



FOURTH QUARTER 2020

ARGOS INDEX[®]

The mid-market reference

argos.
wityu



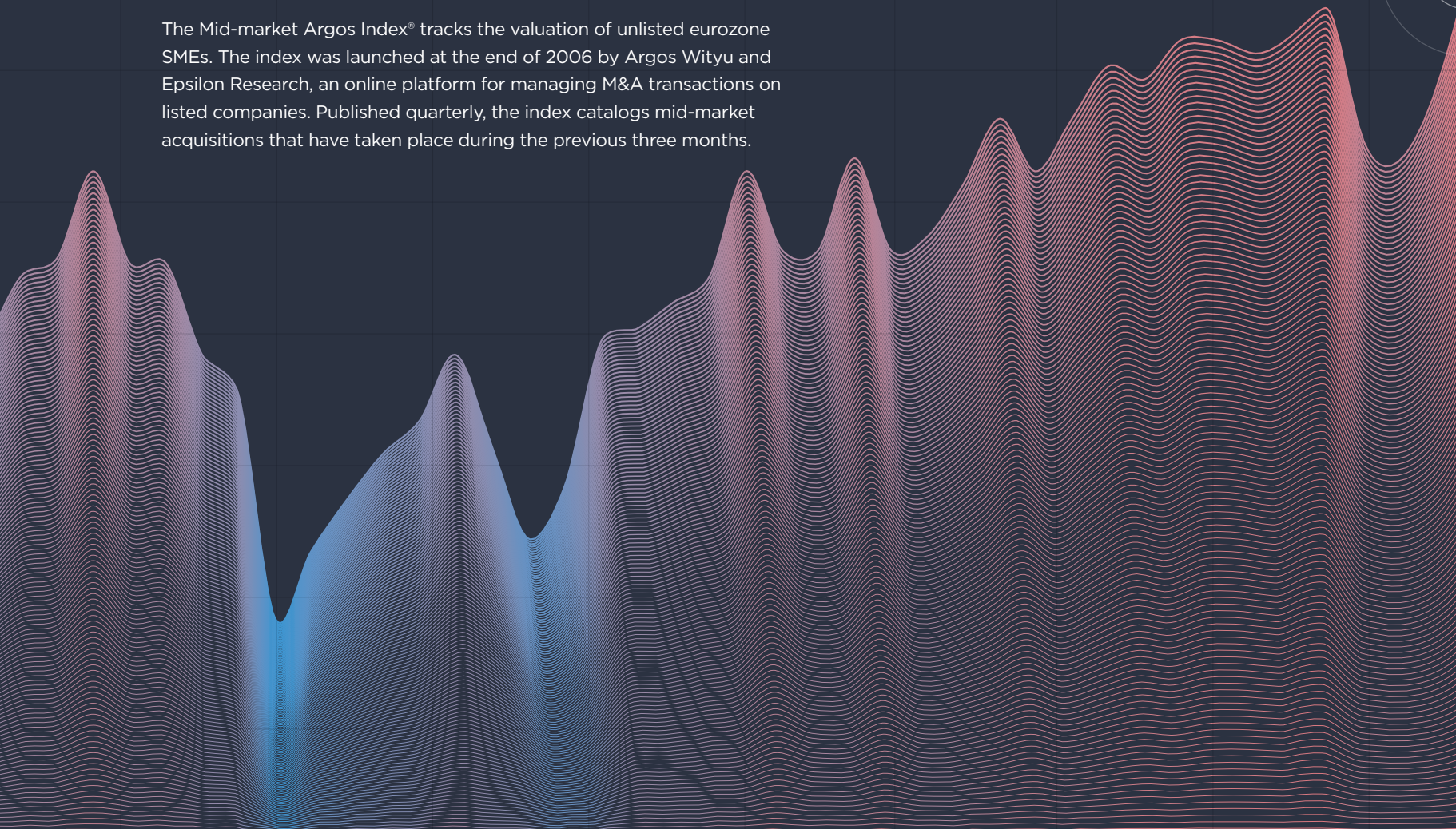
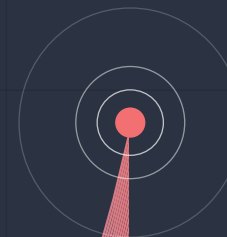
ARGOS INDEX[®]

The mid-market reference

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.

FOURTH QUARTER 2020

11,1x



“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

“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

“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

Main conclusions

HISTORIC RECORD FOR THE ARGOS INDEX® AT 11.1X EBITDA

The Argos Index® reached 11.1x EBITDA, its highest ever.

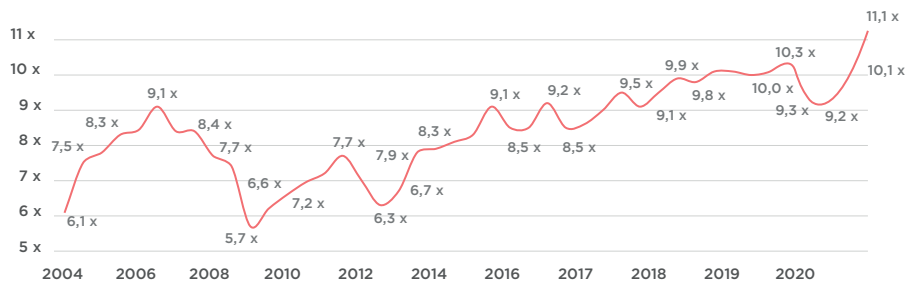
Multiples are up in all segments in a context of low mid-market M&A activity.

