

# Argos Index<sup>®</sup>

The mid-market reference

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## The mid-market reference

The Mid-market Argos Index<sup>®</sup> tracks the valuation of unlisted eurozone SMEs. The index was launched at the end of 2006 by Argos Wityu and Epsilon Research, an online platform for managing M&A transactions on listed companies. Published quarterly, the index catalogs mid-market acquisitions that have taken place during the previous three months.

4<sup>th</sup> Quarter 2023

9.0x



“ The Argos Index® was born out of the desire to create a database for the unlisted market that would be both methodologically robust and rich in high-quality information. Robustness is the index’s salient characteristic. ”

**Louis Godron,  
Managing Partner, France**

“ When the CEO of a company wonders if now is the right time to sell, the Argos Index® supplies essential business cycle information and helps him or her make a decision. The Argos Index® derives its legitimacy from its longevity and independence. ”

**Frank Hermann,  
Managing Partner, DACH**

“ If the Argos Index® is now a benchmark in Europe, it’s because we use information from our EMAT (Epsilon multiple Analysis Tool) database that has been proven to be reliable. The index has always been based on this methodology. We work meticulously, transaction by transaction, examining documents, analyzing annual reports, reconstituting transactions and building hypotheses. ”

**Grégoire Buisson,  
Founder & CEO, Epsilon Research**

# Main conclusions

- The Argos Index® has stabilized at 9.0x EBITDA.
- Prices are still convergent between the upper and lower segments of the mid-market.
- Multiples paid by strategic buyers continue to decrease, as those paid by investment funds stabilize.
- High proportion of transactions below 7x EBITDA.
- M&A activity resilience in Q4, though in a downward market.

## 01 | The Argos Index® has stabilized at 9.0x EBITDA

After the Q3 2023 decrease, the Argos Index® has stabilized at 9.0x EBITDA in Q4, close to its 20 years average.

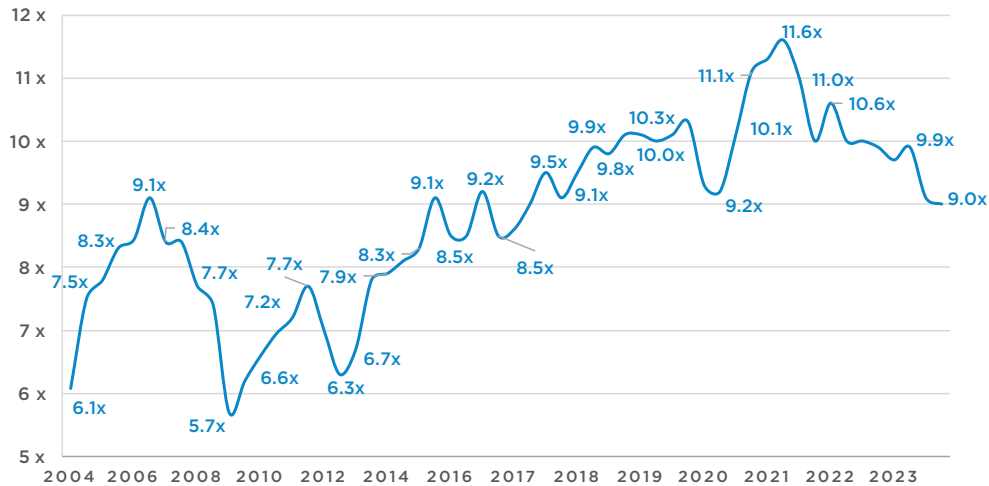
Prices are still convergent between market segments. Both the upper and lower mid-market multiples are stable vs. Q3. Their difference is at a low 1.5x EBITDA in Q4, while the proportion of multiples >15x EBITDA dropped to 12% of the index sample. Prices paid by investment funds are unchanged at 9.4x EBITDA though prices paid by strategic buyers continued to decrease to 8.7x EBITDA.

