

# Argos Index<sup>®</sup>

The mid-market reference

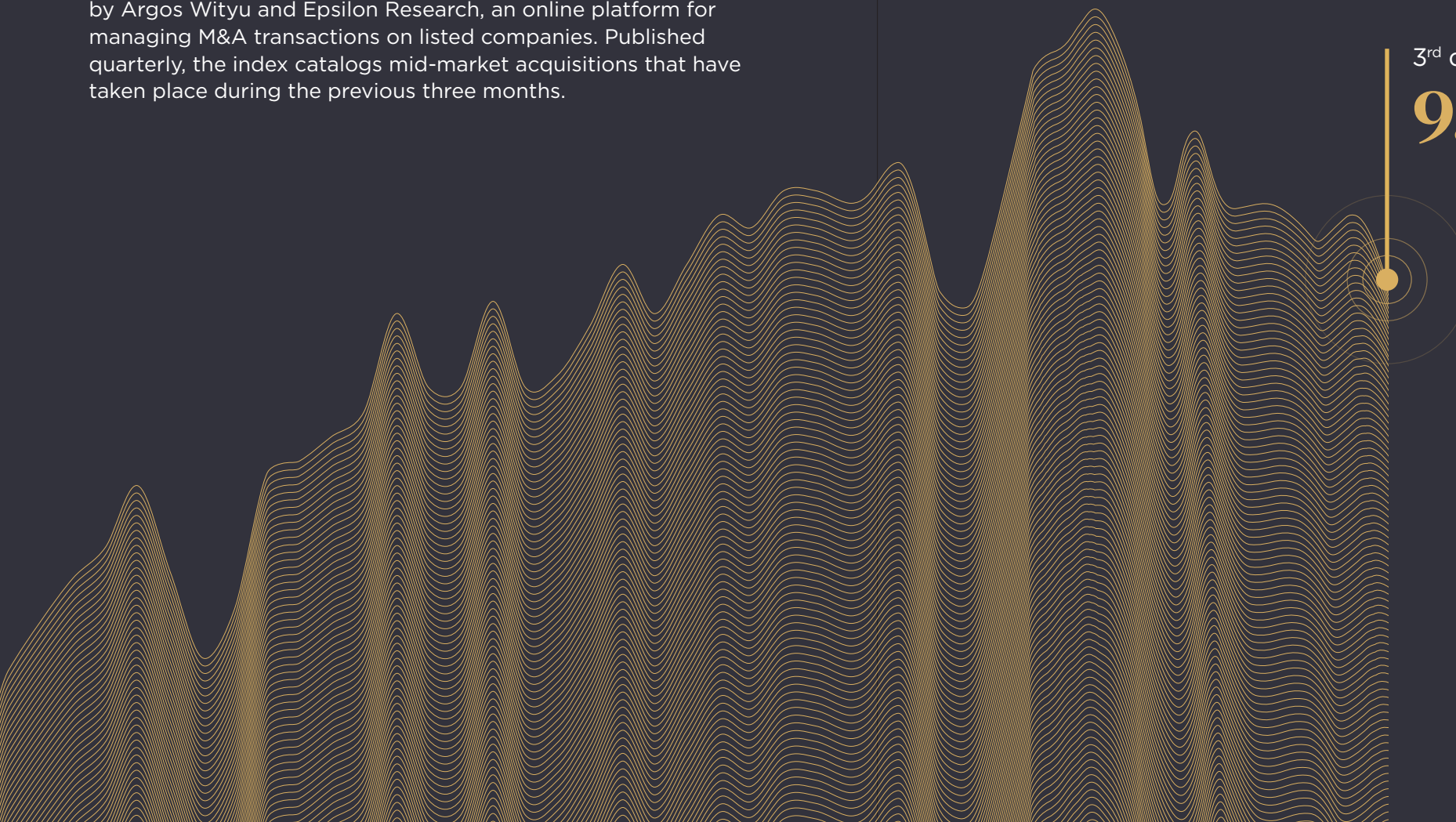
# Argos Index<sup>®</sup>

## The mid-market reference

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 2023

9.1x



“ 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® is down 8% at **9.1x EBITDA**
- Prices have converged between segments of the mid-market
- Multiples paid by investment funds and strategic buyers both declined
- Record proportion of **transactions below 7x EBITDA**
- M&A activity slowdown in value, but resistance in number of deals: **the lower mid-market shows again a much better resilience of its liquidity** than the higher end of the market where liquidity dried up once again.

