

# Argos Index<sup>®</sup>

The mid-market reference

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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.

1<sup>st</sup> Quarter 2024

**8.9x**

“ 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<sup>®</sup> decreased slightly to 8.9x EBITDA.
- Prices are still converging between the upper and lower segments of the mid-market.
- The Index is driven by the decrease of multiples paid by investment funds.
- Record proportion of transactions below 7x EBITDA.
- M&A activity stable after a limited fall in 2022/2023.

## 01 | The Argos Index<sup>®</sup> decreased slightly to 8.9x EBITDA

The Argos Index<sup>®</sup> is slightly down at 8.9x EBITDA in Q1 2024, continuing a 2.5 years decline since its Q2 2021 peak. It is its lowest level since 2017, close to its 20 years average. The Argos Index<sup>®</sup> was driven this quarter by the decreasing prices paid by investment funds (down to 9.1x EBITDA), that gradually converge with those paid by strategic buyers (stable at 8.7x EBITDA).

The downward pressure on prices is also highlighted by the drop in multiples on the upper mid-market (down by 4x EBITDA since Q1 2023), that converge with lower mid-market multiples. The proportion of multiples > 15x EBITDA is stable at 13% of the Argos Index<sup>®</sup> sample but with no deal > 20x, as Tech & Healthcare deals represent only 30% of the sample, a record low. Besides, sellers' prices continue to adjust, with a record proportion of deals < 7x EBITDA.

The M&A mid-market activity is stable this quarter, in line with the low quarterly volume of the last two years, but contrasts with the global M&A market rebound<sup>(1)</sup>. As financial conditions are shifting, this apparent stability hides conflicting trends: (i) delayed effects of the adverse 2023 macro-economic conditions, with record high interest-rates, low growth and geopolitical risks, still weight on both activity and prices; (ii) receding uncertainty on rates, as inflation in the euro zone has fallen significantly from its 2022 peak, pushes for a gradual recovery<sup>(2)</sup>.

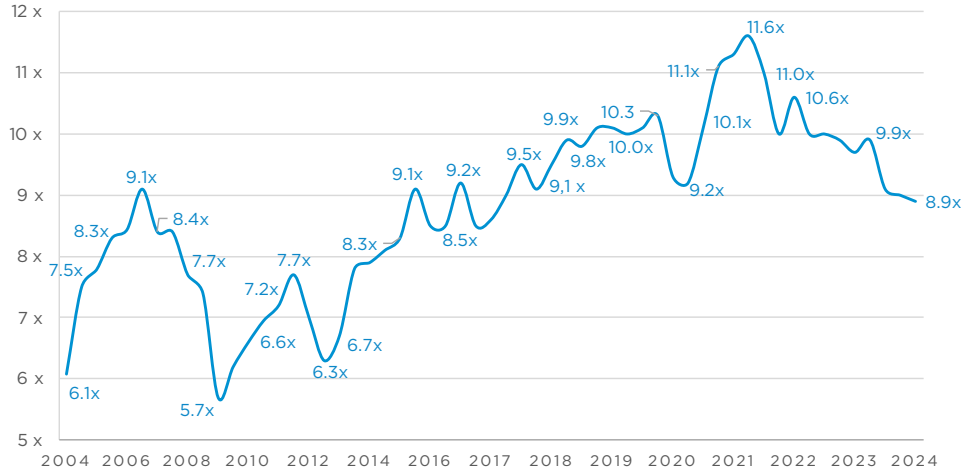
In this context, the M&A mid-market has continued to show remarkable resilience, backed by the imperative for PE funds to renew their investment portfolio<sup>(3)</sup> and corporates to adapt and transform their business models.

<sup>(1)</sup> The European M&A market activity was up 60% in Q1 2024 vs. 2023 (source: LSEG / FT, 28.03.2024)

<sup>(2)</sup> Euro Zone GDP increased by 0.3% in Q1 2024 (+0.1% in Q4 2023), with inflation down to 2.4% in March (Eurostat).