The M&A activity was heavily impacted by the adverse 2023 macro-economic environment of inflation, interest rates hikes, slowing growth, geopolitical tensions. Mid-market activity was down 10% in volume and 25% in value in 2023, as the LBO segment dropped by 12% in volume and 30% in value. Sellers' prices have gradually adjusted to this environment, as shown in the 10% price decline in 2023, and the high proportion of multiples below 7x EBITDA.

However, both transaction multiples and M&A activity have stabilized in Q4, as financial conditions may be shifting. With decelerating inflation and dropping long-term interest rates, equity markets rebounded quickly. Investment funds volume activity was up 20% this quarter, backed by record levels of dry powder.

Besides, the resilience of the M&A activity and prices is linked to the imperative for corporates to adapt and transform their business models, make transformative acquisitions, as they face technological disruption, climate change and demographic shifts.

### Argos Index® mid-market Median EV/EBITDA multiple on a six-month rolling basis



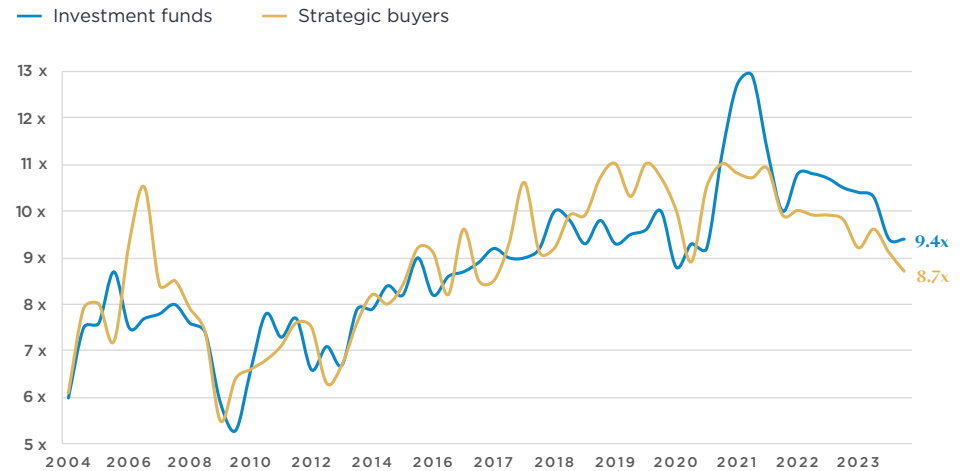
Source : Argos Index® mid-market / Epsilon Research

## 02 | Multiples paid by strategic buyers continue to decrease, as those paid by investment funds stabilize.

Multiples paid by strategic buyers decreased by 4% at 8.7x EBITDA in Q4, although public equity markets were back up this quarter<sup>(1)</sup>, driven by decelerating inflation and expected early interest rates cuts by the ECB. Large corporates continue to look for transformative acquisitions and lower-priced opportunities as they keep a high share of the M&A market in Q4 (85% in volume).

Multiples paid by investment funds were stable 9.4x EBITDA, despite the higher-rate environment that drives up their borrowing cost. They remained resilient and opportunistically deployed more capital this quarter. They still benefit from record dry powder<sup>(2)</sup> and continue to make selective acquisitions of quality assets (at higher prices). Investment funds represented 30% of the deals at multiples > 15x EBITDA in the Q4 Index sample, but only 20% of the deals < 7x EBITDA.

