

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 2021

11.0x



“ 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**

Principal conclusions

- The Argos Index® declined to 11.0x EBITDA
- The multiples paid by investment funds contracted
- A quarter of transactions were carried out at multiples >15x EBITDA, a stable proportion
- Listed companies were very active in the mid-market, buoyed by the rise in equity markets and the transformation of business models
- Mixed mid-market M&A activity: stable in volume but down in value

01 | The Argos Index® declined to 11.0x EBITDA

The Argos Index® declined to 11.0x EBITDA in the third quarter of 2021 but remained at an historically high level.

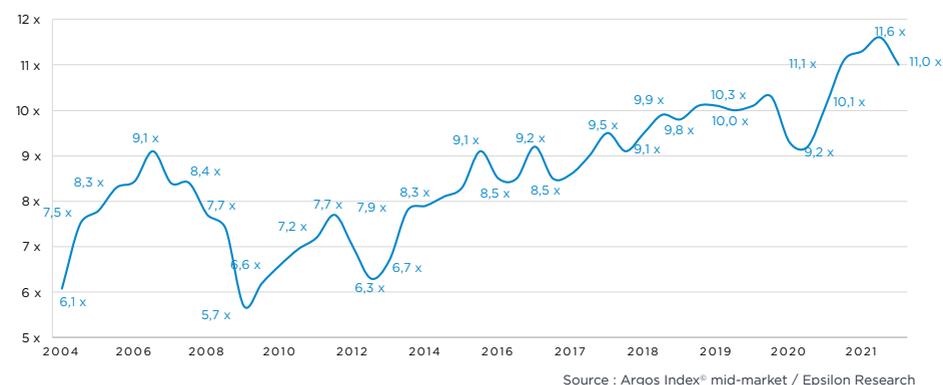
This decline reflected lower prices paid by investment funds, at 11.3x EBITDA, after the record high reached in the second quarter. The decline brought prices closer to the 10.9x EBITDA paid by industry players.

The correction in the index also reflected changes in the sectoral make-up of the sample, which returned to its pre-Covid composition. The number of transactions in traditional sectors returned to normal. Specifically, the proportion of transactions in the healthcare and technology sectors returned to less than 40% in the third quarter of 2021.

Polarisation among sectors also increased. The index's standard deviation was very high, in an atypical post-Covid context, where 2020/2021 figures are more difficult to interpret and cash flow is volatile.

Nevertheless, the index remained high because macroeconomic conditions remained particularly favourable. Economic growth has rebounded quicker and stronger than expected, as vaccination campaigns have been successfully rolled out across Europe, the European Union and its member states have provided massive support to the economy, and the ECB has maintained exceptional financial conditions. This environment has generated excess cash in search of returns.

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



02 | The multiples paid by investment funds contracted

The multiples paid by investment funds declined to 11.3x EBITDA after reaching a record high in the second quarter.

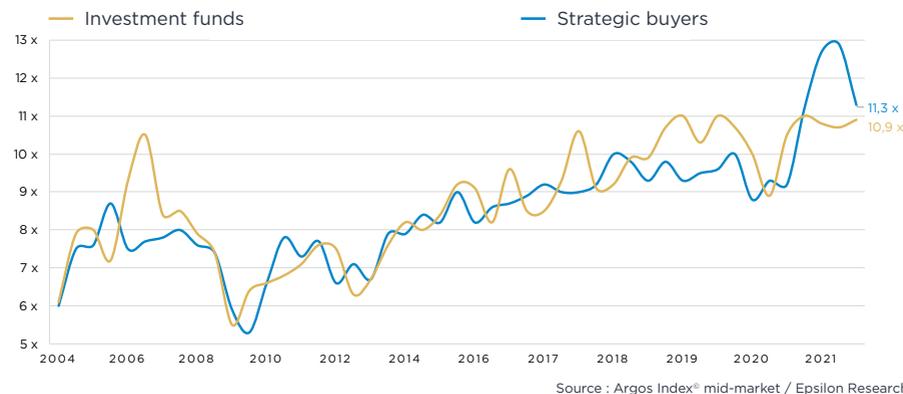
Transactions carried out during the period were less focused on healthcare and technology, and this had a direct impact on multiples.

