



3RD QUARTER 2020

ARGOS INDEX[®]

The mid-market reference

argos.
wityu



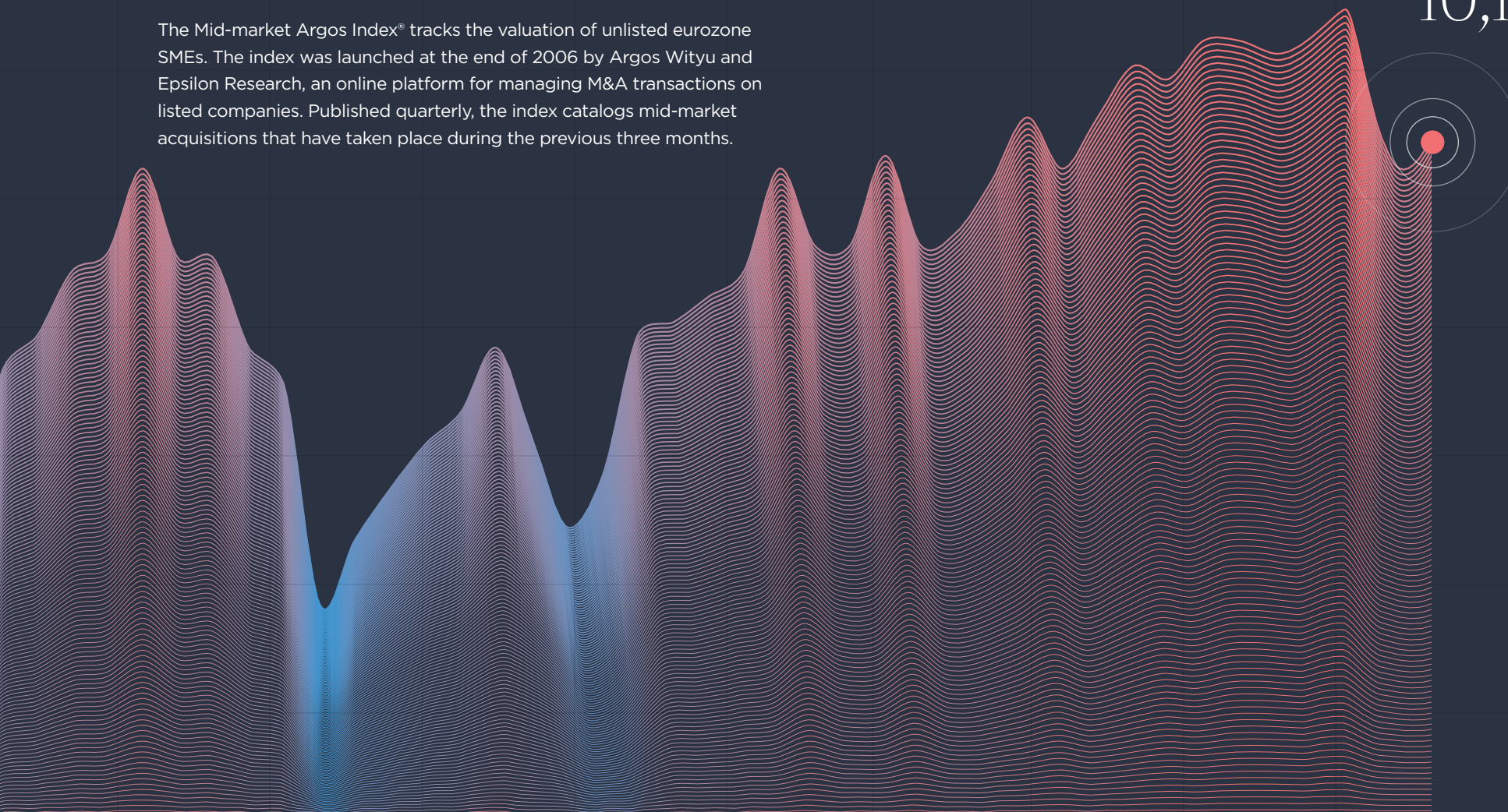
ARGOS INDEX[®]

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.

