



ARGOS

INDEX

the mid market reference

September 2016

The Mid-Market euro zone index

Prepared by

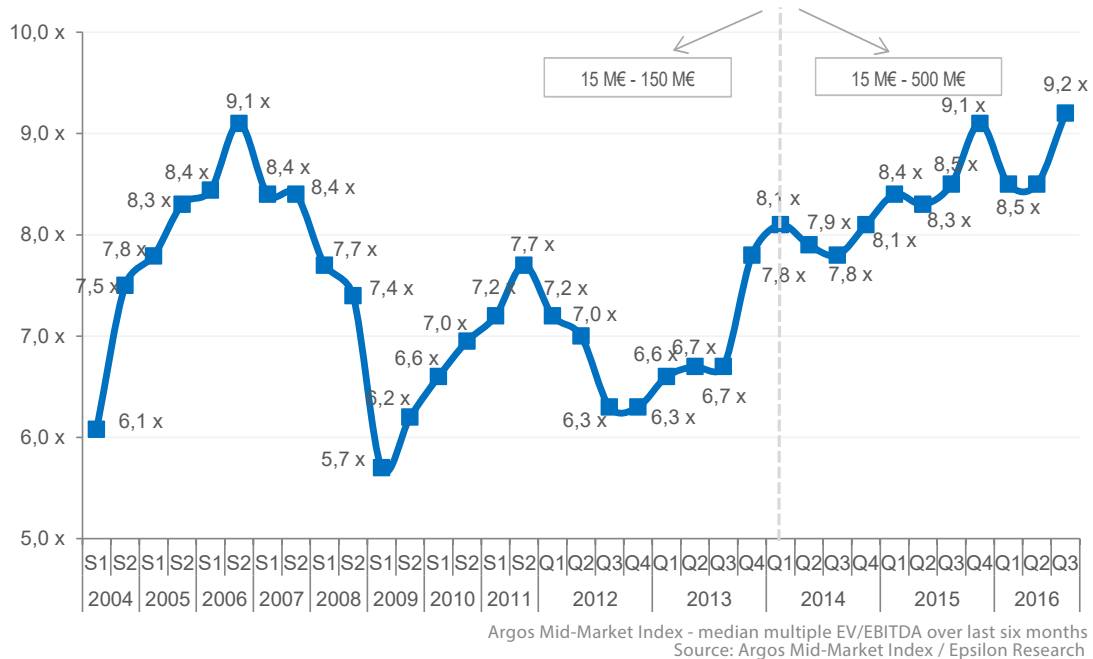
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Index trend

Strong growth in the index in the 3rd quarter, returning to record level



The Argos Mid-Market Index shows strong growth in the 3rd quarter (+8%) to 9.2x EBITDA, and reached record levels previously seen in 2006 and at the end of 2015. It is driven primarily by trade buyers, where prices are as high as 9.6x EBITDA (+17% compared to the 2nd quarter), but also by private equity funds where prices increased slightly (+1.2%) to 8.7x.

This increase in acquisition multiples is happening in a financial and micro-economic market which is very favourable to mergers and acquisitions: i) financial conditions are still very favourable (interest rates historically weak) linked to the active policies of central banks and ii) a buoyant micro-economic environment: an active policy of external growth by industrial groups in a context of prolonged weak growth, treasury levels available in companies and private equity funds and a need to consolidate certain sectors.