## 01 | The Argos Index® is down 8% at 9.1x EBITDA

The Argos Index® dropped to 9.1x EBITDA in Q3 2023, after three quarters of relative stability. It is down 20% from its Q2 2021 peak, and back to its level of Q1 2018 (except for S1 2020 linked to the Covid outbreak).

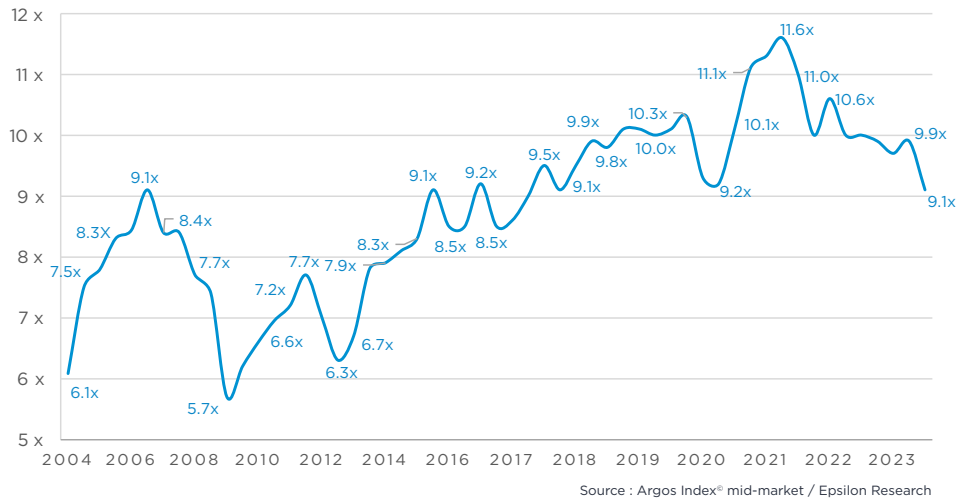
All segments of the mid-market have seen a price decline, although the upper mid-market fall was steeper with a 20% price drop vs. Q2. Prices have converged between segments: the difference between the upper and lower mid-market has dropped to 1.8x EBITDA, and the proportion of multiples >15x EBITDA is only 14%. The difference between multiples paid by PE funds and strategic buyers is also down to 0.3x EBITDA.

An adverse macro-economic environment has impacted all segments of the mid-market, with persistent inflation, slowing economic growth and the quickest interest rates hike by the ECB in the history of Euro – in addition to a highly tensed geopolitical situation. Seller's price have started to adjust to this new environment, as shown in the record high proportion of multiples below 7x EBITDA.

PE funds dealmaking and prices paid continued to decline, with increased borrowing costs, reduced access to leverage, more difficult funding, and the prospect of interest rates staying higher for longer. However, they still benefit from record high dry powder.

Prices were also impacted by the slowdown of the M&A cycle: the mid-market activity dropped by 40% in value in the first three quarters of 2023 vs. 2022, and 45% for the whole European market. The number of mid-market deals was down 14% in Q3, but only 9% over the Q1-Q3 period, showing again more resilience than the global M&A market in downturns.

