



ARGOS

INDEX

the mid market reference

March 2017

The Mid-Market euro zone index

Prepared by

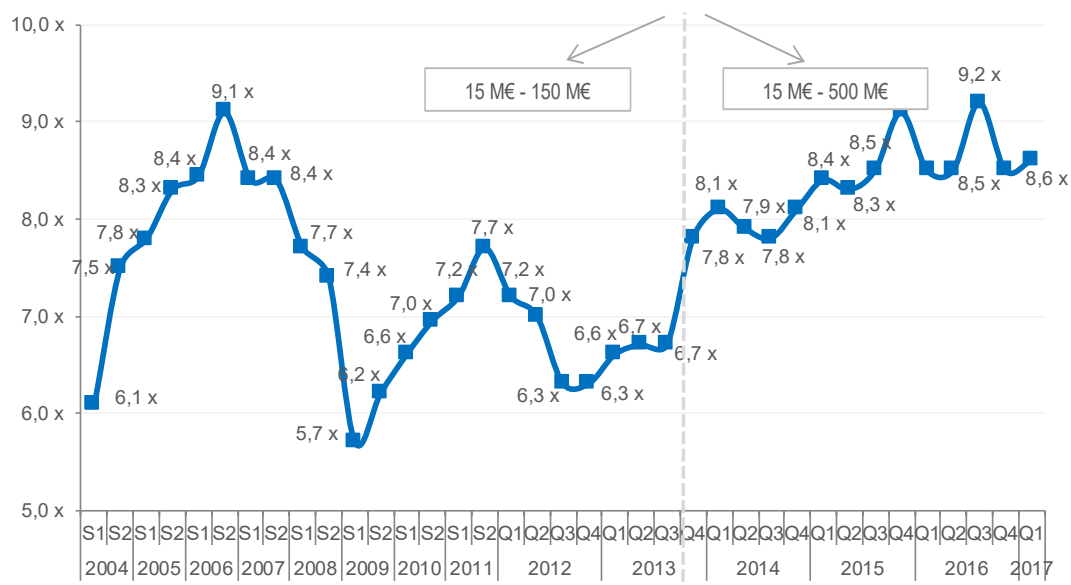
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Index trend

Slight increase in the index (+1.2%) in first quarter of 2017



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

The Argos Mid-Market Index has increased by 1.2% in the 1st quarter of 2017 to 8.6x EBITDA. The stability in pricing in the 1st quarter is in line with M&A Mid-Market activity in the Eurozone. In an economic context which continues to be favourable for mergers and acquisitions, the wait and see attitude of investors seems to be increasingly linked to European political risks (Brexit impact, forthcoming elections in the Eurozone). M&A activity in the United Kingdom has declined in the first quarter of 2017 to return to the levels of the first quarter of 2015 in line with the decline elsewhere in the Eurozone.

However, this relative stability hides a divergence between both market segments and the type of buyer:

i. For transactions between €150m and €500m multiples increased by 8.8% to 9.9x EBITDA. In this segment, prices are more influenced by changes in stock markets which were up 7.4% in the quarter ⁽¹⁾. In the segment between €15m and €150m multiples have decreased slightly (-1.2%) to 8.3x EBITDA. Valuation of SME's, which are more focussed within the Eurozone and less orientated internationally, seem to be more sensitive to the political risks faced by Europe.