### Enterprise value / historical EBITDA



Source : Argos Index® mid-market / Epsilon Research

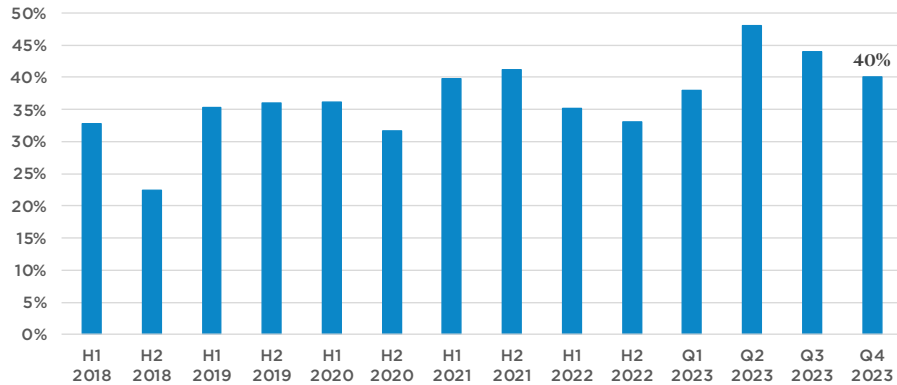
<sup>(1)</sup> The EURO STOXX® TMI Small is up 7.9% in Q4 2023.

<sup>(2)</sup> PE funds have a record \$2.59tn of "unspent investor cash" in January 2024 - Source: S&P Market Intelligence in the FT, 03.01.2024

### 03 | High proportion of transactions below 7x EBITDA

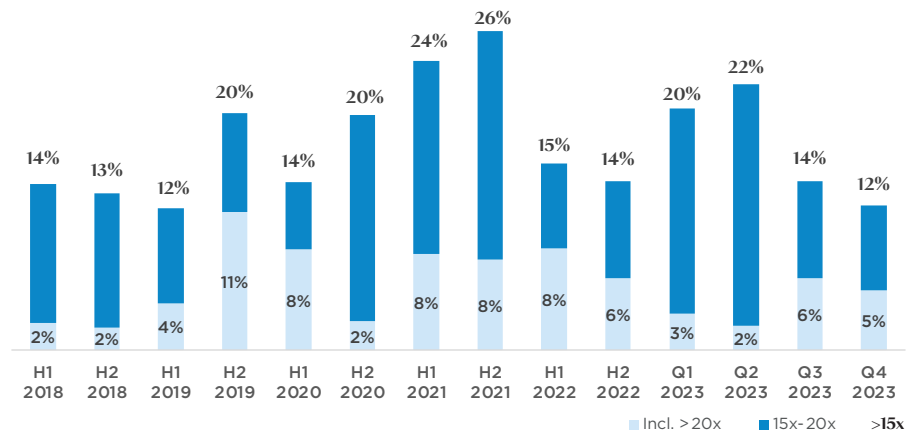
40% of the transactions in Q4 2023 are at extreme multiples < 7x or > 15x EBITDA, down from last quarter but still at a high level. However, the proportion of transactions at multiples > 15x EBITDA continues to decrease, as prices are both falling and converging.

Share of transactions at extreme multiples (<7x and >15x EBITDA)



Source : Argos Index® mid-market / Epsilon Research

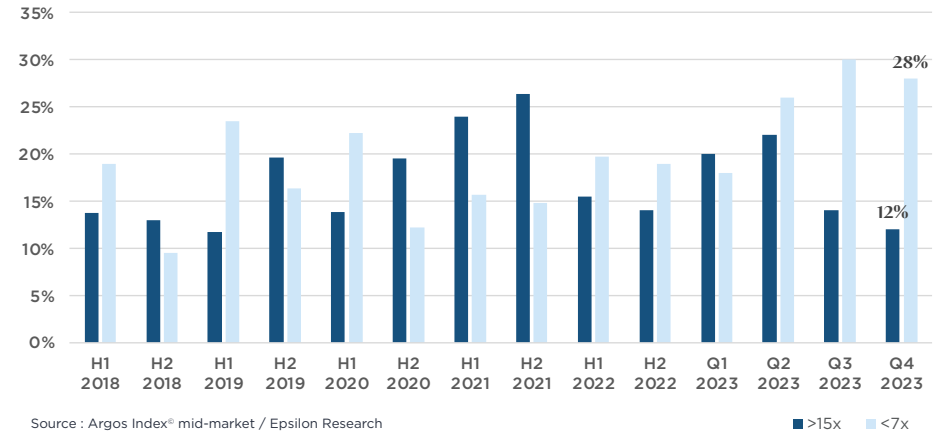
Share of transactions at multiples >15x EBITDA Argos Index® sample



Source : Argos Index® mid-market / Epsilon Research

Transactions at multiples < 7x EBITDA account for 28% of analysed transactions, a very high level that highlights downward pressure on prices.