3RD QUARTER 2020

10,1x



“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

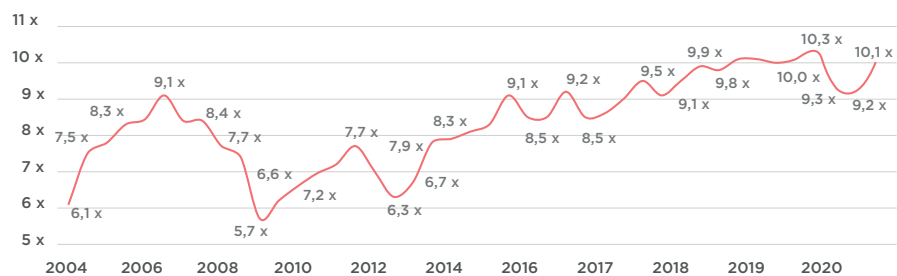
Principal conclusions

THE ARGOS INDEX® ROSE TO 10.1X EBITDA

The index returned to its 2019 level. The Covid-19 pandemic seemed to subside during the summer, and the eurozone's economic recovery was quicker than expected in the third quarter¹. In this context, the Argos Index® was buoyed by the recovery in M&A activity, stock markets at record levels and high multiples of 11.8x EBITDA at the top end of the mid-market (equity value of €150-500 million).

The high proportion of transactions in sectors that have been spared by the crisis also explains the index's return to a high level. Specifically, 50% of referenced transactions took place in the healthcare and technology sectors.

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



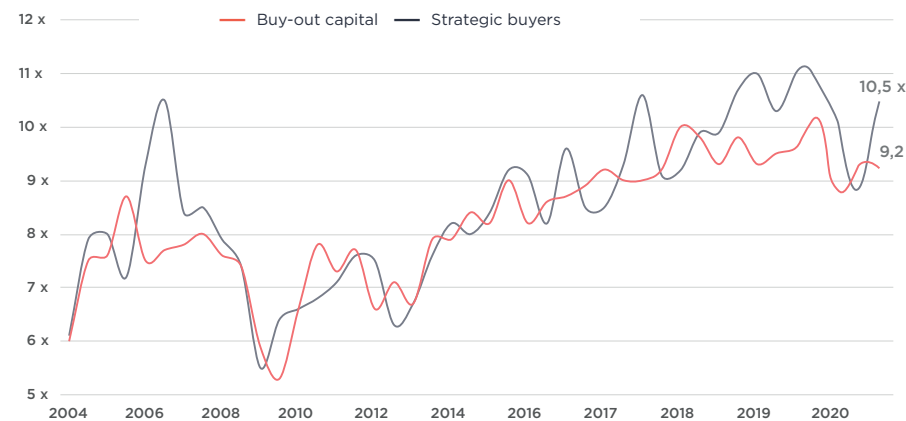
Source: Mid-market Argos Index® / Epsilon Research

STRATEGIC BUYERS DRIVING MULTIPLES HIGHER

Prices paid by strategic buyers were up, at 10.5x EBITDA. Large, listed companies were active in the mid-market and have represented more than 70% of strategic buyers since the beginning of the year. In particular, they have benefited from the rapid rise in equity markets¹ and in their own multiples, which rose 9% to 8.5x EBITDA during the third quarter².

The multiples paid by investment funds were stable at 9.2x EBITDA amid a reinvigorated transaction volume. LBO transactions were up 50% in volume compared with the second quarter. As investment funds still had considerable dry powder, they were able to resume their investment activity.

