

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.

2nd 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

- Decline of the Argos Index® to 10.0x EBITDA, back to its level of December 2021
- A growing share of transactions at multiples < 7x EBITDA
- Less mid-market M&A activity as a result of fewer LBO deals

01 | Decline of the Argos Index® to 10.0x EBITDA, back to its level of December 2021

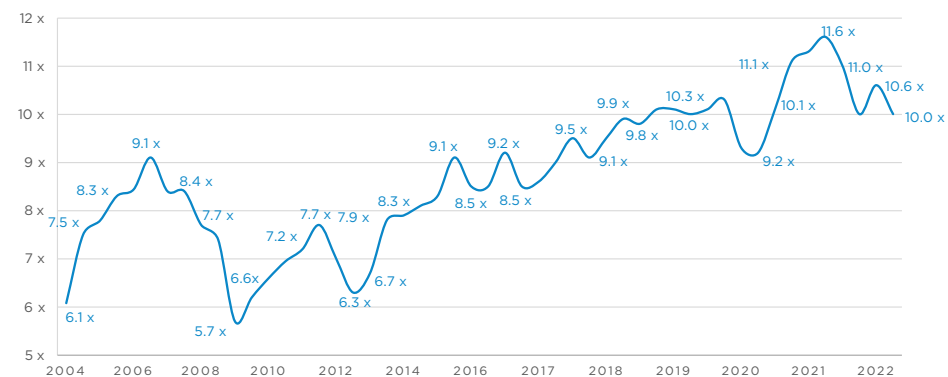
The Argos Index® declined in Q2 2022, to 10.0x EBITDA. Although down 14% (1.6 EBITDA points) year on year from the peak of Q2 2021, the level remains high and corresponds to the average of the past five years.

The index correction is attributable to price changes at the high end of the market (multiples of the lower mid-market are stable) and to prices paid by strategic buyers, down slightly to 9.9x EBITDA. This decline is also reflected in the multiples. As in Q1, the share of transactions > 15x contracted sharply from 2021, while transactions < 7x increased and now account for 20% of the sample.

The index change is correlated to mid-market M&A activity, whose volume declined by 14% in Q2. Activity is beginning to be affected by the deteriorating political and economic context, i.e. the war in Ukraine lasting longer than expected, a steep rise in inflation after increases in energy and commodity prices, rapid hikes in interest rates, and significantly slower growth in the United States and Europe.

However, the impact of these turbulent conditions on mid-market activity and prices remains moderate compared with the impact on equity markets¹ and the global M&A market², both down significantly in H1 2022. The mid-market remains highly competitive and continues to benefit from massive capital flows to unlisted companies.

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



Source : Argos Index® mid-market / Epsilon Research

¹The EURO STOXX® TMI Small declined 19.2% in H1 2022

²Global M&A activity declined 23% in value and 16% in Europe compared with H1 2021

Source: Refinitiv

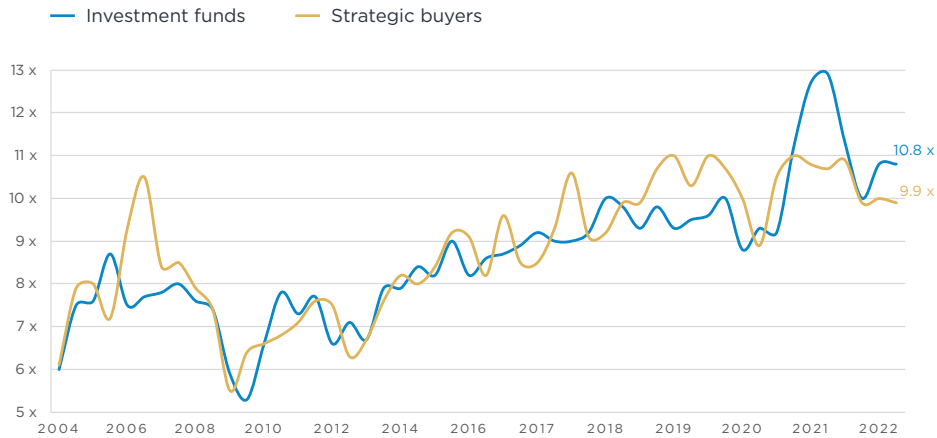
02 | Prices paid by strategic buyers down slightly

In Q2, multiples paid by investment funds were stable, at 10.8x EBITDA, but down by 2x EBITDA from the high of Q2 2021.

Mid-market private equity fell significantly in Q2 (-20%), especially for deals > €150M (-30%). This is attributable to the gradual decline in financial conditions (interest rates, borrowing capacity) and to the rapid downward revision of growth forecasts. Nonetheless, funds continue to benefit from record levels of money available for investment¹, and unlisted assets still enjoy strong profitability². As a result, funds focus their investments on high-quality assets at prices which are somewhat high but stable.

Multiples paid by strategic buyers declined slightly, to 9.9x EBITDA, their level in Q4 2021. They were affected by the sharp contraction in equity markets (see part 1).

