

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.

4TH quarter 2021

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® continued to correct, returning to its multi-year average of 10.0x EBITDA.
- Renewed market coherence, with convergence in the multiples paid by investment funds and strategic buyers.
- More dispersion in multiples.
- Listed companies were once again very active in the mid-market, although their multiples declined this quarter.
- The volume of mid-market M&A activity remained high.

01 | The Argos Index® continued to correct, to 10.0x EBITDA.

In the fourth quarter of 2021, the Argos Index® continued to correct, declining 9% from the previous quarter to 10.0x EBITDA. This level, which corresponds to the average of the last five years (2017-21), is still historically high.

The decline was observed across all market segments. The multiples investment funds and industry players paid on the upper and lower mid-market converged towards 10x EBITDA.

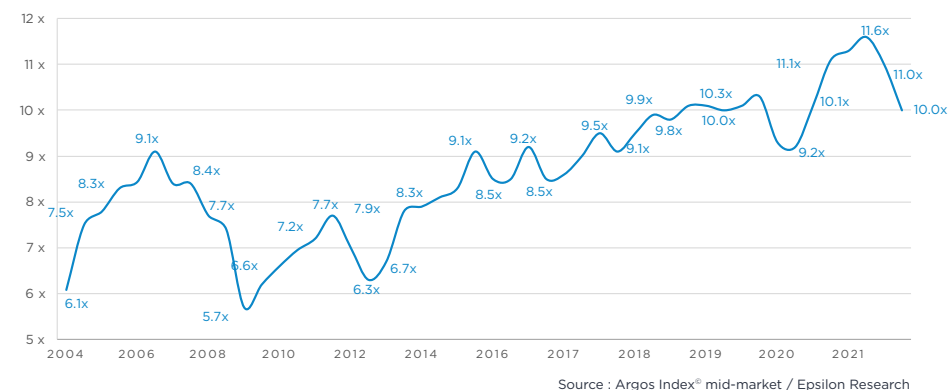
Although there seems to be little disparity in multiples, the market actually remained polarised across business sectors. The relative standard deviation of the index remained in excess of 50%, and the spread of multiples between tech-healthcare and manufacturing-services is very significant, at more than 4x EBITDA on average.

With the M&A market still active, acquisitions continued to gain momentum in manufacturing and services, reinforcing the decline in the index. As in the previous quarter, these sectors represented more than 60% of the sample, which returned to its pre-Covid sectoral composition.

The Argos Index® remained high as the M&A cycle continued to ramp up, driven by the sharp economic recovery and the very low interest rates central banks have maintained. But the index's fourth quarter decline also reflected concerns about the consequences of the successive Covid-19 waves, the breakdown of value chains, the sharp rise in energy and raw materials prices and the likelihood of renewed inflation.

Argos index® mid-market

Median EV/EBITDA multiple on a six-month rolling basis

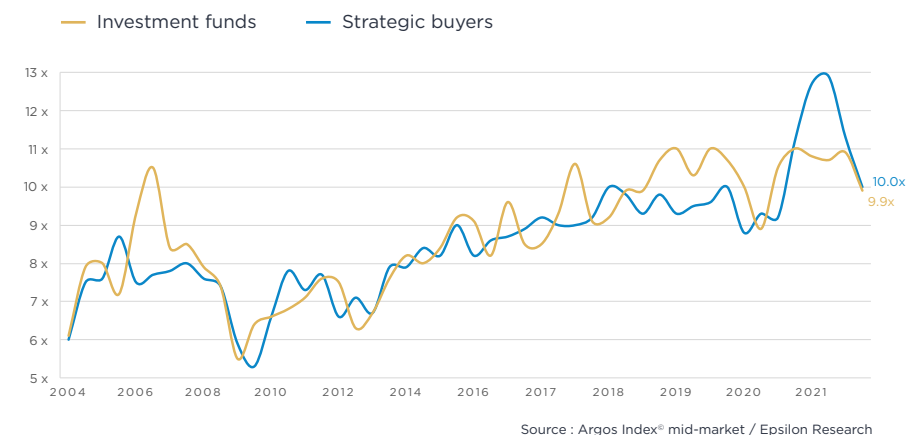


02 | More market coherence, with convergence in the multiples paid by investment funds and strategic buyers.

