

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.

1st quarter 2023

9.7x



“ 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® continues its slow decline, at 9.7x EBITDA
- Prices paid by private equity funds and strategic buyers have both continued their moderate drop.
- Increased proportion of transactions at multiples under 7x and over 15x EBITDA.
- Mid-market M&A volume activity drops in record low value.

01 | The Argos Index® continues its slow decline, at 9.7x EBITDA

The Argos Index® is down 2% at 9.7x EBITDA in Q1 2023, a limited decline although it is its lowest level since the 1st semester 2020. Multiples paid by private equity funds and strategic buyers have both decreased.

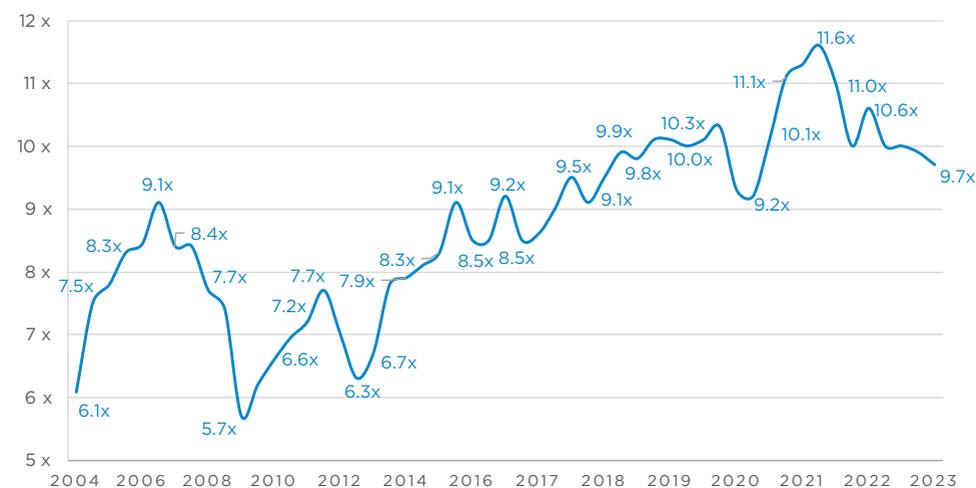
The mid-market activity continued its fall by 9% in value to its lowest level since Q2 2020, led by the upper mid-market and in line with global M&A trends.

The macroeconomic environment continues to deteriorate, with increasing geopolitical tensions, persistent inflation and rising interest rates⁽¹⁾, slowing economic growth and volatility in the equity market. Its impact on the M&A market started spreading in the activity data in the 2nd semester 2022 but slower on the transaction prices. As the M&A market cycle reverses, the gap between sellers' and buyers' price expectations still takes time to narrow.

⁽¹⁾The ECB hiked rates twice by 50bp in Q1 taking the benchmark rate to 3%.

The market is also getting more polarized, as often in crisis periods. The divergence between the upper and lower mid-market is still at a record level of 5.0x EBITDA and the proportion of multiples under 7x and over 15x EBITDA has increased this quarter to 38% of the deals. On the upper end of the market, dealmaking was concentrated on a smaller number of quality assets with strong pricing power, mostly in the Tech/Pharma sectors.

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



Source : Argos Index® mid-market / Epsilon Research

02 | Prices paid by private equity funds and strategic buyers have both continued their moderate drop

Multiples paid by investment funds are down 1% at 10.4x EBITDA, a limited decline from Q4, while the activity is down 9% in volume and 23% in value this quarter. Prices are slowly contracting as interest rates continue rising, meaning higher borrowing and refinancing costs, lower leverage but also more selectivity on assets acquired.

European Private Equity fundraising picked up in Q1, raising €26.4bn, on pace for a higher fundraising year than 2022⁽¹⁾. It shows confidence in private markets and support prices, despite difficult LBO financing conditions, as more money is made available for quality investments.