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



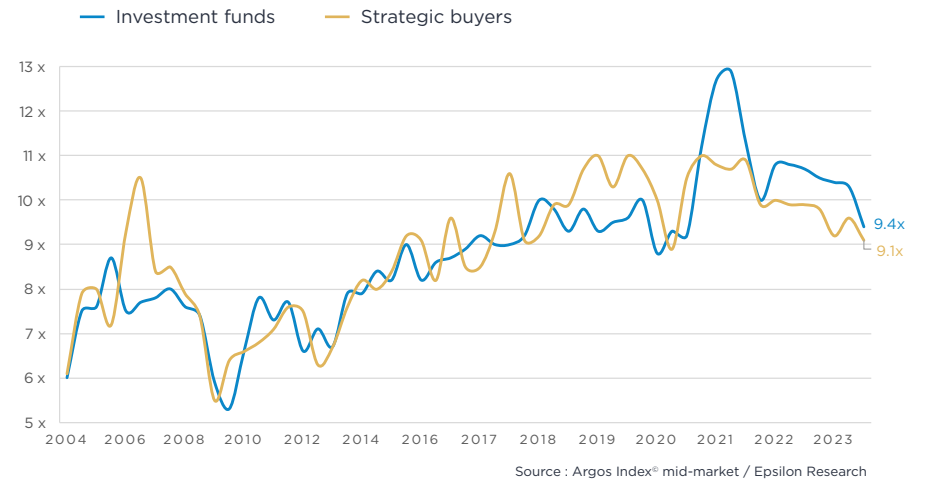
**02 | Multiples paid by investment funds and strategic buyers both declined**

Multiples paid by strategic buyers were down to 9.1x EBITDA this quarter, due to the adverse economic conditions, M&A market slowdown and public market equity downturn<sup>(1)</sup>. However, large corporates continued to look for growth opportunities, at lower price. Hence their high share of the M&A market in Q2 and Q3 2023 (85% in volume and value) and the record proportion of deals at multiples < 7x EBITDA.

Multiples paid by investment funds continued to decline to 9.4x EBITDA. Higher interest rates have driven up the cost of borrowing to fund acquisitions, with a strong impact on funds.

The gap between prices paid by investment funds and strategic buyers is narrowing (at 0.3x EBITDA): funds are less active in the market but more selective as they still favor quality assets (at higher prices).

**Enterprise value / historical EBITDA**

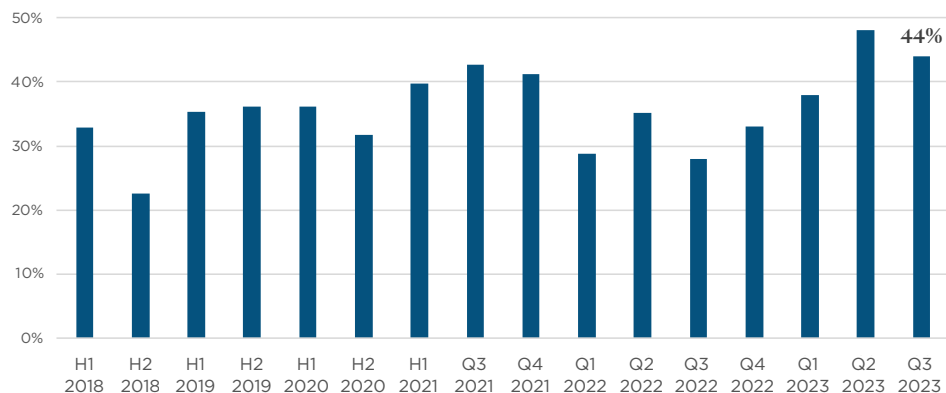


<sup>(1)</sup> The EURO STOXX® TMI Small is down 4.5% in Q3 2023.