Multiples paid by investment funds declined by 11.5% this quarter to 10.0x EBITDA. They continued the correction they started in the third quarter after reaching a record level in the second quarter.

As in the previous quarter, transactions were less focused on healthcare and technology, and this had a direct impact on multiples. The number of transaction remained high, however, driven by exceptional financing conditions and an abundance of capital looking for investments. Multiples approached those paid by strategic buyers, with competition on high-quality assets remaining intense.

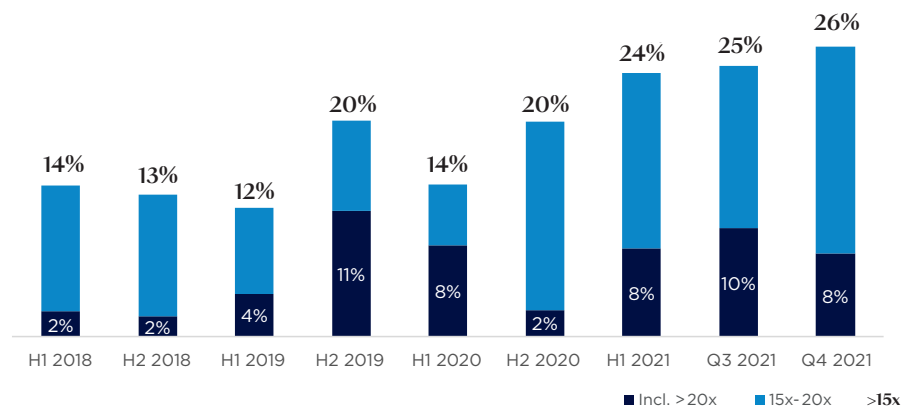
Enterprise value / historical EBITDA



03 | More dispersion in multiples

The share of transactions with multiples higher than 15x EBITDA continued to increase in the fourth quarter of 2021 to a new record of 26% of analysed transactions.

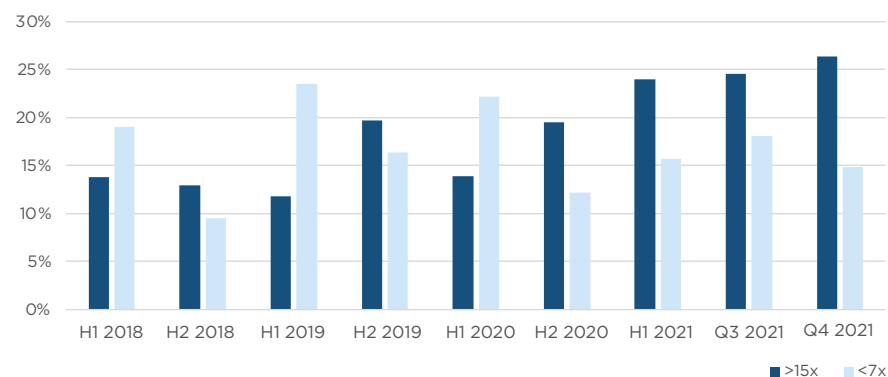
Percentage of transactions at multiples >15x EBITDA Argos Index™ sample



Source : Argos Index® mid-market / Epsilon Research

The dispersion of multiples within the sample was high and related in particular to the business sector. The share of transactions at multiples of less than 7x EBITDA represented 15% of analysed transactions.

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



Source : Argos Index® mid-market / Epsilon Research

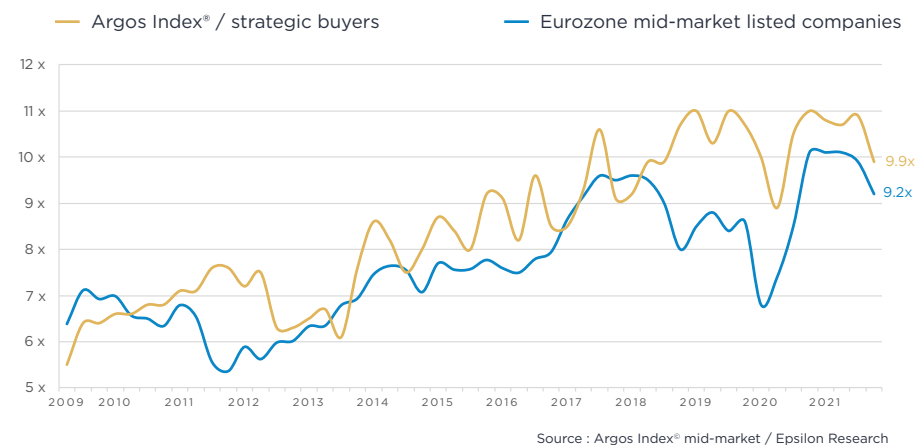
04 | Listed companies were once again very active in the mid-market, although their multiples declined this quarter.