ENTERPRISE VALUE / HISTORICAL EBITDA



Source: Mid-market Argos Index® / Epsilon Research

(1) The eurozone economy rebounded much more strongly than expected in the third quarter after the pandemic-induced slump in the previous three months – source: www.nasdaq.com

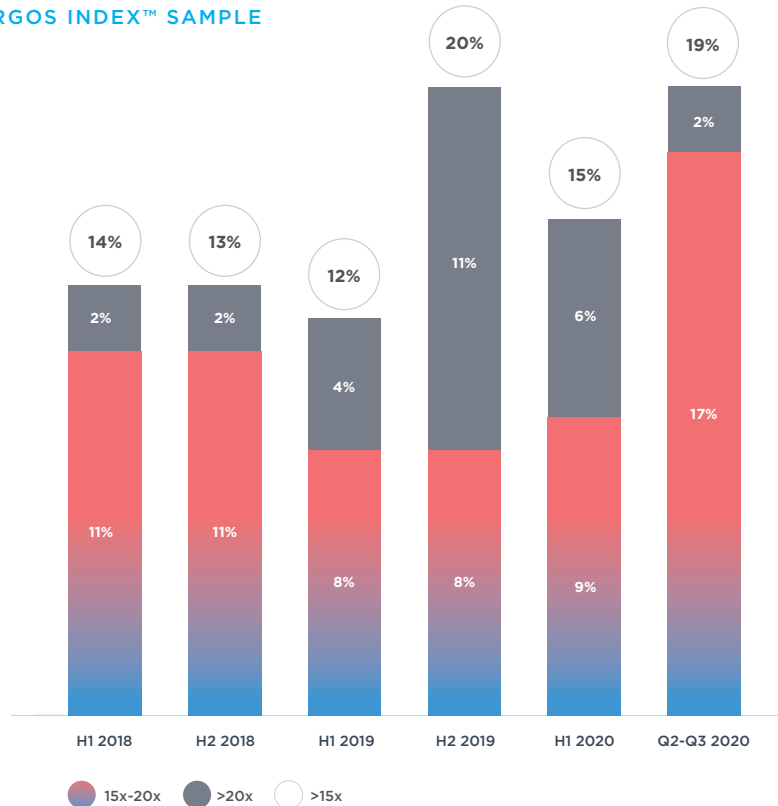
(1) The EuroStoxx® TMI Small index appreciated by 20% between 1 April and 30 September 2020.

(2) EV/LTM EBITDA of 8.5x for listed, eurozone mid-market companies (source: smallcaps.infrontanalytics.com)

DECLINE IN SHARE OF TRANSACTIONS AT MULTIPLES > 20X EBITDA

The percentage of transactions with multiples in excess of 15x returned to the level reached in the second half of 2019, but the percentage of those with multiples over 20x EBITDA declined sharply.

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



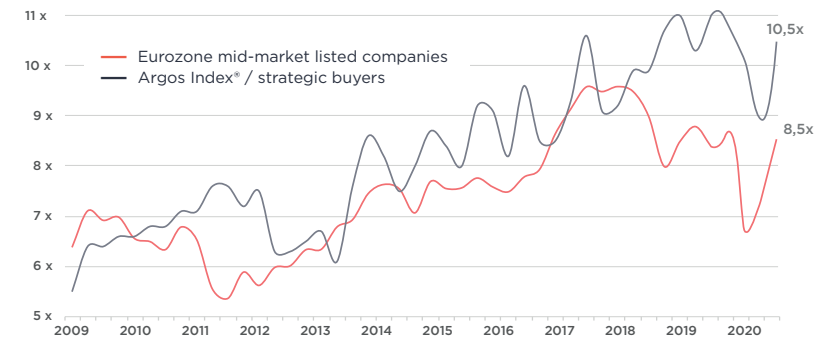
Source: Mid-market Argos Index® / Epsilon Research

THE STOCK MARKET RECOVERY HAS NOT BEEN ENOUGH TO REDUCE THE DISPARITY BETWEEN LISTED AND UNLISTED COMPANIES

Transactions on unlisted companies continued to benefit from the massive central bank intervention we have seen, as cash continued to pour into the asset class¹.