Share of transactions at multiples <7x and >15x EBITDA Argos Index® sample



Source : Argos Index® mid-market / Epsilon Research

### 04 | M&A activity resilience in Q4, though in a downward market

Euro zone M&A activity in Q4 is back to its Q2 levels, in both volume (c.150 deals) and value (€4.5bn disclosed), although the annual trend is still downward: by 10% in volume and 25% in value vs. 2022. The LBO mid-market shows the same trend<sup>(1)</sup>: a rebound in Q4 (number of deals up 20% vs. Q3) in a declining 2023 market, down 12% in volume, 30% in value.

The 2023 M&A activity was heavily impacted by the adverse macro-economic environment: inflation, economic volatility, geopolitical tensions, increased regulatory scrutiny, supply chain disruptions, as well as interest rates hikes that quickly increased the cost of both debt and capital. In 2023 the global M&A market dropped by 17% below \$3tn<sup>(2)</sup>, its lowest level in 10 years, while Europe showed the sharpest drop, down 28% annually.

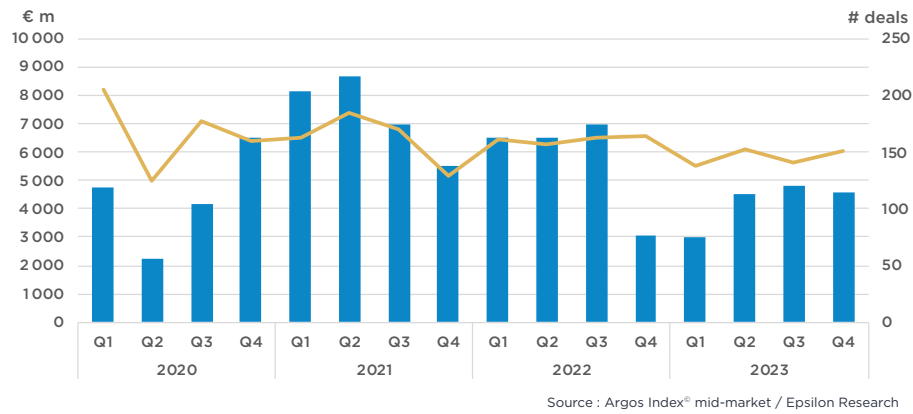
The year-end M&A market resilience was linked to the improvement in financial markets, as the monetary tightening cycle seem to come to an end and markets expecting rates cuts in 2024. Although risks remain of persistent inflation, fears of recessions, and ongoing geopolitical risks.

<sup>(1)</sup>Source: Epsilon Research / MarketIQ

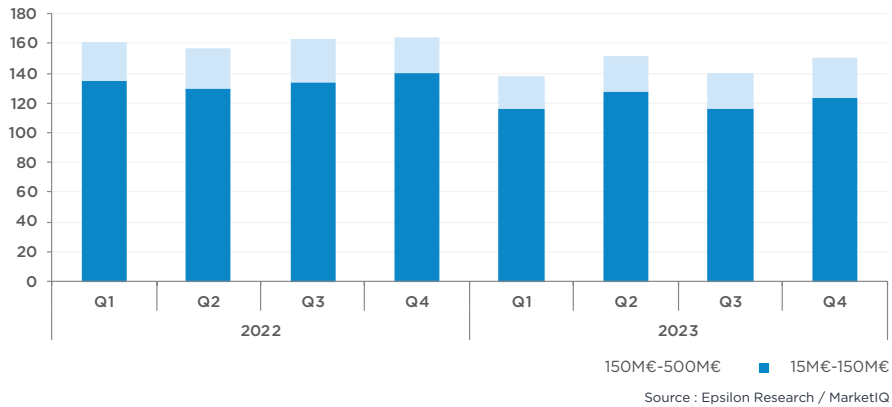
<sup>(2)</sup>Global M&A activity was down 17% to \$2.87tn in 2023, with c. 53.500 deals, according to Refinitiv (LSEG) in the FT, 29.12.2023 / Les Echos, 02.01.2024

