

Argos Index[®]

The mid-market reference

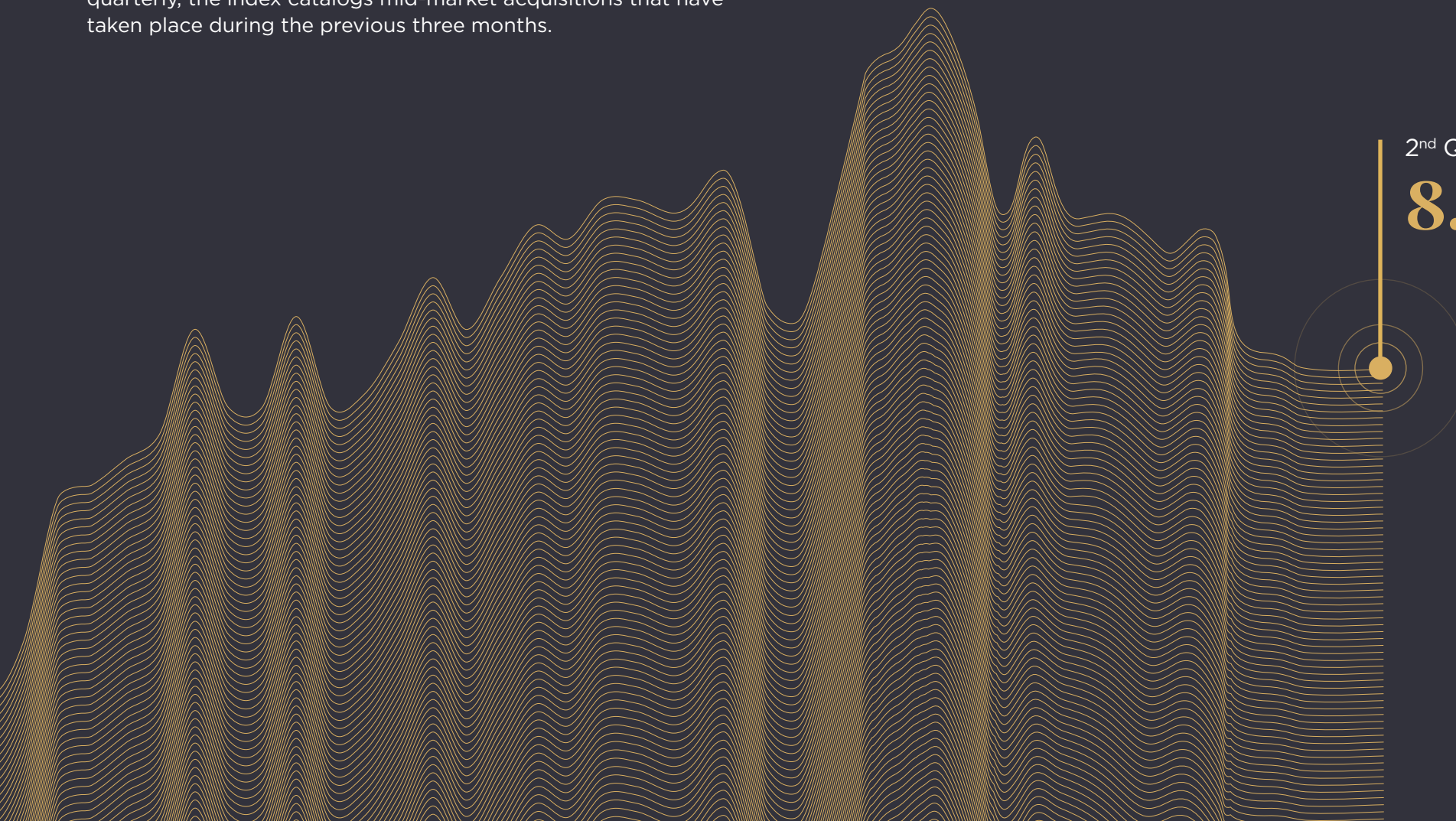
Argos Index[®]

The mid-market reference

The Mid-market Argos Index[®] 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.

2nd 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® stabilized at 8.9x EBITDA;
- The Index is backed by the limited increase of the multiples paid by investment funds, and by the slow recovery of the M&A activity;
- Prices stopped converging between the upper and lower segments of the mid-market;
- A polarized market: there continues to be a record proportion of transactions below 7x EBITDA, and an increasing proportion of transactions above 15x EBITDA, mainly private equity deals.