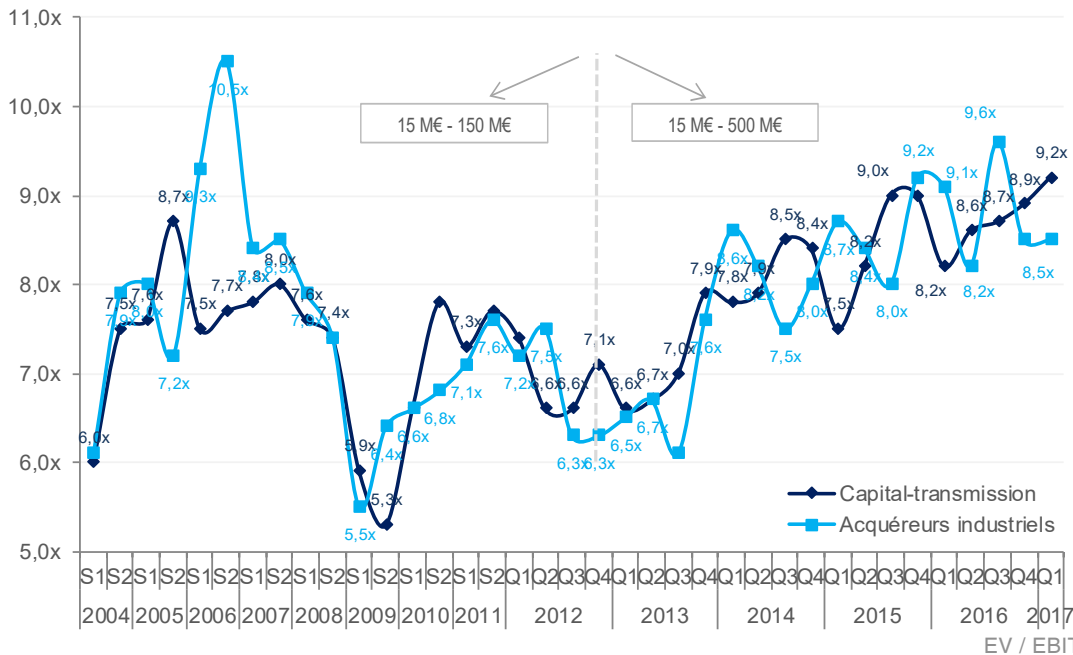
ii. Prices paid by private equity funds continue to increase (+3.4%) to 9.2x EBITDA, an historically high level, while the multiples paid by trade buyers have remained at the same level as in the 4th quarter of 2016. Supported by large fund raises, only partially invested, and by the availability of financing, competition between private equity funds is still fierce thereby contributing to the growth in multiples. The level at which companies are being valued ⁽²⁾ is such that 70% of institutional investors consider this to be the main area of concern for private equity investments.

(1) Increase of 7.4% in the index EURO STOXX® TMI Small in the 1st quarter of 2017

(2) Source : Preqin Global Private Equity Report 2017

Buyout capital vs strategic buyers

Continued increase in prices paid by buyout funds



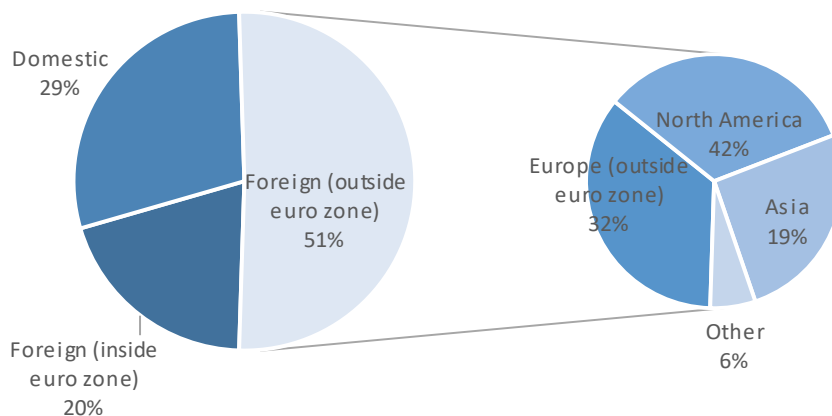
Source: Argos Mid-Market Index / Epsilon Research

The increase in the index in the 1st quarter of 2017 is linked to the steady progression of prices paid by private equity funds, to 9.2x EBITDA – a record level since the start of the Argos Mid-Market.

Prices are propped up by large amounts of dry powder and strong competition for buyout opportunities ⁽¹⁾. Private equity funds are also benefiting from higher leveraging: the average net debt/EBITDA multiple ⁽²⁾ has increased from 4.0x in 2009 to 4.8x in 2016; however it remains lower than the record level reached in 2007 (6.1x EBITDA). Unitranche financing is used more often: in Eurozone Mid-Market private equity transactions, the number of Unitranche financing instruments has doubled between the first quarter of 2016 and the first quarter of 2017 ⁽³⁾.

In the 1st quarter, prices paid by strategic buyers have stabilised at a high level (8.5x EBITDA). This stability hides the divergence between transactions in the segment €150m to €500m where multiples increased to 8.9x EBITDA, in line with stock markets, and those in the segment €15m to €150m where multiples dropped to 8.4x EBITDA.

Percentage of foreign buyers amongst the strategic players (1st quarter 2017)



Strategic buyers seem to be more sensitive to the Eurozone geopolitical situation than private equity funds. The withdrawal of foreign buyers, situated outside of the Eurozone, continued in the 1st quarter: they represent 51% of trade buyers in the last six months compared to 57% in 2015.