Prices remained very high, however, and slightly higher than those paid by industry players. They continued to be supported by exceptional financing conditions, the oversupply of investment-seeking capital and by stiff competition on high-quality assets.

Worldwide investment fund activity⁽¹⁾ totalled \$820 billion over the first nine months of 2021, a level unseen since the 1980s, and represented a quarter of the M&A market.

¹Source : Refinitiv in Les Echos, 01.10.2021

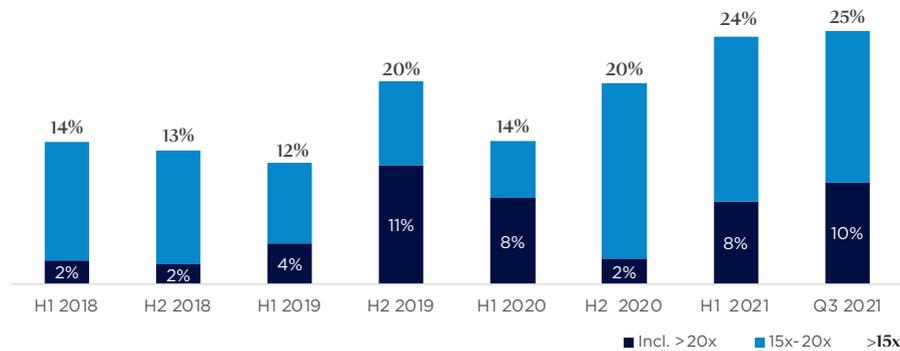
Enterprise value / historical EBITDA



03 | A quarter of transactions were carried out at multiples >15x EBITDA, a stable proportion

The share of transactions with multiples higher than 15x EBITDA remained high in the third quarter, at one-fourth of analysed transactions.

Percentage of transactions at multiples >15x EBITDA Argos Index™ sample



Source : Argos Index® mid-market / Epsilon Research

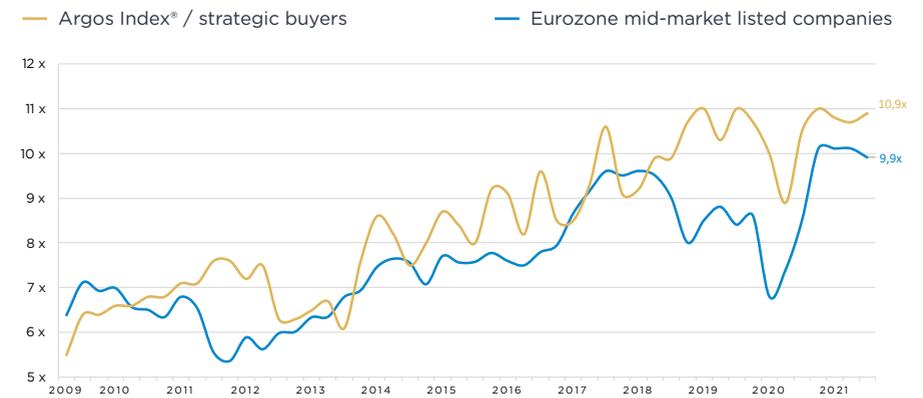
04 | Listed companies were very active in the mid-market, buoyed by the rise in equity markets and the transformation of business models

The multiples paid by strategic buyers remained high in the third quarter, at 10.9x EBITDA. Large listed companies represented 78% of strategic buyers, in line with the first half and the highest since the Argos index was created.

Listed companies benefited from the continued rise in equity markets¹ and from their own high multiples, despite a slight decline this quarter to 9.9x EBITDA².

Their M&A activity was driven by the economic context, access to low-cost financing and a record level of available cash following the crisis³. It also reflected structural changes, such as digitalisation, ESG, and changes in consumer behaviour, which have prompted large companies in many sectors to transform themselves and have also led to strategic acquisitions.