Enterprise value / historical EBITDA



Source : Argos Index® mid-market / Epsilon Research

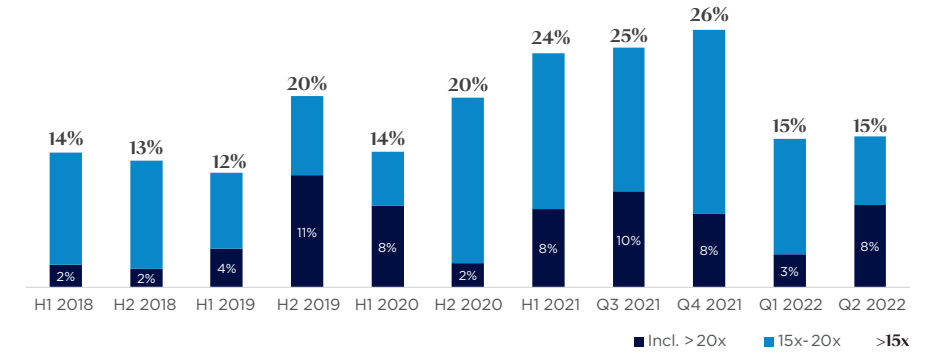
¹ 54% of LPs have increased their target allocations to private equity in the past two years, with only 10% reducing allocations (source: Collier Capital Global Private Equity Barometer, June 2022)

² TRI of 12.2% over 15 years (source: EY / France Invest, June 2022)

03 | A growing share of transactions at multiples < 7x

Transactions at multiples > 15x EBITDA in Q2 2022 followed the trend begun in Q1 2022. They now account for 15% of analysed transactions and have returned to their pre-Covid level.

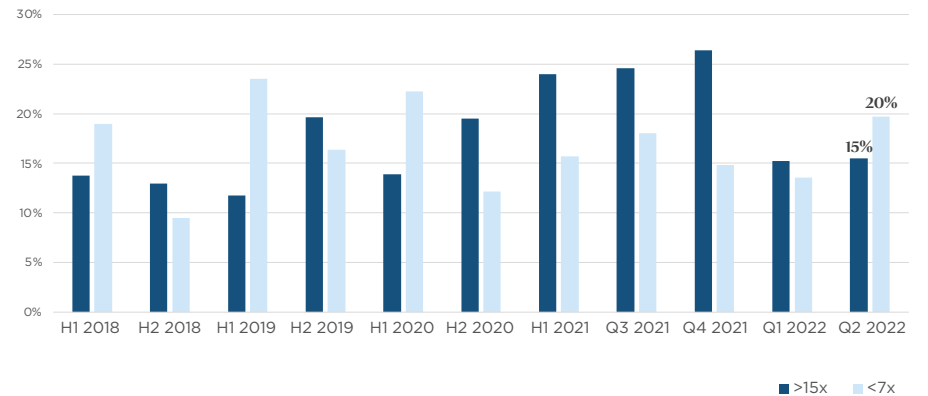
Percentage of transactions at multiples >15x EBITDA Argos Index™ sample



Source : Argos Index® mid-market / Epsilon Research

The share of transactions at multiples < 7x EBITDA increased in Q2 and accounts for 20% of analysed transactions.

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



Source : Argos Index® mid-market / Epsilon Research

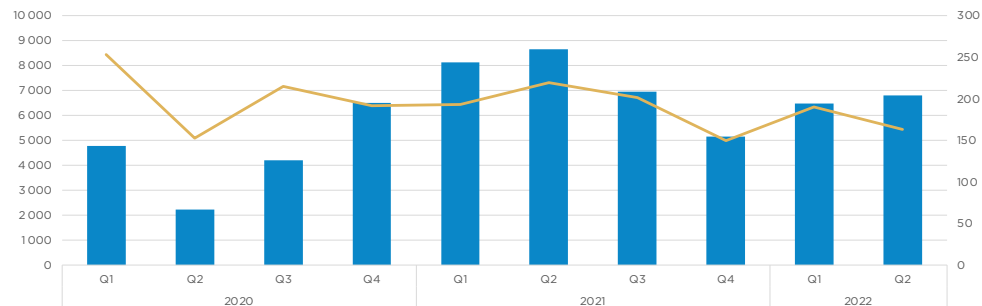
04 | Decline in mid-market M&A activity correlated to fewer LBO deals

M&A activity declined by 14% in volume in Q1 2022 compared with the previous quarter, but is stable in terms of value. It has resisted the deteriorated economic and financial forecasts better than the global M&A market, which fell 23% in value in Q1 compared with 2021.

Buyout activity fell significantly in Q2: -19% in volume and -43% in value, particularly for large transactions (-30% for deals between €150m and €500m). As a result of the rapid hike in interest rates and reduced borrowing capacity for LBO deals, funds have become more selective in their investment choices.

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)

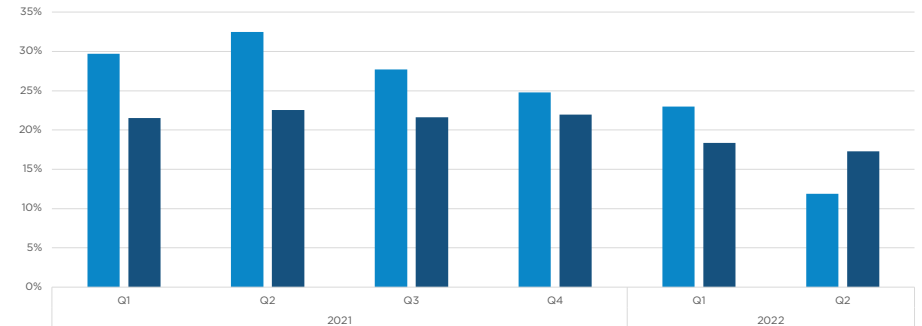


Source : Argos Index® mid-market / Epsilon Research

Buyout funds were less active in Q2. Their share in mid-market M&A declined significantly, in both number of deals and value.

Share of LBO in Eurozone Mid-market M&A

- Value
- Volume



Source: Epsilon Research / MarketIQ

¹ Source : Refinitiv

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 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.

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