

Argos Index[®]

The mid-market reference

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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.

3rd Quarter 2024

9.5x



“ 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[®] climbs back to 9.5x EBITDA.
- This rise is mainly driven by the recovery of the multiples paid by investment.
- The prices are up on both the upper and lower segments of the mid-market.
- The market is less polarized as conditions improve: the proportion of transactions below 7x EBITDA dropped while the proportion above 15x EBITDA stabilized.
- The M&A mid-market volume activity confirms its recovery, led by the LBO market.

01 | The Argos Index[®] climbs back to 9.5x EBITDA

After 3 years of continuous decline, from 11.6x to 8.9x EBITDA, the Argos Index[®] bounced back in Q3 to 9.5x EBITDA. Multiples are up on both the lower and upper mid-market: multiples of the first and third quartiles are up to respectively 7.2x and 12.3x EBITDA. Multiples climbed also for both investment funds and strategic buyers – although the recovery of multiples paid by private equity funds pulled the market with a strong increase to 10.1x EBITDA.

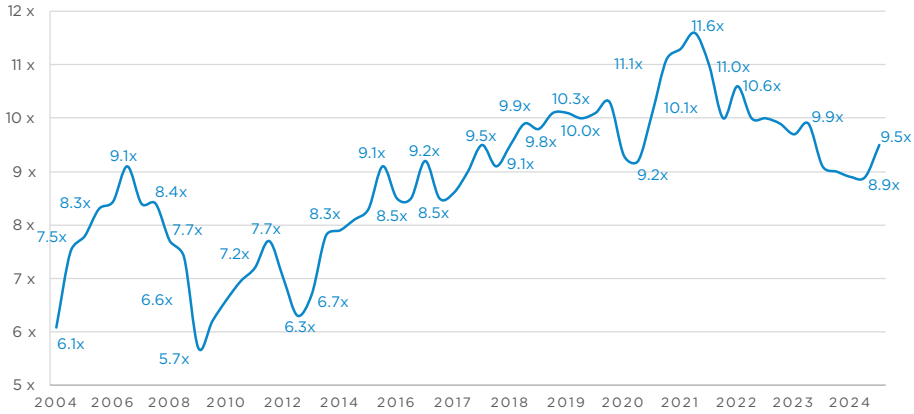
The Argos Index[®] was backed by the progressive recovery of the mid-market M&A activity, with Q3 deal volume 7% above their Q3 2023 level, and an upswing in the LBO activity. This rise benefited from improving financing conditions and lower cost of capital, despite the geopolitical and economic risks. Inflation fell quicker than expected⁽¹⁾ and the ECB started lowering interest rates initiating a path to continued rate cuts.

In this context of progressive recovery of both M&A activity and multiples, the market looked less polarized. Extreme multiples represented less than 40% of the Argos Index[®] sample in Q3 (close to its 5 years average) and transactions below 7x EBITDA dropped to 22% of the sample. The multiples dispersion as measured by the interquartile range also decreased⁽²⁾.

⁽¹⁾ Eurozone inflation fell below 2% in September on a yearly basis, while the GDP growth rate was 0.4% in Q3 (higher than the consensus forecast) – source: Eurostat.

⁽²⁾ The interquartile range (IQR), measuring the spread of the middle half of a distribution, decreased from 5.8x to 5.1x EBITDA in Q3, ie. 54% of the median.

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 mainly driven by the recovery of multiples paid by investment funds

Multiples paid by investment funds are up 8.6% to 10.1x EBITDA, fuelled by the recovering LBO and exits activity in 2024, by the decreasing borrowing costs⁽¹⁾ as interest rates are (gradually) lowering, and by rising leverages⁽²⁾. Private Equity funds continue to target quality assets at higher prices. They represented more than 45% of the Q3 deals above €250m and 57% of the deals at a multiple above 15x EBITDA (almost all secondaries).