### 03 | Record proportion of transactions below 7x EBITDA

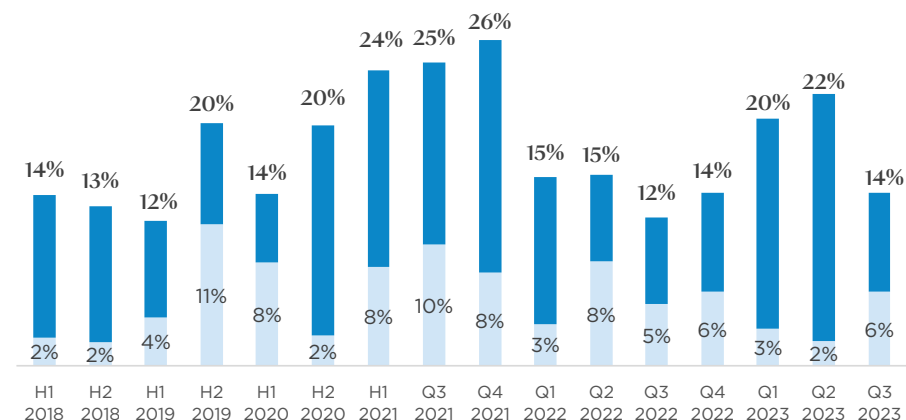
44% of the transactions in Q3 2023 are at extreme multiples < 7x or > 15x EBITDA, down from last quarter but still at a high level. However, the proportion of transactions at multiples > 15x EBITDA is near historic lows, as prices are both falling and converging.

Share of extreme multiples Argos Index® sample



Source : Argos Index® mid-market / Epsilon Research

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

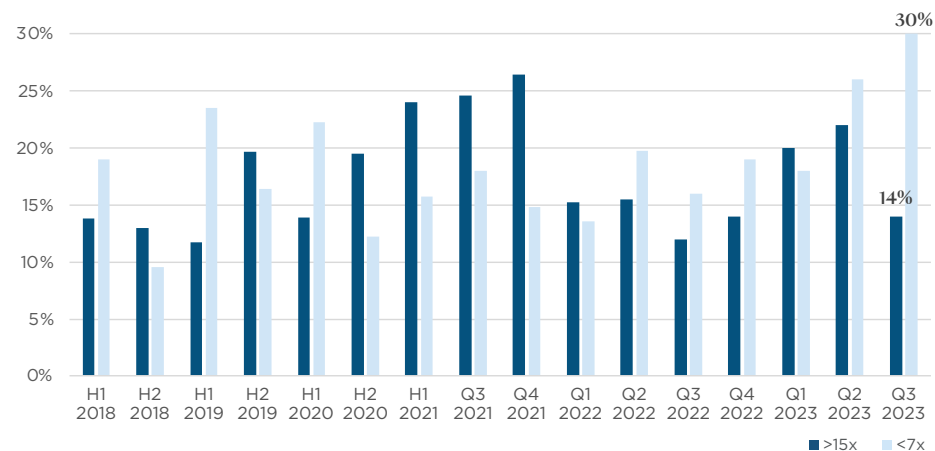


Source : Argos Index® mid-market / Epsilon Research

Incl. >20x 15x-20x >15x

The reason for the high proportion of extreme multiples is the strong increase transactions at multiples < 7x EBITDA, that account for 30% of analysed transactions, its highest level recorded.

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



Source : Argos Index® mid-market / Epsilon Research

### 04 | Mid-market M&A activity slowdown in value, but resistance in number of deals

Euro zone mid-market M&A activity declined in Q3 by 14% in volume and 11% in value vs. revised Q2 figures. Over the first three quarters of 2023, the activity was down 40% in value (vs. 2022), but only 9% in volume (from 480 to 440 deals).

The slowdown in the M&A cycle continued, fuelled by geopolitical risks, a slowing economic growth, persistent inflation, and record interest rates hikes by the ECB<sup>(1)</sup>: the global M&A activity was down by 28% to \$2tn worldwide in the first three quarters, and by 45% to \$384bn in Europe<sup>(2)</sup>.

<sup>(1)</sup> The ECB has increased rates 10 times since July 2022, by a total 4.5%, the quickest hike since the creation of the Euro.

<sup>(2)</sup> Source: Refinitiv in Les Echos, 17.10.2023

Investment funds were the engine for M&A activity these last years, but with the increasing cost of debt<sup>(1)</sup>, the prospect of interest rates staying higher for longer and slower fund raising<sup>(2)</sup>, private equity activity has dropped: by 39% on the global market <sup>(3)</sup> and 50% on the mid-market on the first three quarters of 2023 (in value).