01 | The Argos Index® stabilized at 8.9x EBITDA

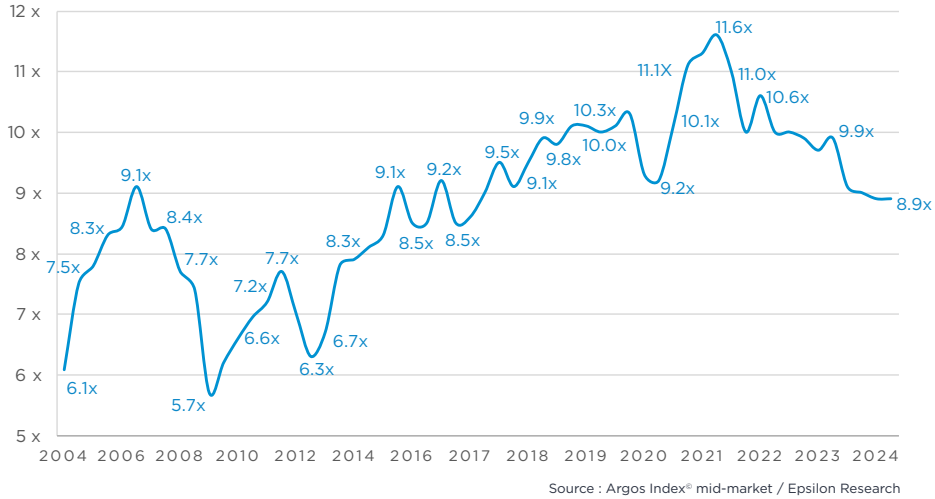
The Argos Index® has stabilized at 8.9x EBITDA, slightly above its 20 years average. Multiples paid by investment funds rose slightly to 9.3x EBITDA, while multiples paid by strategic buyers remained stable at 8.7x EBITDA.

The Index is backed by the slow recovery of the mid-market M&A activity (+5% volume activity in H1, although on lower value at -12%), as macro-economic conditions are stabilizing, with falling inflation and expectations of ECB reducing interest rates ahead of the Fed. But economic and political uncertainties prevent a full M&A recovery. Financing conditions are still the toughest in a decade and the high cost of capital still weights on valuations.

In this context, prices have stopped converging between the upper and lower segments of the mid-market. The mid-market appears increasingly polarized. Extreme multiples are at their highest level (representing almost half of the Index sample). Transactions below 7x EBITDA are at a record level (31%), highlighting the continued downward pressure on prices, while the proportion of multiples > 15x EBITDA is increasing (at 17%). The dispersion of the multiples, as measured by the interquartile range⁽¹⁾, is high: the middle 50% of the Index sample spreads between 6.4x and 12.2x EBITDA.

⁽¹⁾ The interquartile range (IQR), measuring the spread of the middle half of a distribution, is at 5.8x EBITDA in Q2, ie. 65% of the median.

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

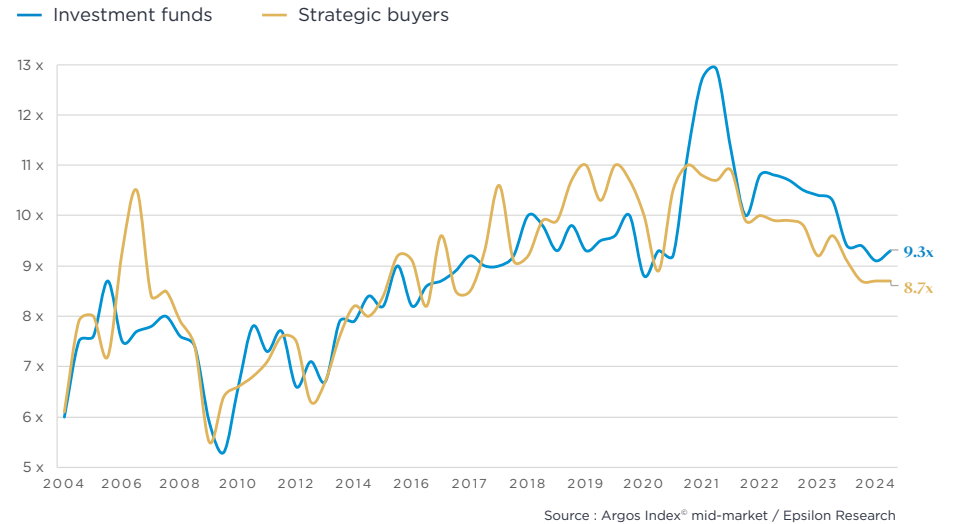


02 | The Argos Index® is backed by the small increase of multiples paid by investment funds

Multiples paid by investment funds are up 2% to 9.3x EBITDA, despite the high-rate environment, as the LBO activity and exits bounce back this semester. Investment funds adapt their strategies to a polarized market. They continue to make selective acquisitions of quality assets at higher prices and make opportunistic acquisitions at a lower price: funds represented 60% of the deals at multiples > 15x EBITDA in the Q2 Index sample (with 3/4 in tech & healthcare sectors) and 40% of the deals < 7x EBITDA.