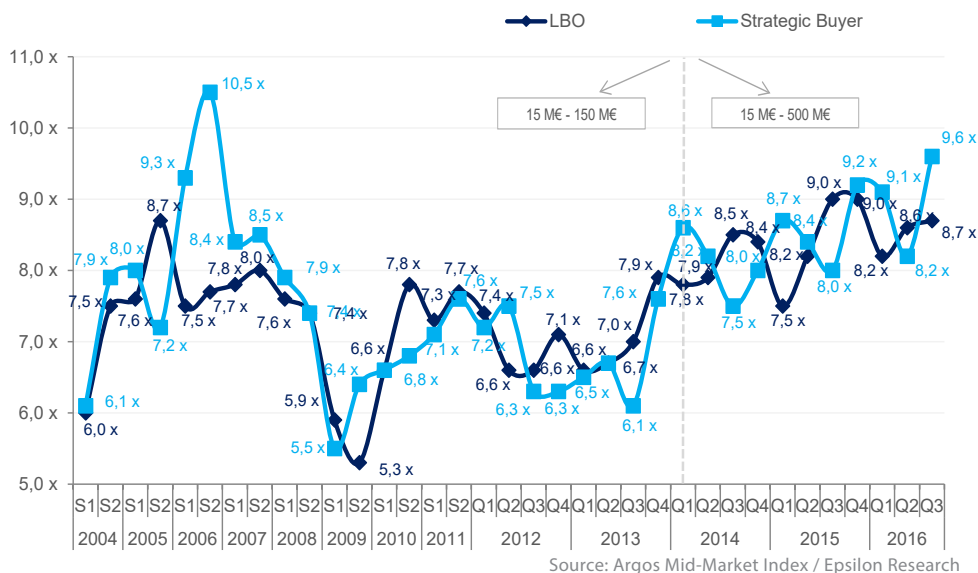
In this context, quoted trade buyers, still very active in the Mid-Market, have benefitted from the recovery in the stock market since June. In addition, private equity funds continue to benefit from the abundant capital available to invest.

⁽¹⁾ Source : Thomason Reuters. 1st half 2016 compared to 2nd half of 2015

Buyout vs strategic buyers

Strong growth in prices paid by trade buyers

The increase in the Index in the 3rd quarter is mainly due to the sharp rise in multiples paid by trade buyers, to 9.6x EBITDA.



This growth is linked to the stock market recovery in the 3rd quarter of 2016 ⁽¹⁾, and to the active policy of external growth of quoted companies, which represent 2/3 of trade buyers.

in the 3rd quarter compared to 55% on average in 2014/2015. Brexit and other political uncertainties are weighing on the Eurozone and in particular have dampened the activity of American companies falling from 41% of overseas buyers in the 2014/2015 period to 21% in the 3rd quarter of 2016.

On the other hand, foreign companies (outside the Eurozone) have continued to reduce their acquisitions in the Eurozone : they represent only 47% of trade buyers

Percentage of quoted buyers amongst the strategic players vs. stock market



Multiples paid by private equity funds continue their increase to 8.7x EBITDA (+1.2%), but at a more moderate rate. However, prices remain strong due to increased competition amongst strategic buyers for

quality assets, and by ever increasing levels of capital to invest ⁽²⁾. According to Preqin, 71% of investors have a positive impression of private equity and 56% plan on increasing their allocation in the long term.

(1) The EURO STOXX® TMI Small Index increased by 8.2% in the 3rd quarter and by 13.1% since its low point of 24th June 2016.

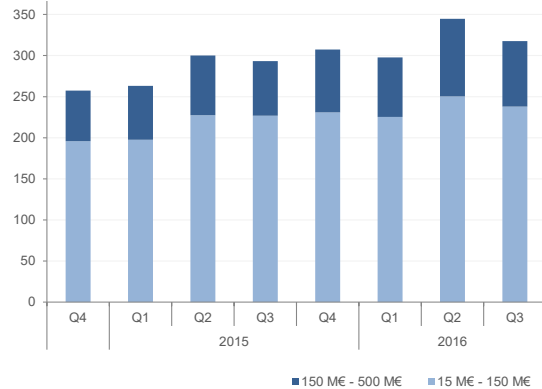
(2) Total amount of dry powder \$839bn at 30 September 16 of which 63% is allocated to private equity, an increase of 14% since December 2015 – Source: The Q3 2016 Preqin Update.