<sup>(3)</sup> PE groups globally have a record 28,000 unsold companies worth more than \$3.2tn, according to the latest Bain Global Private Equity Report 2024

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



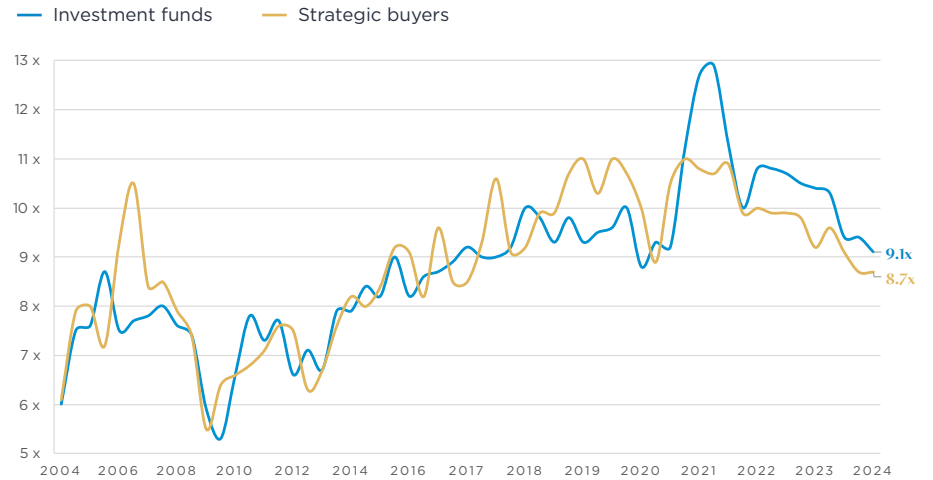
Source : Argos Index® mid-market / Epsilon Research

**02 | The Argos Index® is driven by the decrease of multiples paid by investment funds**

Multiples paid by investment funds were down 3% to 9.1x EBITDA and came closer to multiples paid by strategic buyers, as the high-rate environment drives up their borrowing cost. However they continued to deploy capital this quarter and increased their share of the M&A market: they still benefit from record dry powder and continue to make selective acquisitions of quality assets. Investment funds represented almost half of the deals at multiples > 15x EBITDA in the Q1 Index sample.

Multiples paid by strategic buyers were stable at 8.7x EBITDA in Q1, while public equity markets continued to recover<sup>(1)</sup>, driven by decelerating inflation, expected interest rates cuts by the ECB and prospects of a soft-landing scenario. Large corporates continue to look for transformative acquisitions and lower-priced opportunities: strategic buyers represented 65% of the transactions < 7x EBITDA.

**Enterprise value / historical EBITDA**



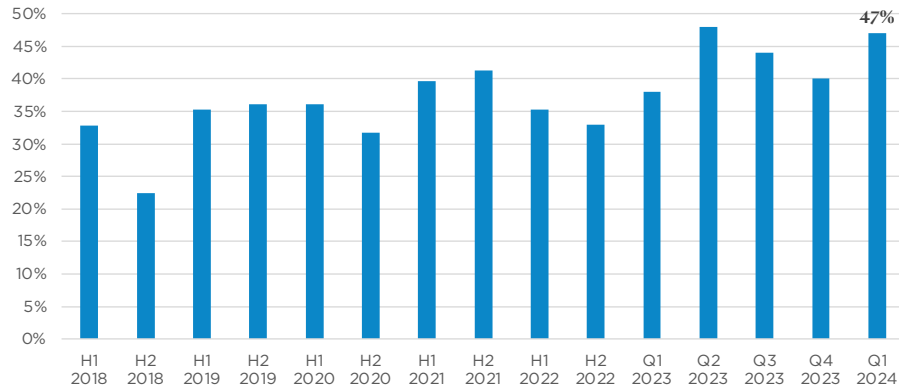
Source : Argos Index® mid-market / Epsilon Research

<sup>(1)</sup> The EURO STOXX® TMI Small is up 3.4% in Q1 2024.