Multiples paid by strategic buyers were stable at 8.7x EBITDA in Q2, the same level since Q4 2023, while public equity markets were back to their December 2023 level⁽¹⁾. Large corporates continue to make transformative acquisitions and to look for lower-priced opportunities.

Enterprise value / historical EBITDA

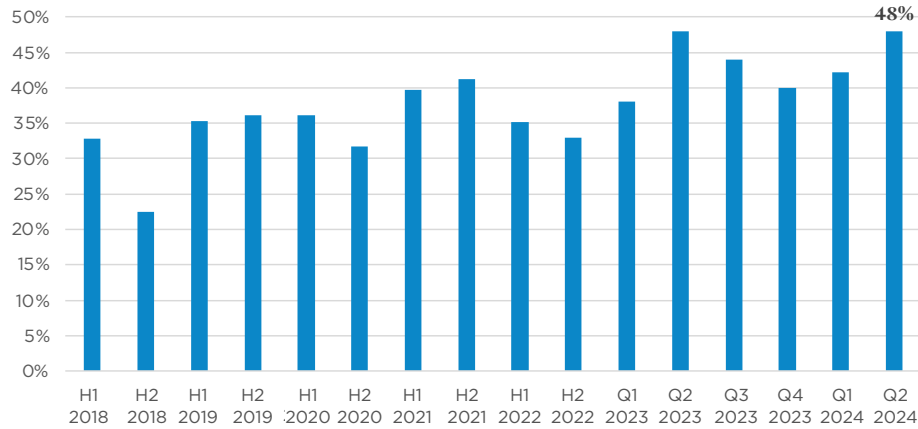


⁽¹⁾The EURO STOXX® TMI Small is down 3.6% in Q2 2024.

03 | Record proportion of transactions at extreme multiples

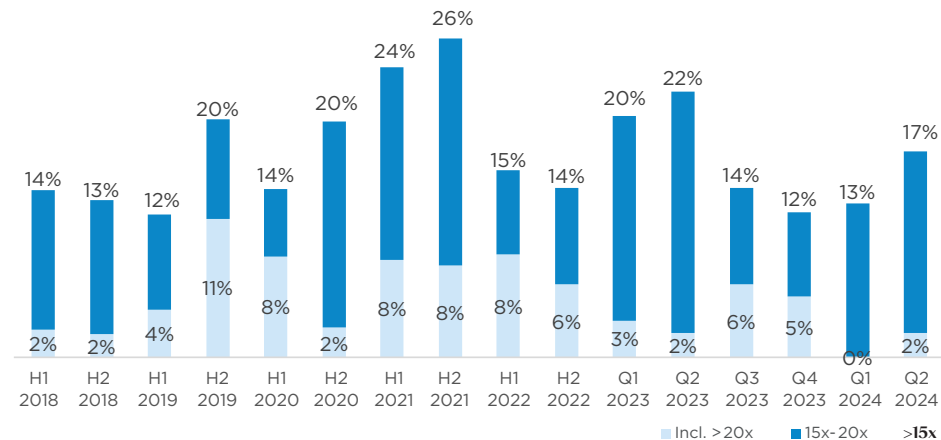
48% of the transactions in Q2 2024 are at extreme multiples < 7x or > 15x EBITDA, the highest level since 2018 as the M&A mid-market is getting more polarized. The proportion of transactions at multiples > 15x EBITDA is back up, with limited number of multiples > 20x.