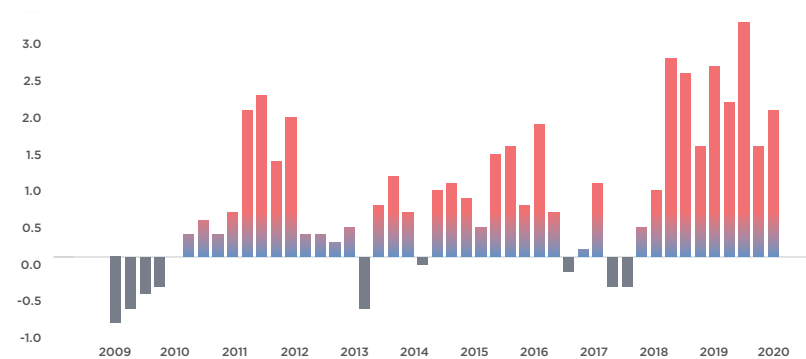
Multiples of unlisted companies remained 2x EBITDA higher than those of listed companies. This difference has been clearly visible for the past two years and was not eliminated by the stock market recovery during the third quarter.

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



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

DIFFERENCE BETWEEN LISTED AND UNLISTED MID-MARKET MULTIPLES (PAID BY STRATEGIC BUYERS)



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

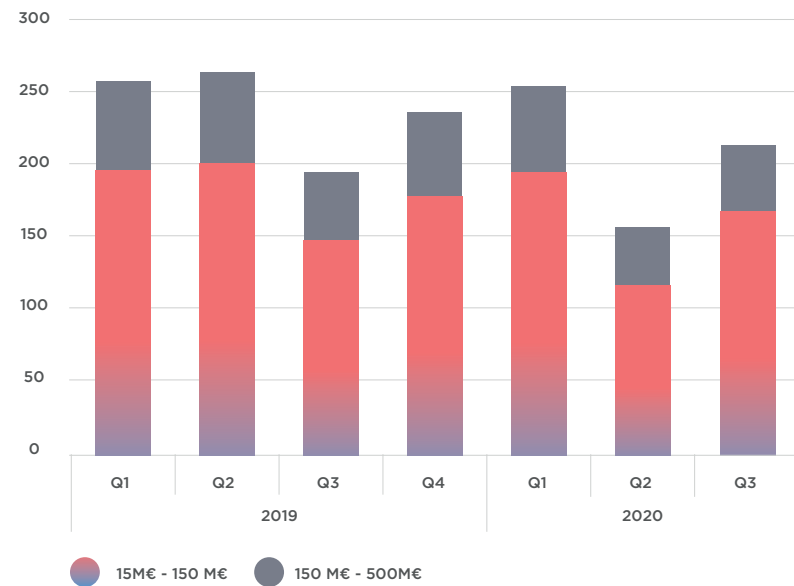
(1) European private equity funds had €795 billion in assets under management in 2019, up 16% from 2018 and up 70% over five years according to Preqin and Amundi's "2020 Alternative Assets in Europe".

M&A ACTIVITY RECOVERED SOMEWHAT, BUT IN THE FIRST NINE MONTHS OF 2020, IT WAS STILL 13% BELOW THAT OF THE YEAR-EARLIER PERIOD

Third-quarter mid-market M&A activity rose 40% in volume and 70% in value compared with the second quarter, in line with the overall M&A market¹. This reflected both a catch-up effect and a greater-than-expected resurgence of economic activity in the third quarter².

But it did not return to its 2019 level. Over the first nine months of 2020, mid-market M&A activity was down 13% in volume and 46% in value terms compared with the same period in 2019.

