Source: Epsilon Research / CorpfmWorldwide

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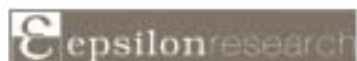
Argos Soditic is an independent European private equity group with offices in Paris, Milan, Geneva and Brussels.

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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