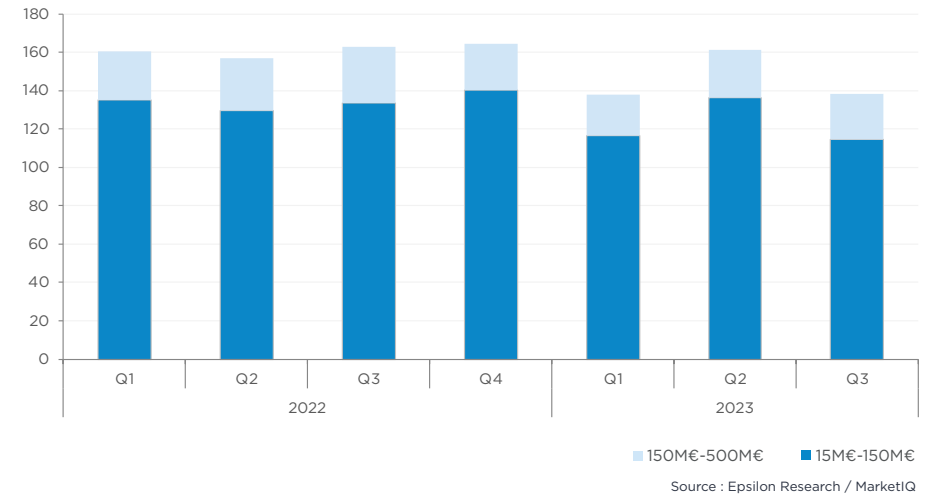
Remarkably, the lower mid-market is showing once again its much stronger resilience in liquidity when the market slows down. While larger transactions have radically lost their liquidity, inflows and outflows of capital continue at a reasonable pace in the lower mid-market.

### 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)

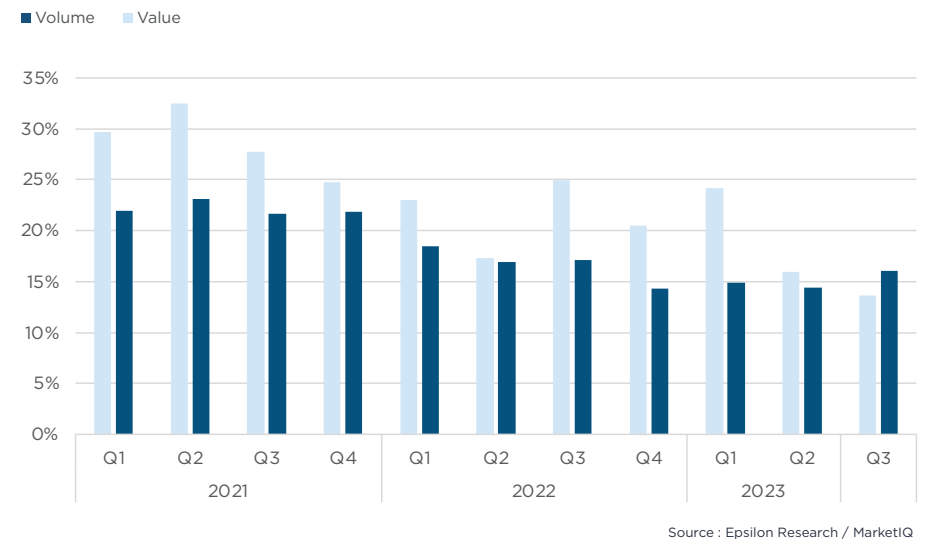


### Eurozone Mid-market - Number of deals



Private equity funds activity continued to decline, and their share<sup>(1)</sup> in Q3 mid-market M&A stayed at a record low level, around 15% in both number of deals and value.

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



<sup>(1)</sup> See the ECB October 2023 bank lending survey (BLS)

<sup>(2)</sup> Fund raising was down 30% in S1 2023 (source: Pitchbook), and the time to raise funds took on average a record 20 months (source: Preqin)

<sup>(3)</sup> Source: Refinitiv in Les Echos, 17.10.2023

<sup>1</sup> Does not include build-ups



# 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 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 Amsterdam, 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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