Comparison of listed and unlisted mid-market multiples (paid by strategic buyers)



Source : Argos Index® mid-market / Epsilon Research

¹ The EURO STOXX® TMI was up 1.9% in Q3 2021 and has risen 63% since 1 April 2020.
² EV/LTM EBITDA was 9.9x for listed, eurozone mid-market companies (source: smallcaps.infrontanalytics.com)

³ available cash of industrial companies worldwide was \$5.2 trillion at end-2020, up 27% from 2019
 Source: Janus Henderson Global Dividend Index, July 2020

05 | Mixed mid-market M&A activity: stable in volume but down in value

Following the second quarter recovery, mid-market M&A activity stabilised in volume but declined in value terms compared with the previous quarter.

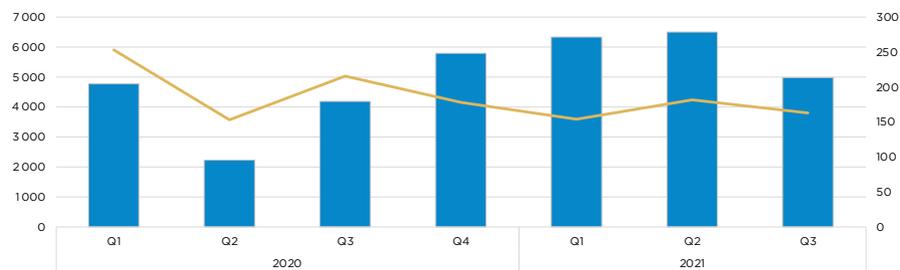
Worldwide M&A activity⁽¹⁾ was the highest ever recorded over the first nine months of 2021, at \$4.4 trillion, driven by the vigorous economic recovery and the active acquisition strategies of major companies.

But recovery in the European mid-market has trailed that of its US counterpart as well as that of European large caps.

Mid-market companies have been more cautious. Transactions have been more complex for two reasons: the situation created by the Covid crisis is atypical and unstable, and the recovery has been rapid. Supply chains have been upended, energy and raw materials prices have soared, and demand has shot up. This has made financial information more difficult to interpret, cash flow more volatile and prices harder to set.

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

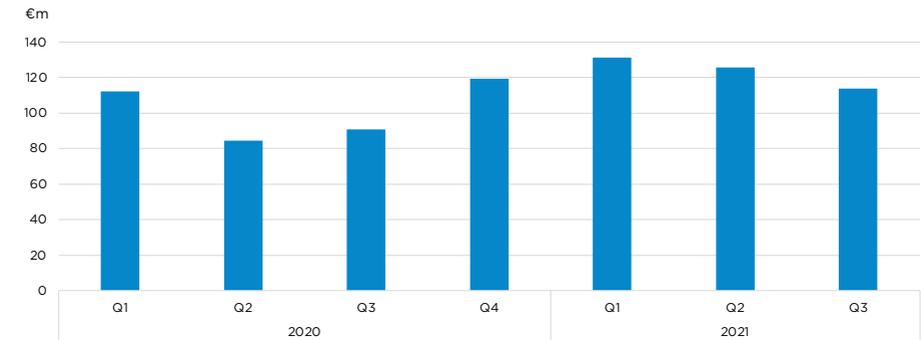
- Value of deals (€15-500m) - disclosed (€m)
- Estimated number of MM deals (€15-500m)



Source : Argos Index® mid-market / Epsilon Research

The average size of mid-market transactions remained high in the third quarter, at around €120 million.

Average disclosed transaction size – M&A Europe Mid-market



Source : Epsilon Research / MarketIQ

¹ Refinitiv in Les Echos, 01.10.2021

All on the Argos Index®



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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 8,000 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.



Argos Wityu is an independent European investment fund that supports companies in the transfer of business ownership. It has assisted more than 80 entrepreneurs, focusing its investment strategy on complex transactions with emphasis on transformation, growth, and close collaboration with management teams. Argos Wityu seeks to acquire majority interests and invest between €10m and €100m with each transaction. With €1bn under management and 30 years of experience, Argos Wityu operates from offices in Brussels, Frankfurt, Geneva, Luxembourg, Milan and Paris.



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.

Contacts

Louis Godron
François Becque
Argos Wityu
lgo@argos.fund
fbe@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

argos.wityu.fund