

# 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.

3<sup>rd</sup> quarter 2022

10.0x



“ 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® remains stable at 10.0x EBITDA despite market turmoil.
- Transactions at multiples > 15x receding back to pre-Covid levels
- Eurozone Mid-market M&A activity much less hit than larger transactions

## 01 | The Argos Index® is stable at 10.0x EBITDA despite market turmoil

This apparent stability conceals the divergence between the high end of the market, where multiples are still above 12x EBITDA, and the lower end where multiples decreased by 0.8 EBITDA point to 8.9x EBITDA. Large, quality assets with stronger pricing power are seen as more resilient during periods of crisis.

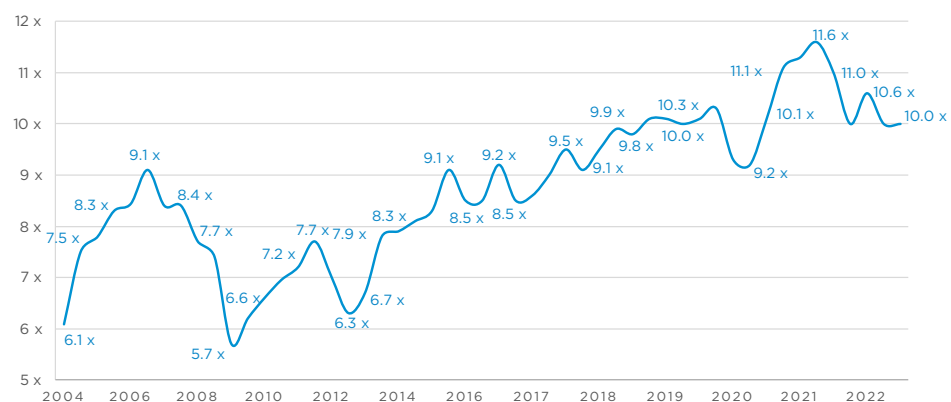
This stability contrasts with the geopolitical and financial deteriorating context and stock market turmoil<sup>(1)</sup>. The alignment that created an historically good M&A environment (low interests, abundance of capital, and economic growth) has shifted in 2022 and continues to worsen in Q3. With global inflationary pressures building, interest rates rising at historic speed, and economic activity on the brink of a recession, the long upward M&A cycle seems has reversed<sup>(2)</sup>.

However, the impact of these adverse conditions on the Eurozone M&A mid-market prices and activity (down 11% in Q3 but stable in value) looks moderate at this point. The mid-market remains highly competitive and continues to benefit from large capital flows to unlisted companies<sup>(3)</sup>. Both strategic buyers and private equity firms are looking to take advantage of

market volatility, that many see as cyclical rather than structural, to find attractive growth opportunities.

It should be noted that the Index's component sectors were stable this quarter and did not impact the Argos Index®, as was the case in the Covid crisis.

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



Source : Argos Index® mid-market / Epsilon Research

<sup>1</sup>The EURO STOXX® TMI Small declined 9.4% in Q3 2022 and 25% since Q3 2021.

<sup>2</sup>Global M&A activity declined 34% in value and 24% in Europe in the first 3 quarters 2022.

Source: Refinitiv

<sup>3</sup> Buyout dry powder is estimated at €181bn by InvestEurope, although global PE funds raised were down 50% in Q2 2022 (vs. Q2 2021) according to Preqin

## 02 | Prices paid by PE funds and strategic buyers are both stable

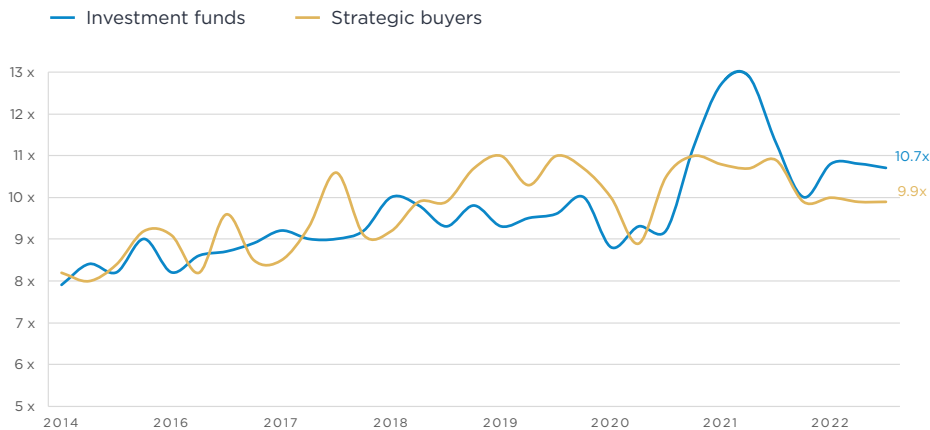
As reflected by the Argos Index, both financial and strategic buyers multiples are stable in Q3. Multiples paid by strategic buyers are still at 9.9x EBITDA, the same level since Q4 2021, and were not affected by the continued contraction in equity markets.

Multiples paid by investment funds are also stable at 10.7x EBITDA this quarter. It is still 0.8x EBITDA higher than strategic buyers: this is mainly due to funds investing in larger, high-quality companies, with higher multiples: 50% of the LBO transactions in the Q3 Argos Index were in the high end of the mid-market (> €150m) vs. 30% of strategic buyers.

Private Equity continues to play a leading role on the M&A market: the LBO volume activity was stable this quarter (compared to Q2), and its share within the mid-market increased to 19% (see part 4.)