## Eurozone mid-market activity (€15-500m) in volume and value

- Value of disclosed mid-market transactions (€15-500m)
- Estimated number of mid-market transactions (€15-500m)

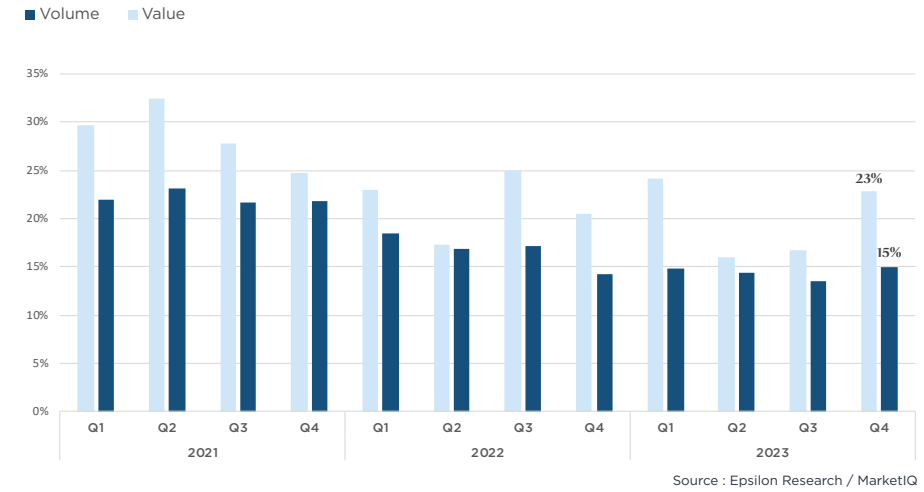


## Eurozone Mid-market - Number of deals



Investment funds activity was up in Q4, and their share<sup>(1)</sup> in Q4 mid-market M&A increased to 15% in number of deals - still a low level - and 23% in value.

## Share of LBO in Eurozone Mid-market M&A



<sup>1</sup> Does not include build-ups



# All on the Argos Index<sup>®</sup>



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The index serves as a benchmark for all participants in the unlisted market. It is based on a rigorous methodology and a detailed, individual analysis of each transaction, including the structure of the transaction, the company's business activity (restated financial information) and transaction multiples. The index is calculated using data from Epsilon Research's EMAT (Epsilon Multiple Analysis Tool) database, which is based on analyses of more than 10 000 M&A transactions.

Every quarter, based on reliable financial information, Epsilon Research analyzes in detail around 25% of the transactions that meet the criteria for inclusion in the index: acquisition of a majority stake in a eurozone company whose book value is between €15 and €500 million.



One firm, two strategies. Argos Wityu is an independent European private-equity group that supports the growth of mid-sized business and back their management teams.

With more than €1.4bn assets under management, over 30 years of experience, and more than 90 businesses assisted, Argos Wityu operates from offices in Brussels, Frankfurt, Geneva, Luxembourg, Milan, and Paris. The group seeks to acquire majority stakes and invests between €10m and €100m in each investment of its two strategies:

- The Mid-Market fund helps companies implement ownership transitions to accelerate growth.
- The Climate Action fund aims at shaping European sustainable leaders by making their 'grey-to-green' transition.



Epsilon Research developed the first online platform for the management of non-quoted M&A transactions, aimed at M&A professionals.

The Epsilon platform includes data, analysis reports, software and services essential for private company valuation / deal management: EMAT, the largest database of European private company transaction multiples, with detailed analysis of 8,000 M&A deals, ranging from €1m to €500m in value, covering all industry sectors; indices and studies published regularly by Epsilon, including the Argos Index; cloud-based software for managing M&A contacts and projects; valuation of comparables, private equity fund investments.



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