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

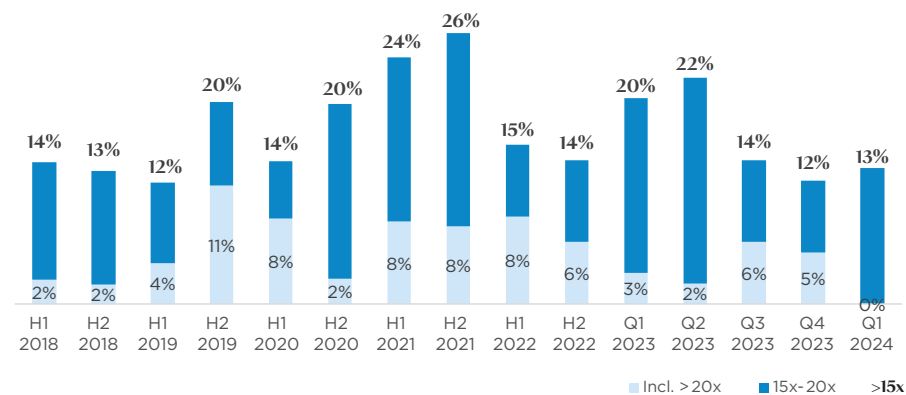
47% of the transactions in Q1 2024 are at extreme multiples < 7x or > 15x EBITDA, one of the highest level since 2018. The proportion of transactions at multiples > 15x EBITDA is stable at a low level, with no multiples > 20x.

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



Source : Argos Index® mid-market / Epsilon Research

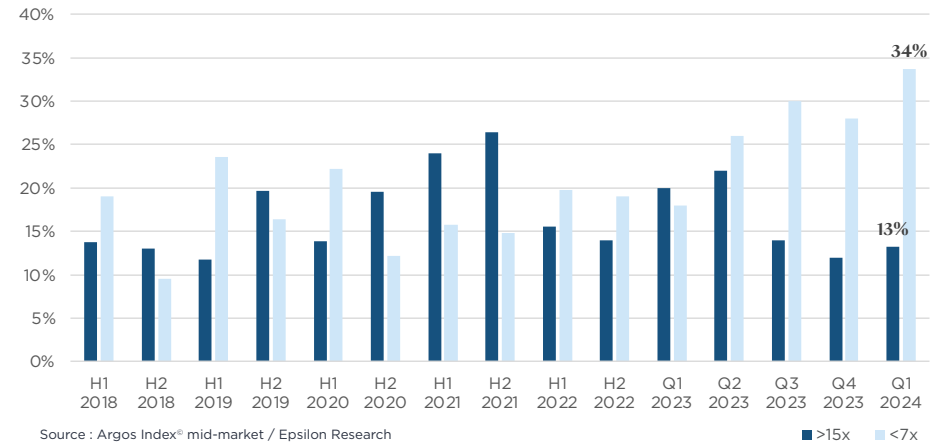
Share of transactions at multiples >15x EBITDA Argos Index® sample



Source : Argos Index® mid-market / Epsilon Research

Transactions at multiples < 7x EBITDA account for 34% of analysed transactions, a record 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 stable in Q1, after a limited fall in 2022 / 2023

The Euro zone M&A deal volume was stable this quarter (c.150 deals), with disclosed value down 8%. The activity was driven by the gradual recovery of the LBO mid-market<sup>(1)</sup> after the rebound in Q4 2023: the activity was up 5% in volume vs. Q4 and 17% in value. The share of LBOs increased to 18% of the M&A market (in number of deals), back from 14% in mid-2023, but still below its 20%+ level in 2021.

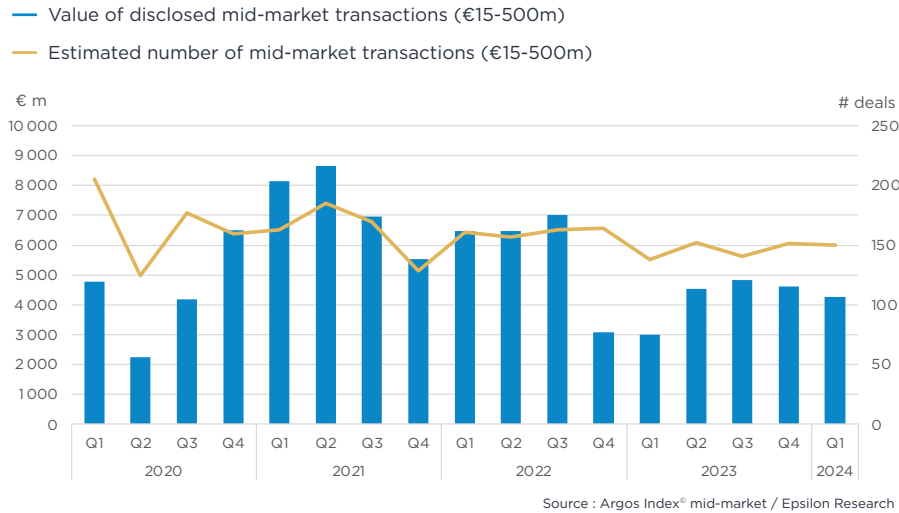
The overall mid-market M&A activity stability contrasts with the rebound of the global M&A market<sup>(2)</sup>, backed by the stabilisation of interest rates (though at a high level), as inflation has fallen significantly from its 2022 peak. However, this recovery is still hindered by economic volatility, geopolitical risks, and delays in interest rates cuts anticipated by the financial markets.