⁽¹⁾ Funding costs have declined by 1 percentage point for the average European LBO borrower, according to Pitchbook (in the FT, 01.10.2024)

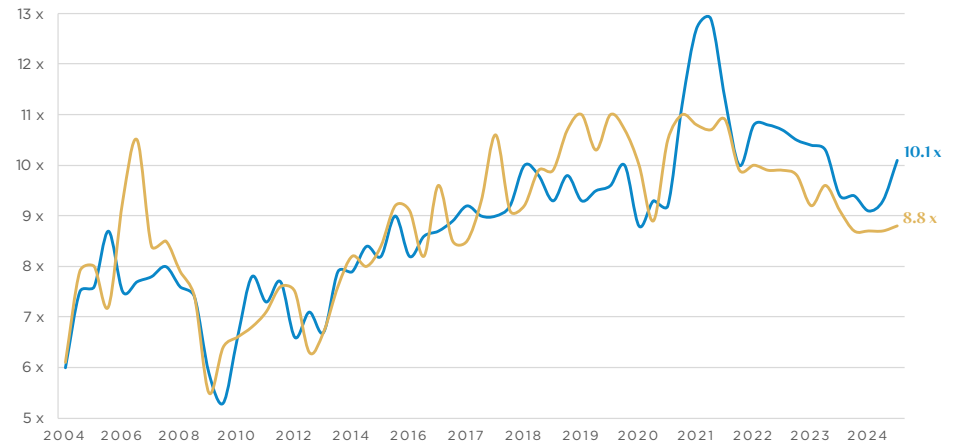
⁽²⁾ The percentage of deals with debt equivalent to 6-7x EBITDA has almost doubled since 2022 (ibid)

Multiples paid by strategic buyers were slightly up at 8.8x EBITDA in Q3, in line with public equity markets rebound⁽³⁾. Large corporates continue to look for transformative acquisitions and lower-priced opportunities. They represented more than 60% of the deals at a multiple below 7x EBITDA.

The gap between multiples paid by investment funds and strategic buyers is widening to 1.3x EBITDA. It confirms the structural change after the Covid crisis. While strategic buyers pay traditionally more than private equity funds - on average 0.2x EBITDA more between 2004 and 2020 - it is the opposite since 2021. Private Equity funds paid on average 0.9x EBITDA more than strategic buyers, fuelled by the availability of capital (ie. dry powder), low cost of debt, progressive return to availability of leverage at the higher end of the market, and by the higher qualified assets targeted.

Enterprise value / historical EBITDA

— Investment funds — Strategic buyers



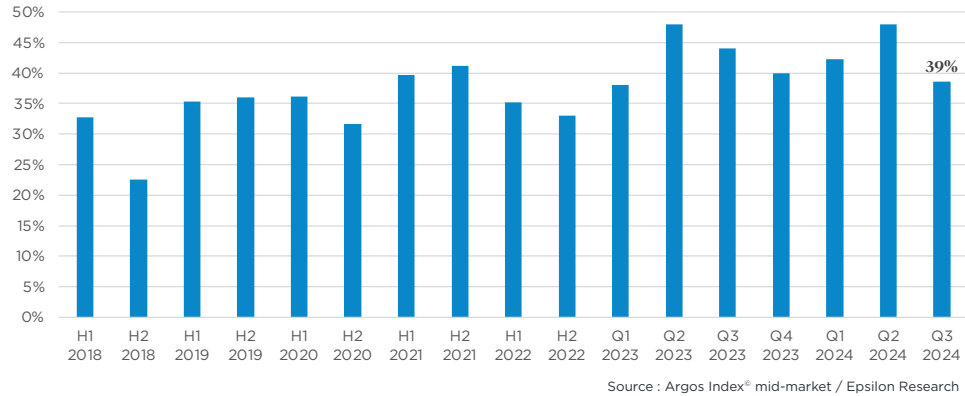
Source : Argos Index® mid-market / Epsilon Research

⁽³⁾ The EURO STOXX® TMI Small was up 9.2% between Q3 2023 and 2024.

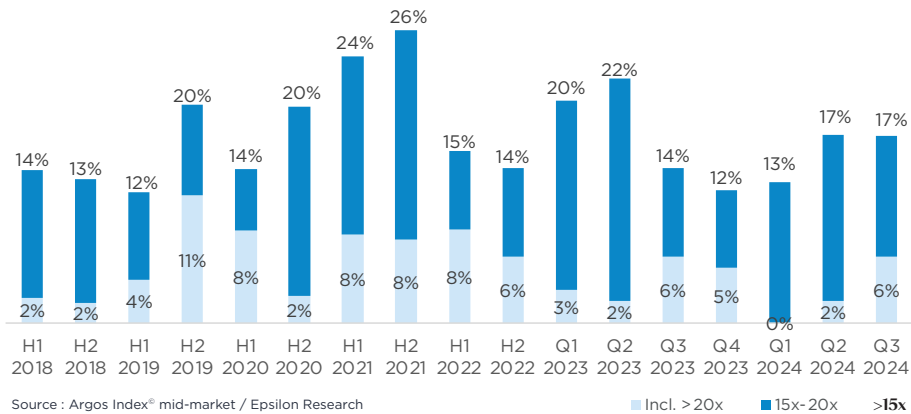
03 | Decreasing proportion of transactions at extreme multiples

39% of the transactions in Q3 2024 are at extreme multiples below 7x or above 15x EBITDA, a clear decrease since last quarter. The proportion of transactions at multiples above 20x EBITDA is back up, with stabilized number of multiples above 15x.