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



Source : Argos Index® mid-market / Epsilon Research

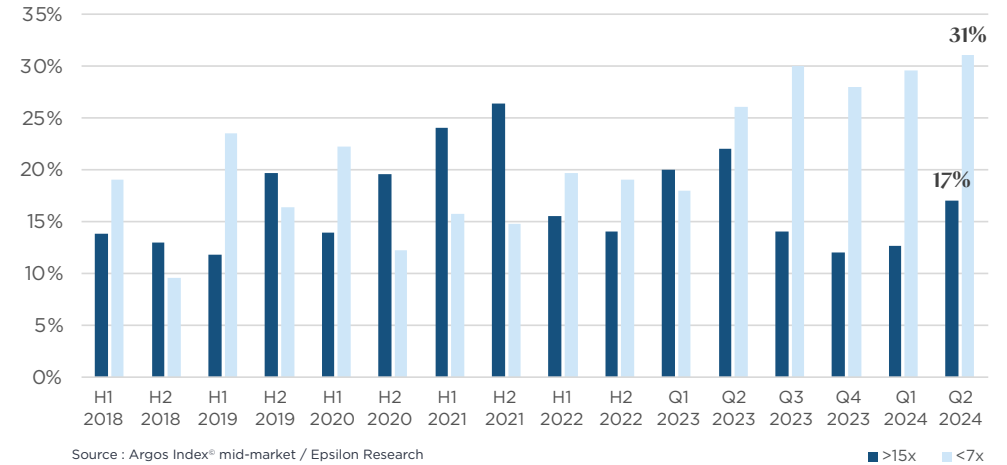
Share of transactions at multiples >15x EBITDA Argos Index® sample



Source : Argos Index® mid-market / Epsilon Research

Transactions at multiples < 7x EBITDA account for 31% of analysed transactions, a record high level that highlights downward pressure on prices in the lower end of the market.

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



Source : Argos Index® mid-market / Epsilon Research

04 | The M&A volume activity is slowly recovering

The Q2 M&A deal volume (estimated) is down to its Q4 2023 level. But the trend is still upward over the semester (+5% vs. S2 2023), driven by the lower end of the market (deals below 150M€).

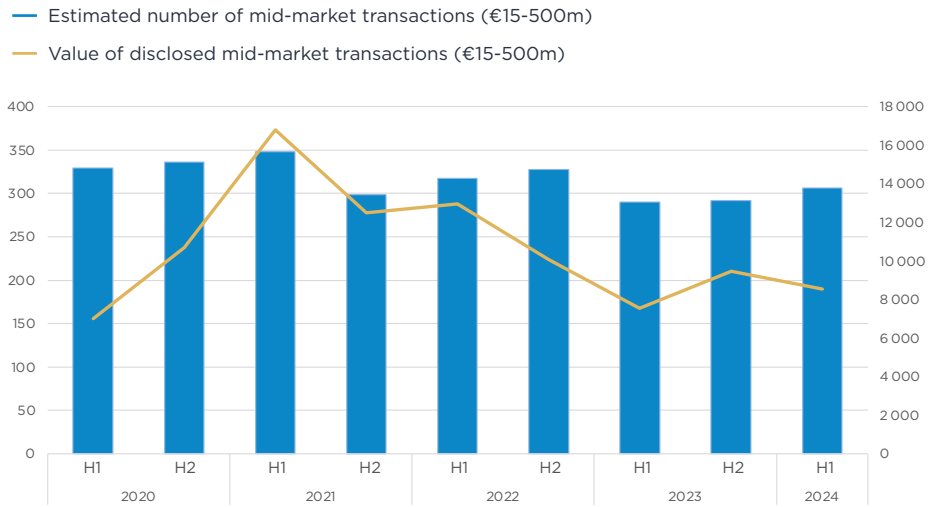
The mid-market is slowly recovering on the back of the global M&A market rebound⁽¹⁾, fuelled by the fall of inflation and expectations of decreasing interest rates, as the macro-economic environment has begun to stabilize. However, investors are still cautious as major economic and political uncertainties hang over the market.

The activity was supported by the gradual recovery of the LBO mid-market: it was up this semester by 16% in volume and 28% in value vs. S2 2023. The share of LBOs increased to 17% of the M&A market (in number of deals), up from 15% in 2023. Exits⁽²⁾ are also back up (+18% in volume, +5% in value) as investment funds sit on a record number of assets that they must sell down.