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

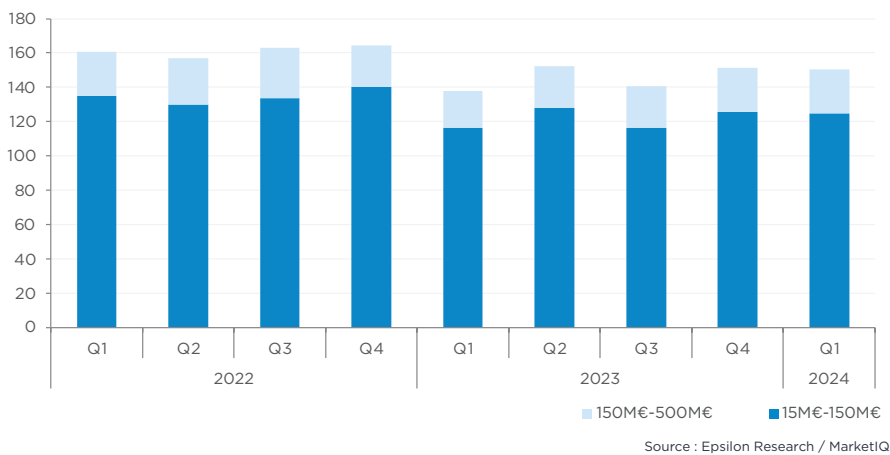
<sup>(2)</sup> Global M&A activity was up 30%, with deals > \$10bn more than doubled in Q1 2024 (vs. 2023), according to LSEG in the FT, 28.03.2024

The global large cap M&A market recovers after two years of strong decline. The mid-market is less volatile: more stable under adverse economic conditions, with a limited activity fall in 2022/23, and a more restrained rebound as conditions improve. This is particularly true for the lower-mid-market, which remained broadly stable in Europe.

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

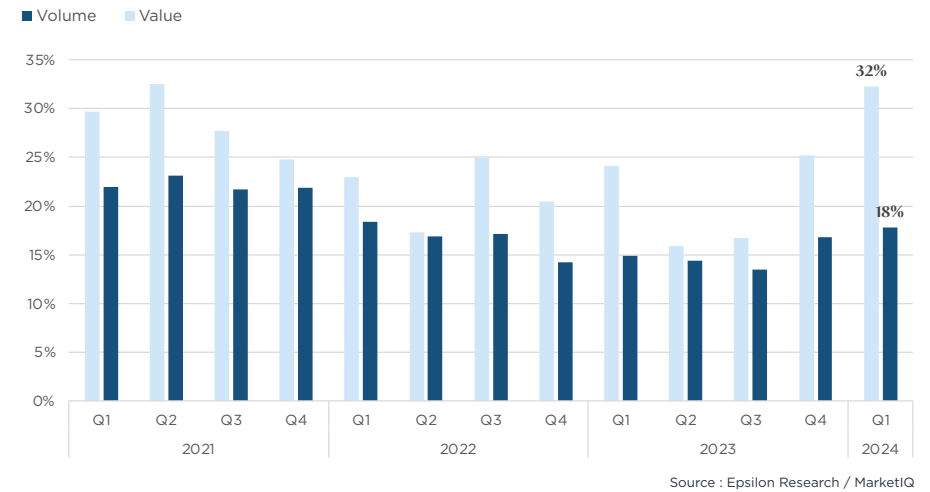


### Eurozone Mid-market - Number of deals



Investment funds activity was up in Q1, and their share <sup>(1)</sup> in Q1 mid-market M&A increased to 18% in number of deals and a record 32% in value.

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



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

# All on the Argos Index®



The Argos Index® Mid-market 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.

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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