This strong increase is linked to:

- the prospects for a rebound in economic growth with the discovery of effective vaccines against Covid-19 - despite a second epidemic wave and a recession of -7.4% of GDP in 2020 for the euro zone.
- the massive intervention of central banks to keep long-term interest rates low.

But the level of the multiples can also be explained by the evolution of the Argos Index®'s composition. 65% of the transactions referenced in the 4th quarter are for healthcare and technology sectors, a 15-point increase compared to the previous quarter. These sectors are spared, or even favoured, by the crisis, are not cyclical and have high multiples.

MID-MARKET ARGOS INDEX® MEDIAN EV/EBITDA MULTIPLE ON A SIX-MONTH ROLLING BASIS



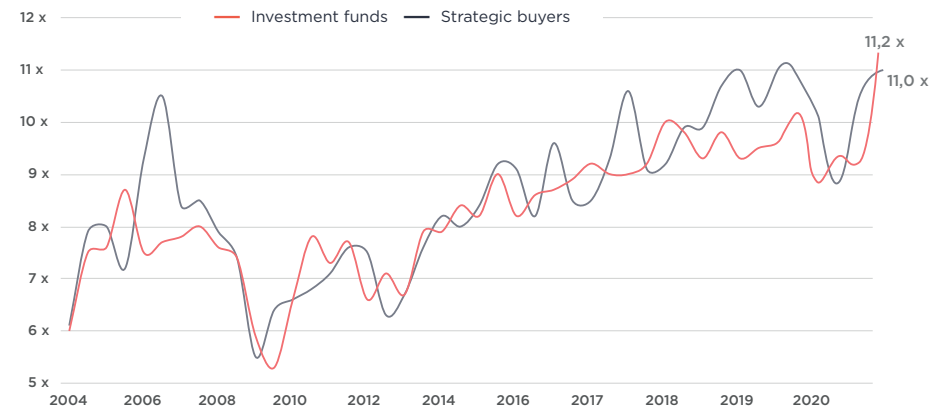
Source : Mid-market Argos Index® / Epsilon Research

FOR THE FIRST TIME, MULTIPLES PAID BY PRIVATE EQUITY FUNDS CROSS THE 10X BAR; THEY FINALLY CLOSE THE GAP WITH THE MULTIPLES PAID BY STRATEGIC BUYERS

Multiples paid by investment funds have risen sharply, by more than 20% to 11.2x EBITDA, a level not seen since the Argos Index® began in 2004.

Multiples are driven by the strong competition with strategic acquirers on companies not affected by the crisis, the ever-increasing level of investment in private equity¹ and the access to low-cost acquisition debt (linked to central bank policies).

ENTERPRISE VALUE / HISTORICAL EBITDA



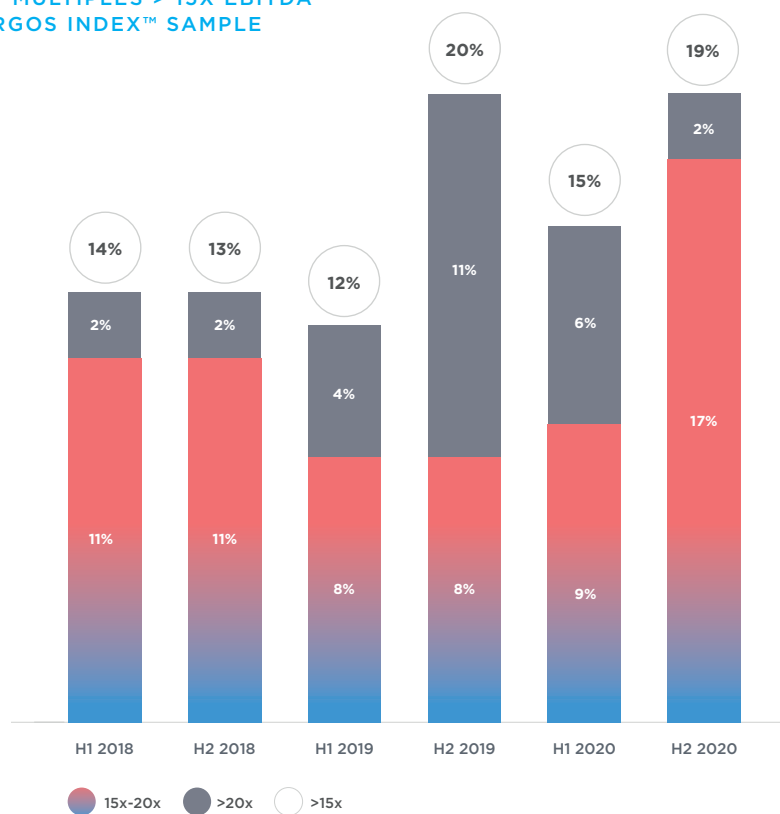
Source: Mid-market Argos Index® / Epsilon Research

(1) Preqin has predicted that PE AUM will double from \$4.4tn in 2020 to \$9.1tn in 2025 - Source: Institutional Investor, 4.11.2020

MULTIPLES > 15X REPRESENT NEARLY 20% OF THE TRANSACTIONS

The percentage of transactions with multiples higher than 15x returned to the level reached in the second half of 2019.