Despite the more difficult LBO financing conditions (interest rates hikes, banks' increased selectivity) and downward revision of growth forecasts, funds continue to benefit from record levels of money available for investment (see part 1.) and new financings such as private debt.

### Enterprise value / historical EBITDA

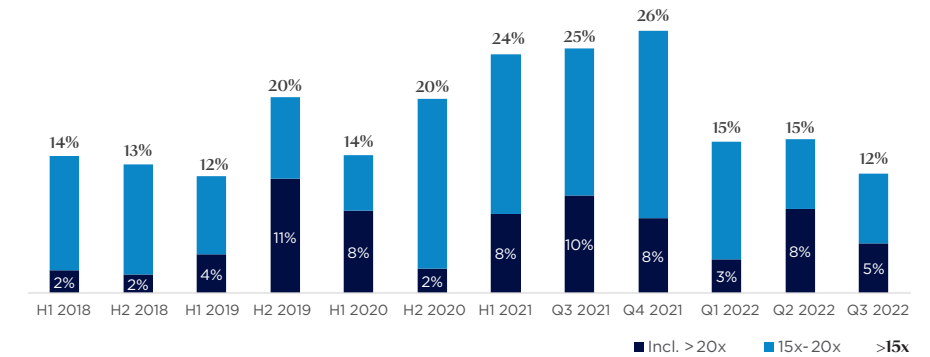


Source : Argos Index® mid-market / Epsilon Research

## 03 | Transactions at multiples > 15x back to pre-Covid levels

Transactions at multiples > 15x EBITDA in Q3 2022 are in line with previous 2022 quarters: they now account for 12% of analysed transactions, at their pre-Covid level.

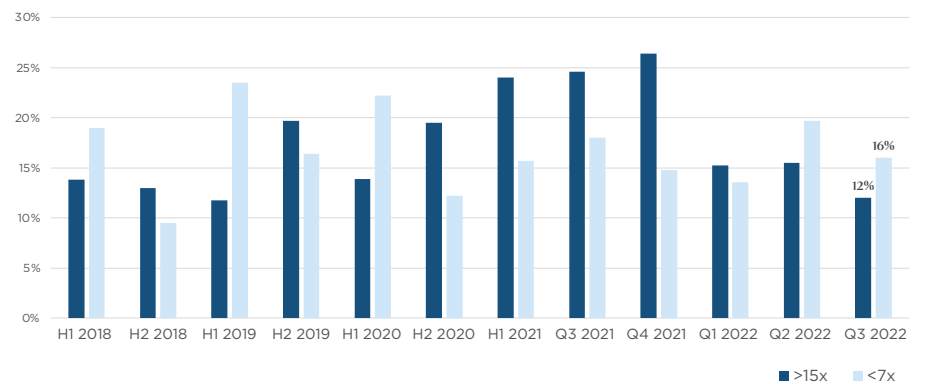
### Percentage of transactions at multiples >15x EBITDA Argos Index™ sample



Source : Argos Index® mid-market / Epsilon Research

The share of transactions at multiples < 7x EBITDA accounts for 16% of analysed transactions, in line with its 5 years average.

### Percentage of transactions at multiples <7x and >15x EBITDA Argos Index™ sample



Source : Argos Index® mid-market / Epsilon Research

## 04 | Limited decline in mid-market M&A activity

M&A activity is down 11% in volume and stable in value in Q3 2022 compared with the (revised) previous quarter. The European mid-market is more resilient than the global M&A market, which decreased by 34% in value in the first three quarters of 2022 - while it was down 24% in Europe to \$712bn for the same period<sup>(1)</sup>.

Despite significant geopolitical and financial headwinds, the M&A market is still active, and volume remains up on the average for the last M&A cycle. It is largely supported by LBO transactions whose share of the global M&A market is at a record 23% in Q3 despite a 25% fall in value.

### 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)

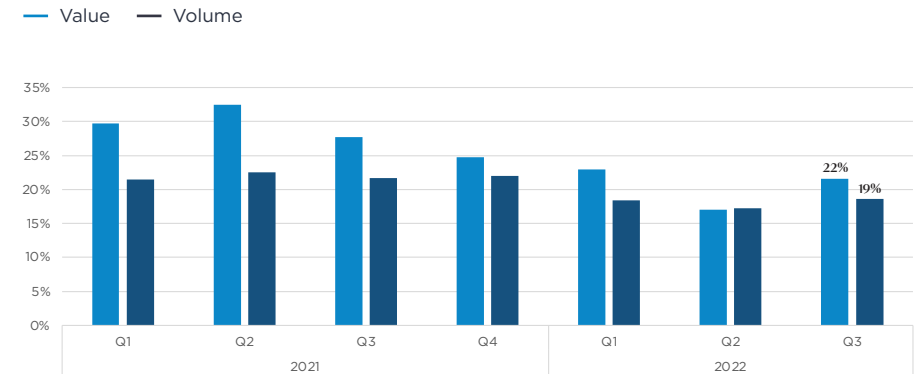


Source : Argos Index® mid-market / Epsilon Research

<sup>1</sup> Source : Refinitiv

Buyout funds were (relatively) more active in Q3. Their share in mid-market M&A increased in both volume and value<sup>(1)</sup>.

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



Source: Epsilon Research / MarketIQ

<sup>1</sup> 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 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.



## About Argos Wityu

Argos Wityu is an independent European private equity group that supports the growth of mid-sized businesses and backs 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.



## Epsilon research

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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