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

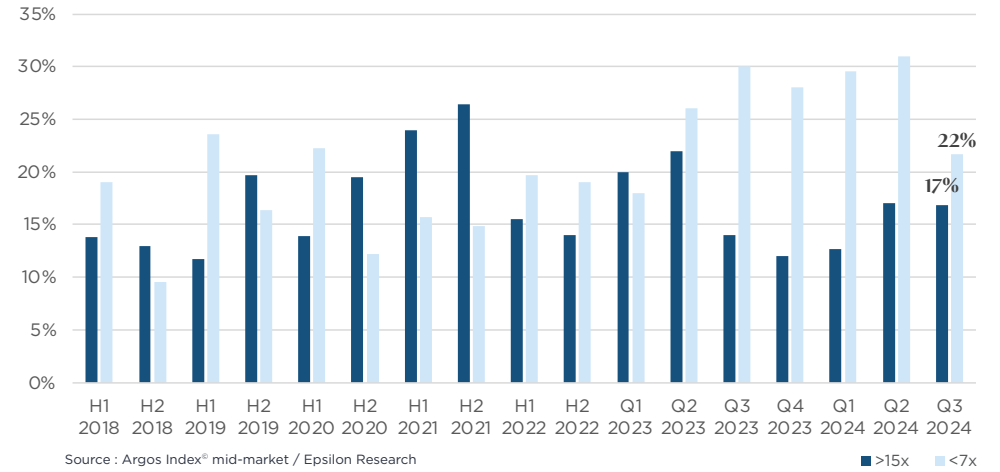


Share of transactions at multiples >15x EBITDA Argos Index® sample



Transactions at multiples below 7x EBITDA account for 22% of analysed transactions, a strong decrease since Q2 as the M&A market activity and multiples recover.

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



04 | The M&A volume activity confirms its recovery, led by the LBO market

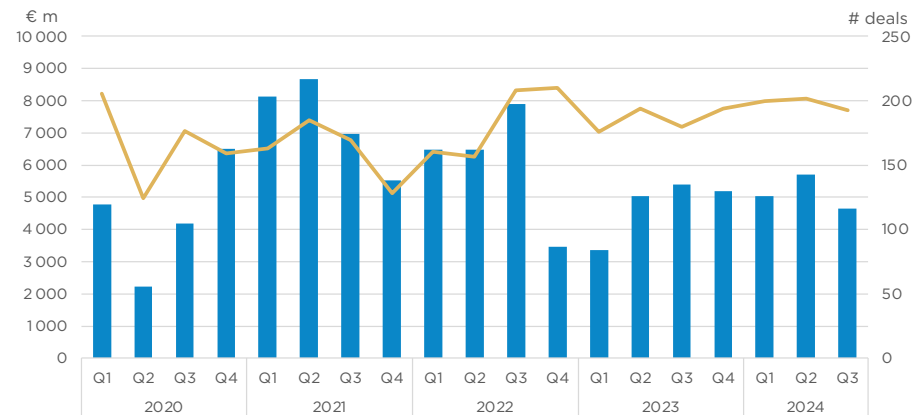
The Q3 (estimated) M&A deal volume is slightly down vs. Q2, but the trend is still upward as Q2 activity was higher than initially estimated. This confirms the progressive recovery on the mid-market. The activity for the first 3 quarters of 2024 is up 8% in volume at around 200 deals per quarter (and 11% in disclosed value) vs. the same period last year, largely driven by the lower end of the market (deals below 150M€).

The market sentiment improves as inflation has quickly dropped to target levels and the ECB has started to lower interest rates. The mid-market recovery is backed by the global M&A market rebound⁽¹⁾ and public equity market rally. It is however a slow process as major political uncertainties (Ukraine war, Middle East conflicts, US elections) and weak economic growth still hang over the eurozone market.