PERCENTAGE OF TRANSACTIONS AT MULTIPLES > 15X EBITDA ARGOS INDEX™ SAMPLE



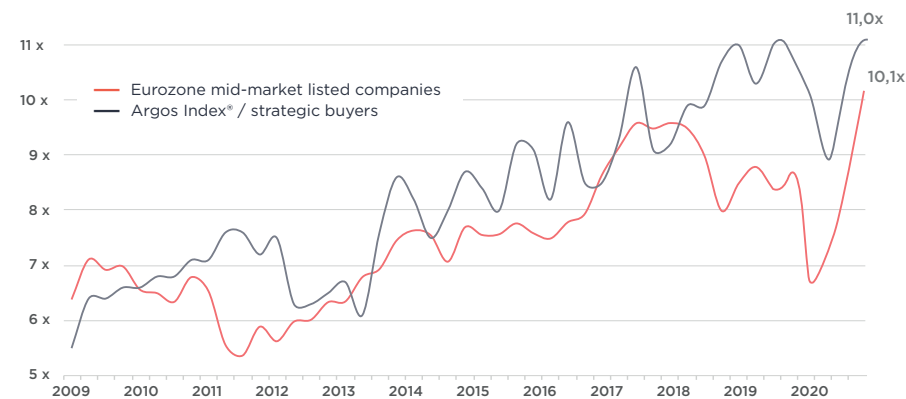
Source : Mid-market Argos Index® / Epsilon Research

DRIVEN BY A FAVOURABLE MARKET ENVIRONMENT AND CONSEQUENTLY THEIR HIGHER VALUATIONS, LISTED COMPANIES WERE IN A POSITION TO MAKE OPPORTUNISTIC ACQUISITIONS

Large listed companies were active in the mid-market, representing more than 75% of the strategic buyers in the second half of the year. They benefit in particular from access to low-cost financing, which enables them to make opportunistic acquisitions, as well as from the rapid recovery of the equity markets and their own multiples, which rose by nearly 20% this quarter to 10.1x EBITDA¹.

The prices of unlisted companies are driven by massive government intervention to support activity and central banks² to keep interest rates very low. These policies have favoured the strong recovery of equity markets³ and the ever-increasing level of liquidity invested in the unlisted sector.

COMPARISON OF LISTED AND UNLISTED MID-MARKET MULTIPLES (PAID BY STRATEGIC BUYERS)



Source: Mid-market Argos Index® / Epsilon Research / InFront Analytics

(1) EV/LTM EBITDA of 10.1x, Euro Zone listed mid-market companies (source: smallcaps.infrontanalytics.com)
 (2) Total Assets held by the ECB is up 54% between Feb. and Oct. 2020 (Source: ECB in Duff & Phelps Valuation Insights Q4 2020)
 (3) EURO STOXX® TMI Small is up 15% in Q4 2020

MID-MARKET M&A ACTIVITY REMAINS WEAK IN THE FOURTH QUARTER AND THROUGHOUT 2020

Paradoxically, the sharp rise in the Argos Index® is taking place against a backdrop of low mid-market M&A activity.

In 2020, mid-market M&A activity fell by 15% in volume and 36% in value, logically marked by the strong economic recession and uncertainty in 2020 caused by the Covid-19 pandemic.

In the fourth quarter, the volume of mid-market activity was down 13% compared with the previous quarter but up 47% in value, returning to the level of the fourth quarter 2019.

EUROZONE MID-MARKET ACTIVITY (€15-500 MILLION) IN VOLUME, BY SEGMENT



Source : Epsilon Research / Market IQ

Of all sellers in mid-market transactions, nearly 50% were private individuals and families. Mostly driven by the fact that Corporates have been less active in their carve-out processes.

TYPOLGY OF VENDORS - M&A EUROPE ZONE MID-MARKET EVOLUTION OF MARKET SHARES IN NUMBER OF TRANSACTIONS.



Source : Epsilon Research / MarketIQ

(1) Source: Refinitiv in The FT, «Cash-rich buyers undaunted in their pursuit of acquisitions», 02.01.2021

All on the Argos Index®

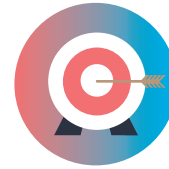


THE ARGOS INDEX® MID-MARKET

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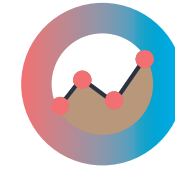
The index serves as a benchmark for all participants in the unlisted market. It is based on a rigorous methodology and a detailed, individual analysis of each transaction, including the structure of the transaction, the company's business activity (restated financial information) and transaction multiples. 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

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

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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