M&A activity in the Eurozone

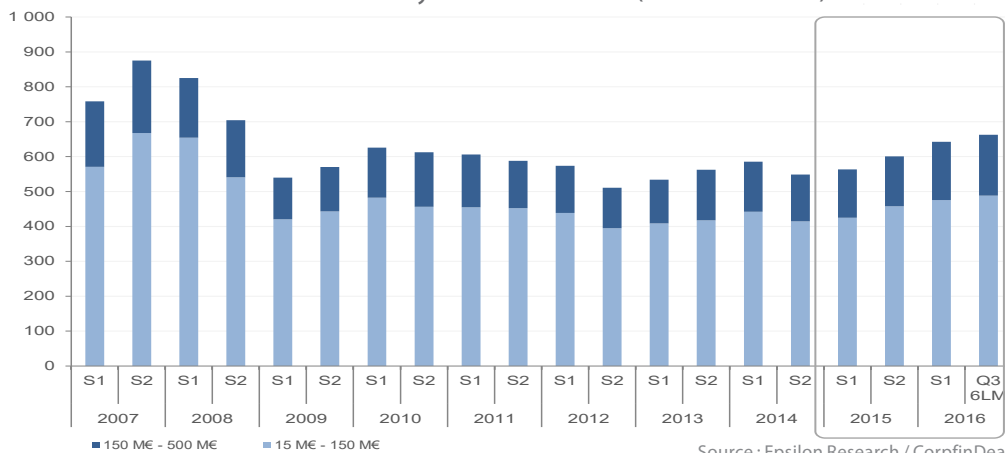
Fall in Mid-Market M&A activity in the 3rd quarter 2016

Mid-Market Activity in the Eurozone, by segment

Mid-Market M&A activity in the Eurozone declined this quarter (-8% volume, -27% value) linked to the drop in the segment of transactions between €150m and €500m (-16% volume), which is more pronounced than the segment €15m to €150m (-5% volume). In value terms the decrease is the same across the entire mid-market. This being said, the market remains dynamic over the first three quarters of 2016 (+12% volume, +23% value compared to 2015).



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



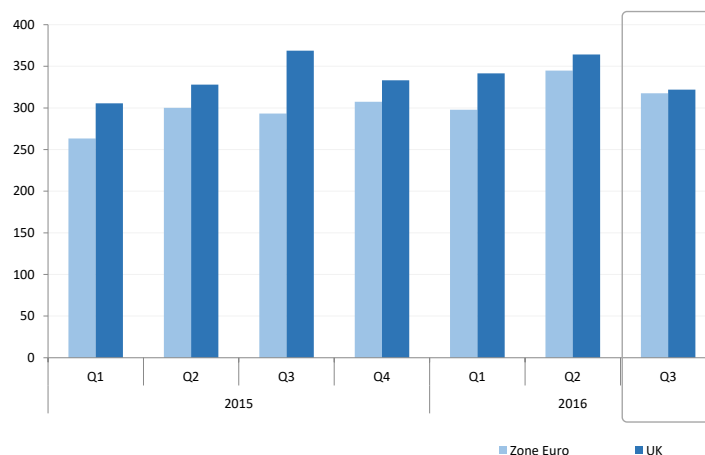
Source : Epsilon Research / CorpfinDeals

Impact of Brexit on M&A Mid-Market Activity ?

For the moment, the impact of Brexit on M&A activity – as for multiples paid – remains limited: Mid-Market activity volumes decreased by 12% in the UK in the 3rd quarter (vs. -8% for the Eurozone), and increased slightly (+2.5% volume) over the first three quarters of 2016 (vs. 12% for the Eurozone). In spite of the slow down observed in the

3rd quarter, the upward cycle of European M&A does not seem to be broken, driven by consistent financial and economic factors: low interest rates, return to growth, external growth policy of companies.

Eurozone activity vs UK, in volume (€15m - €500m)



Source : Epsilon Research / CorpfinDeals

Argos Soditic & Epsilon Research

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, 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 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 analy-

sis 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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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.

Following its launch in December 2006, the Argos Mid-Market Index has become a leading reference for private transactions. Its preparation is based on a rigorous methodology and in-depth scrutiny of transactions making up the sample (the sample analysis is available on our website).

The sample of transactions is selected 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.



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