Multiples paid by strategic buyers were down this quarter, at 9.9x EBITDA even though M&A activity, particularly that of large groups, remained buoyant. Large groups represented 72% of strategic buyers in the second half.

This decline was in line with that of the multiples of listed companies, at 9.2x EBITDA¹ this quarter. Equity markets stabilised² at the end of the year at record-high levels, with an increase in 2021 operating earnings.

In many sectors, large companies continued to transform their business models and their approach to strategic acquisitions, against a very supportive economic and financial background.

Comparison of listed and unlisted mid-market multiples (paid by strategic buyers)



Source : Argos Index® mid-market / Epsilon Research

¹EV/LTM EBITDA was 9.2x for listed, eurozone mid-market companies (source: smallcaps.infrontanalytics.com)

²The EURO STOXX® TMI was up 2.8% in Q4 2021 and rose 1.9% in the third quarter.

05 | The volume of mid-market M&A activity remained high

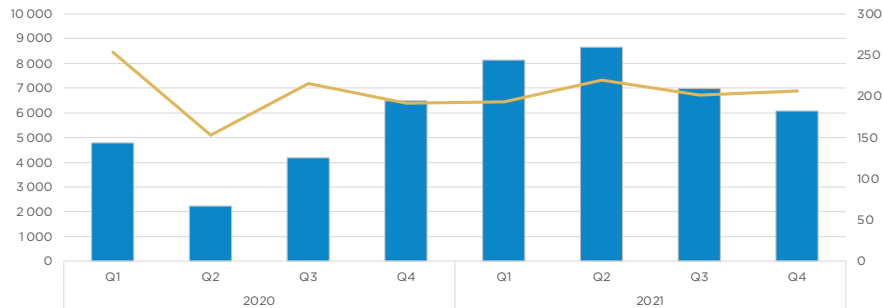
M&A activity increased by 2% in volume in the fourth quarter and remained at a high level. It declined by 13% in (declared) value, however, in line with the decline in average transaction amounts (€83m vs €104m in the third quarter).

Mid-market transactions did not increase as much as overall M&A activity, which returned to an upward cycle this year. Driven by the largest acquisitions, the worldwide market grew by more than 60% in volume in 2021 to \$5.8tn¹, the highest level in 40 years.

While large groups were very active, the unstable economic environment prompted mid-market companies to be more cautious, as they saw a strong recovery and a rapid rise in energy prices that could signal a return to inflation, combined with successive waves of Covid-19.

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

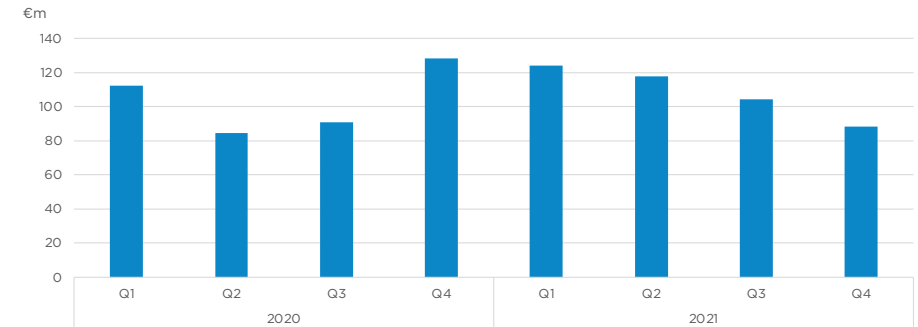
- Value of disclosed mid-market transactions (€15-500m)
- Estimated number of mid-market transactions (€15-500m)



Source : Argos Index® mid-market / Epsilon Research

With the gradual recovery in M&A transactions in the manufacturing and services sectors, the average size of mid-market transactions declined in 2021 to €83m in the fourth quarter.

Average disclosed transaction size – M&A Europe Mid-market



Source : Epsilon Research / MarketIQ

¹ Refinitiv in the FT, 31.12.2021

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 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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