Multiples paid by strategic buyers dropped 6% at 9.2x EBITDA. The decrease is faster but prices have not been to much affected by the 2022 public equity market volatility⁽²⁾. Private company lower volatility in times of crisis confirm they can take a longer view on the economy, and large corporates can take advantage of the market downturn to find attractive growth opportunities.

Enterprise value / historical EBITDA



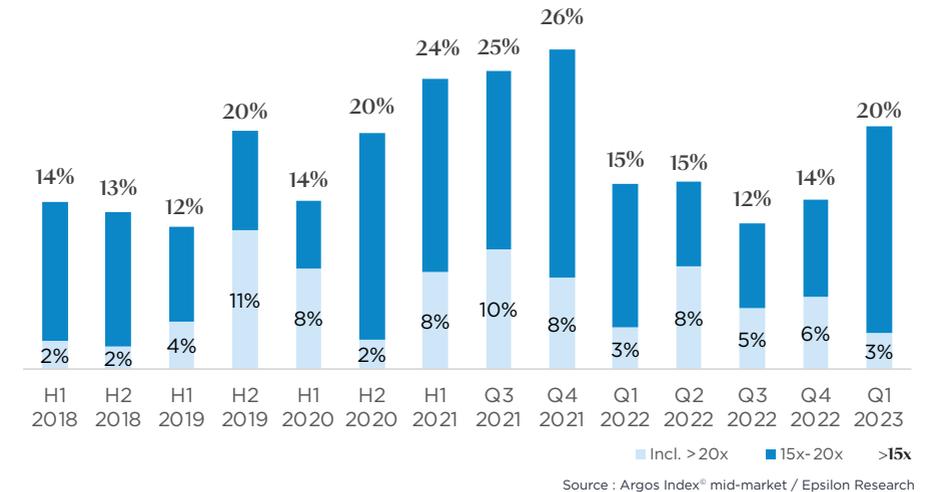
⁽¹⁾ Source: PitchBook Q1 2023 European PE Breakdown

⁽²⁾ The EURO STOXX® TMI Small was up 8% in Q1, and only 6% below its Q1 2022 level

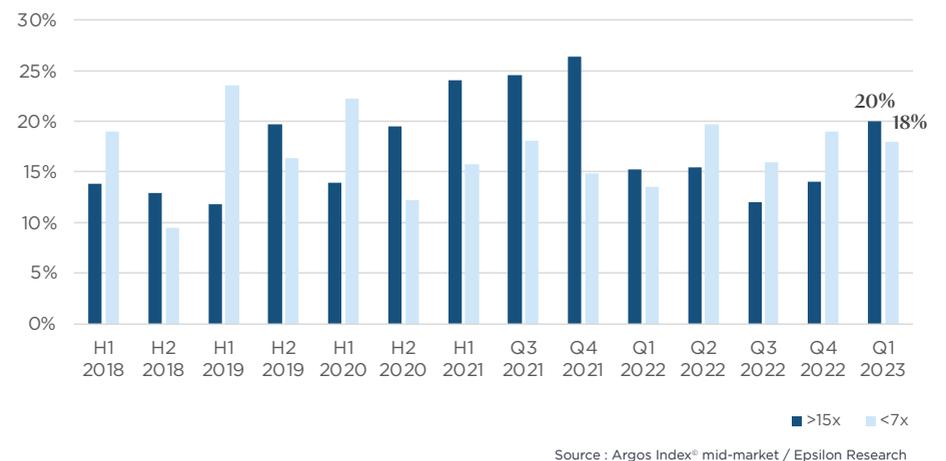
03 | Increased proportion of transactions at multiples under 7x and over 15x EBITDA

20% of the transactions in Q1 2023 are at multiples over 15x EBITDA, up from previous 2022 quarters. Most of these deals were made in the Tech/Pharma sectors. The share of transactions at multiples under 7x EBITDA accounts for 18% of analysed transactions, in line with Q4 2022.