The activity was supported by the quicker recovery of the LBO mid-market. For the first 3 quarters of 2024, the number of transactions is up 30% and disclosed value up 80% vs. 2023, as private equity funds are first beneficiaries of decreasing interest rates and leverage costs. The share of LBOs thus continues to increase to 17% of the M&A market (in number of deals) in Q2/Q3, up from 15% in 2023.

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

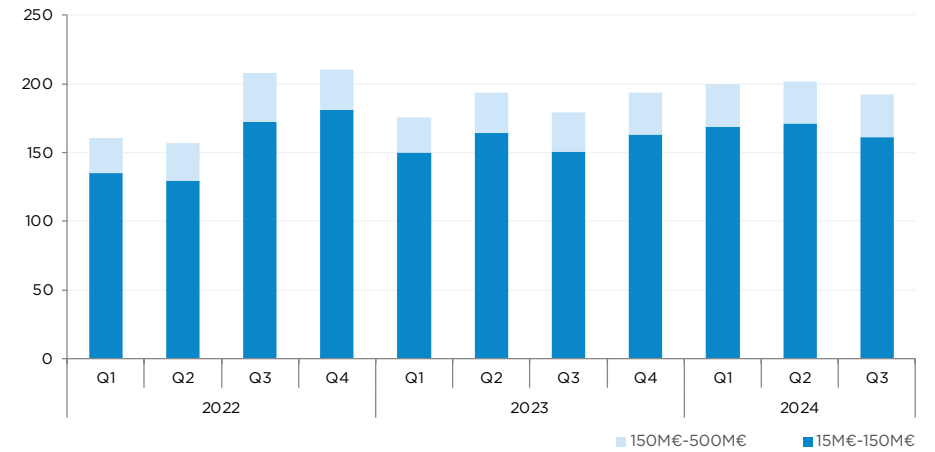
- Disclosed value of mid-market transactions (€15-500m)
- Estimated number of mid-market transactions (€15-500m)



Source : Argos Index® mid-market / Epsilon Research

⁽¹⁾ Global M&A activity was up 17% to \$2.3tn in 3Q 2024, according to LSEG in the FT, 27.09.2024

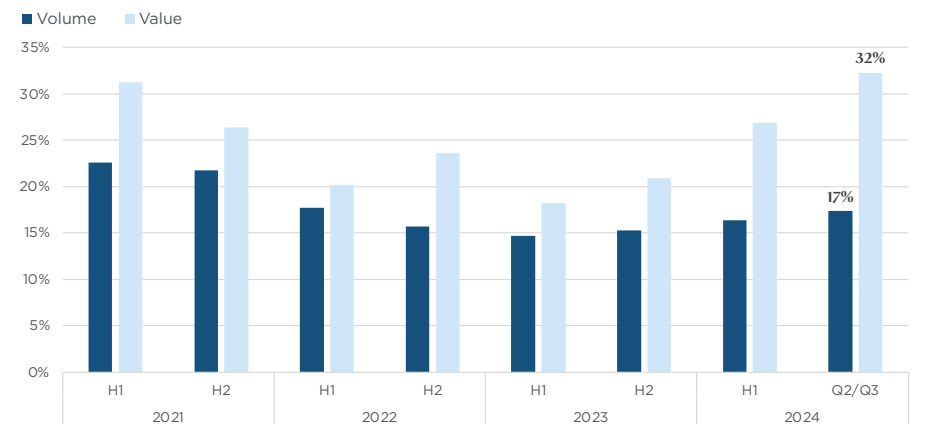
Eurozone Mid-market - Number of deals



Source : Epsilon Research / MarketIQ

Investment funds activity continued to recover. Their share⁽¹⁾ in the Q2/Q3 mid-market M&A increased to 17% in number of deals and 32% in disclosed value.

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

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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 supporting the growth of SMEs and mid-caps and their management teams.

It has more than €1.8 billion in assets under management, over 35 years of experience, has supported more than 100 companies and operates from offices in Amsterdam, Brussels, Frankfurt, Geneva, Luxembourg, Milan and Paris. The group seeks to acquire majority interests and invests between €10 million and €100 million per investment via its two strategies:

- The Argos Mid-Market fund helps companies arrange changes of ownership in order to accelerate growth.
- The Argos Climate Action fund (SFDR 9) aims to shape sustainable European leaders by facilitating 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.

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