(1) 51% of private equity managers have noticed an increase in competition on Mid-Market deals in the last 12 months (Source: Preqin Global Private Equity Report 2017)
 (2) Source: Bain Global Private Equity Report 2017
 (3) Source: MidCapMonitor - Issue Q1 2017

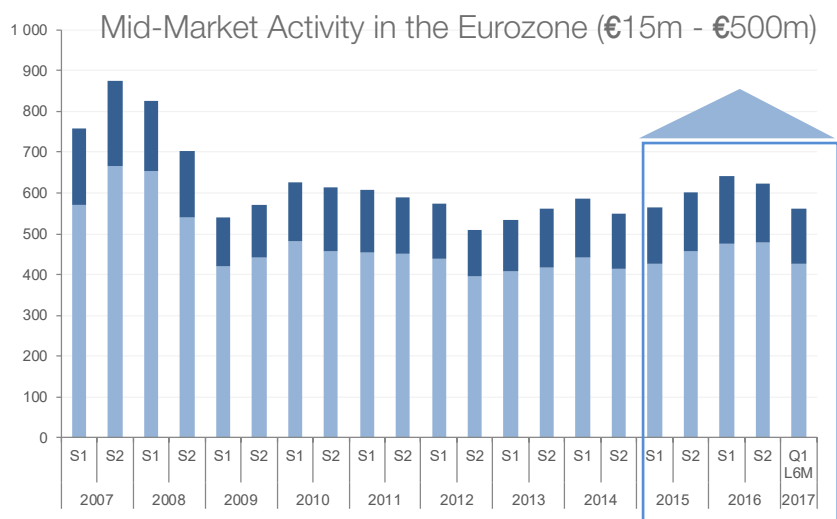
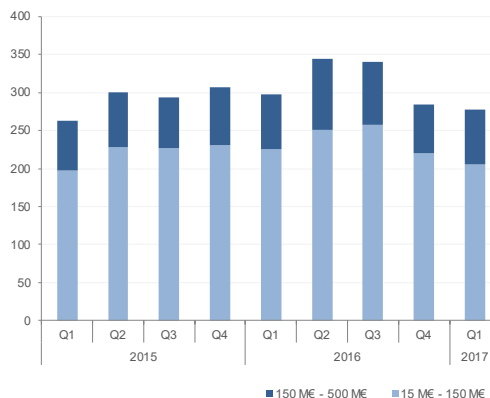
M&A activity in the Eurozone

Fall in Mid-Market M&A activity in the Eurozone in the 4th quarter

Mid-Market Activity in the Eurozone, by segment

M&A Mid-Market activity in the Eurozone has fallen in the 4th quarter (-14% in volume and -11% in value), in particular for the segment of transactions between €150m and €500m (-20% in volume and -23% in value).

Market dynamics for the entire year 2016 remain positive however: the volume of activity is stable in the second half progressing by 9% in volume and 10% in value over 12 months. The increasing European M&A activity (+4% per year in volume/+9% in value since 2012) continues to be driven by favourable financial conditions and a micro-economic environment which continues to be positive.

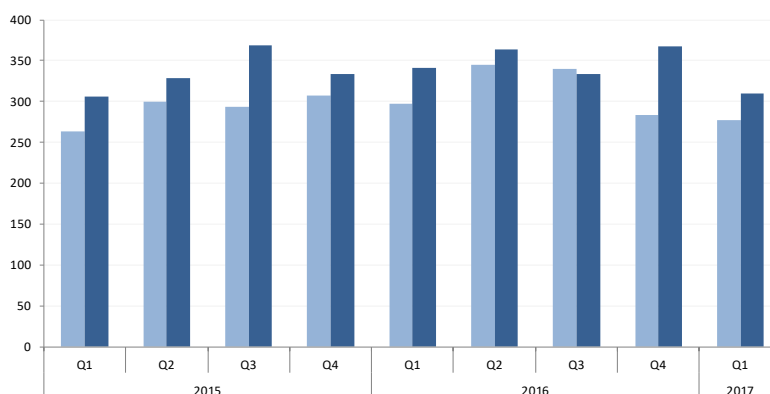


Source : Epsilon Research / CorpfinDeals

Brexit impact ? Decline in M&A activity in the United Kingdom in the 1st quarter 2017

After big increases in the 4th quarter of 2016 (+10% in volume), M&A activity in the UK has fallen in the 1st quarter of 2017 (-9.5% in volume/-15% in value) compared to the 1st quarter of 2016.

Eurozone activity vs UK (€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

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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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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