⁽¹⁾ Global M&A activity was up 22% to \$1.5tn in S1 2024, with +43% in Europe, according to LSEG in the FT, 27.06.2024

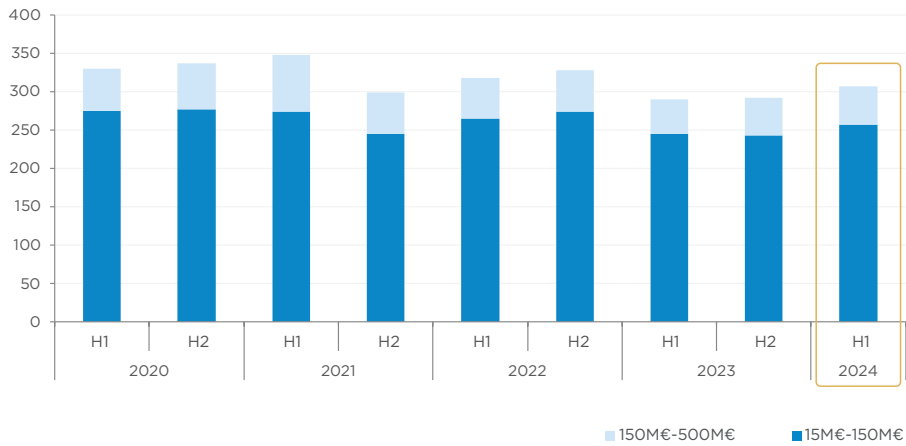
⁽²⁾ Source: Epsilon Research / MarketIQ

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



Source : Argos Index® mid-market / Epsilon Research

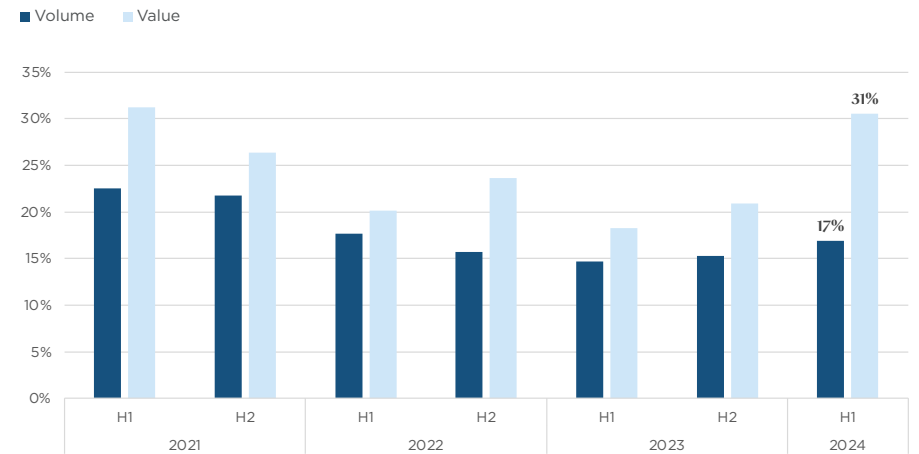
Eurozone Mid-market - Number of deals



Source : Epsilon Research / MarketIQ

Investment funds activity continued to slowly recover, and their share⁽¹⁾ in the S1 mid-market M&A increased to 17% in number of deals.

Share of LBO in Eurozone Mid-market M&A



Source : Epsilon Research / MarketIQ

¹ Does not include build-ups

All on the Argos Index®



The Argos index® mid-market

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 has developed the leading professional online platform for the management of unlisted M&A transactions. The platform includes data, analysis reports, software tools and services that are essential for evaluating and managing unlisted investments:

- The EMAT database of European transaction multiples, with detailed analysis of over 10,000 M&A deals covering all industry sectors;
- Indices and studies published regularly by Epsilon, including the Argos Index®;
- A tool for evaluating the portfolios of private equity funds;
- Cloud-based M&A CRM and project management software;
- An online dataroom for SME transactions.

Contacts

Louis Godron
Pierre Cassagnol
Argos Wityu
lgo@argos.fund
pca@argos.fund
+ 33 1 53 67 20 50

Coralie Cornet
Head of Communications
ccc@argos.fund
+ 33 1 53 67 20 63

Grégoire Buisson
Epsilon Research
gregoire.buisson@epsilon-research.com
+33 1 47 70 30 24

France
112, av. de Wagram
75017 Paris
+33 1 53 67 20 50

Italy
Piazza Diaz 5
20122 Milan
+39 02 00 660 700

Germany
Neue Mainzer Str. 52-58
60311 Frankfurt am Main
+49 69 5977217 30

Switzerland
114 rue du Rhône
1204 Genève
+41 22 849 66 33

Belgium
Av. Louise - Bt. 2
1050 Bruxelles
+32 2 554 12 40

Luxembourg
1-B rue Jean Piret
2350 Luxembourg
+352 2484 01 60

Amsterdam
Officia I (4th floor)
De Boelelaan 7
1083 HJ, Amsterdam
The Netherlands
+32 460 97 10 60

argos.wityu.fund