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



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



04 | Mid-market M&A volume activity drops in record low value

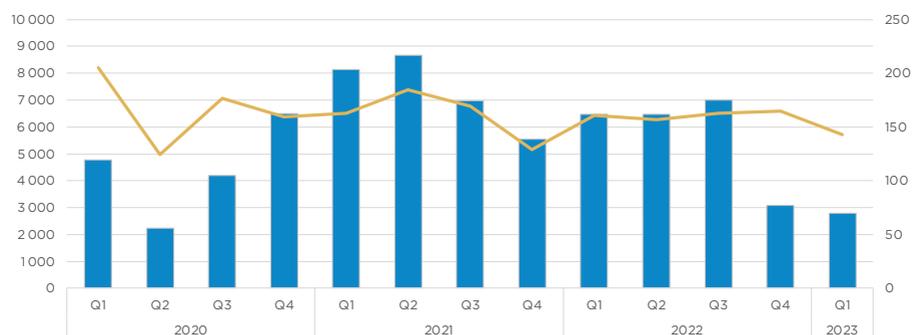
Euro zone M&A activity is down 9% in value in Q1 2023 and is now, after its 57% fall in Q4, at its lowest level since Q2 2020, the climax of the Covid-19 crisis. Both lower and upper segments of the mid-market are seeing lower activity, although the bulk of the value fall is within the upper segment (disclosed value divided by 3 since Q3 2022).

This steep fall is in line with the European M&A market, down 63% year on year in Q1 2023⁽¹⁾. It confirms the reversal of the M&A cycle as the macroeconomic environment keeps deteriorating. Interest rates continue hikes by the ECB as the inflation hits record levels, increasing concerns about the economy and prospects of a recession as the war in Ukraine fuels continued uncertainty on the continent.

The number of transactions is down 13% on Q1, led by the 15% drop of the upper mid-market (deals between €150m and €500m). The volume activity remains however in line with its 2021/2022 level, pulled by smaller deals, which continues to prove a more resilient market.

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

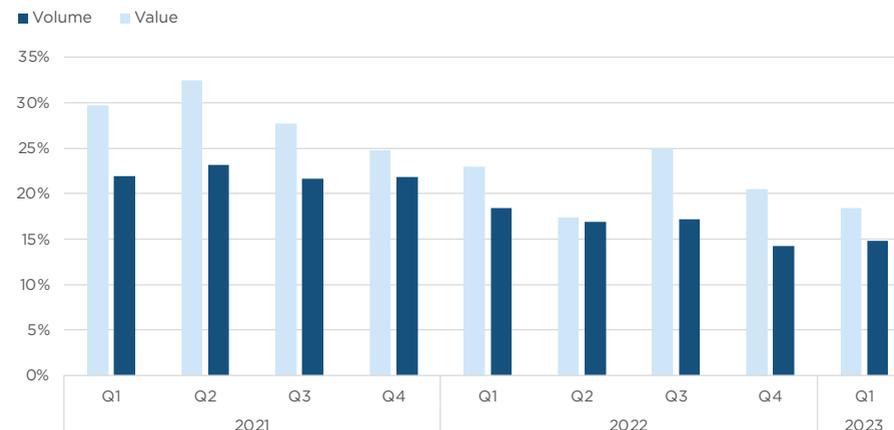
- Value of disclosed mid-market transactions (€15-500m)
- Estimated number of mid-market transactions (€15-500m)



Source : Argos Index® mid-market / Epsilon Research

As in Q4 2022, private equity funds were less active than corporate buyers in Q1 2023. Their share⁽¹⁾ in mid-market M&A is still below 15% vs. 20%+ in 2021.

Share of LBO in Eurozone Mid-market M&A



Source : Epsilon Research / MarketIQ

⁽¹⁾ Source: Refinitiv, in the FT, 01.05.2023

¹ Does not include build-ups

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 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 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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