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



Source: Epsilon Research / Market IQ

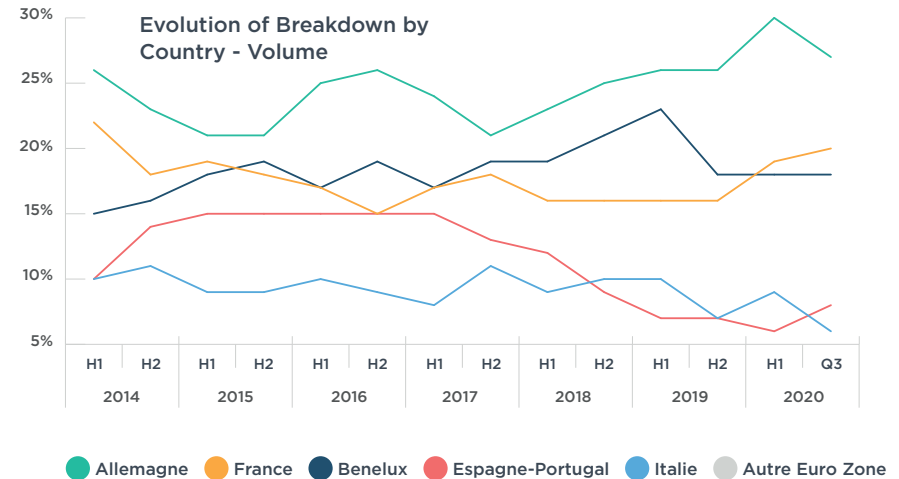
GERMANY WAS THE MOST ACTIVE EUROZONE COUNTRY IN TERMS OF SME ACQUISITIONS, FOLLOWED BY FRANCE AND BENELUX

Several trends emerge from the differences in mid-market M&A activity among the main eurozone countries:

- Germany remains the most active market for mid-market M&A activity, with 27% of transactions in Q3 2020.
- France's share held steady at 20% of mid-market transactions. Still, there was less activity in this segment in France than in Germany, in large part because SMEs account for a small portion of France's economy.
- The share of the eurozone's southern countries eroded. Italy and the Iberian peninsula represented only 6% and 8%, respectively, of eurozone mid-market transactions in the third quarter.

Unsurprisingly, the mid-cap M&A market recovered more in northern European countries, where the Covid-19 crisis was less disruptive than in southern Europe. It mirrored the divergence in economic performance between eurozone member states.

MID-MARKET ACTIVITY IN THE PRINCIPAL EUROZONE COUNTRIES



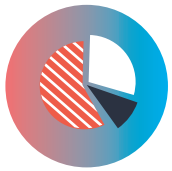
Breakdown by Country, Q3 2020 - Volume

Source: Epsilon Research / Market IQ

(1) Overall M&A activity up 21% in value in Europe during the third quarter. - Source: Refinitiv/ Reuters

(2) The eurozone economy rebounded much more strongly than expected in the third quarter after the pandemic-induced slump in the previous three months - source: www.nasdaq.com

All on the Argos Index®

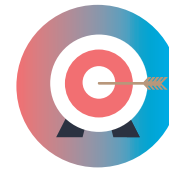


THE ARGOS INDEX® MID-MARKET

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.

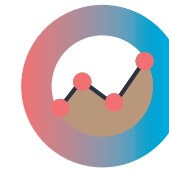
The index serves as a benchmark for all participants in the unlisted market. It is based on a rigorous methodology and a detailed, individual analysis of each transaction, including the structure of the transaction, the company's business activity (restated financial information) and transaction multiples.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

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.

Contacts

Louis Godron
François Becque
Argos Wityu
lgo@argos.fund
fbe@argos.fund
+ 33 1 53 67 20 50

Coralie Cornet
Head of Communications
ccc@argos.fund
+ 33 1 53 67 20 63

Grégoire BUISSON
Epsilon Research
gregoire.buisson@epsilon-research.com
+33 1 47 70 30 24

France
112, av. de Wagram
75017 Paris
+33 1 53 67 20 50

Italy
Piazza Diaz 5
20122 Milan
+39 02 00 660 700

Germany
Neue Mainzer Str. 52-58
60311 Frankfurt am Main
+49 69 5977217 30

Switzerland
114 rue du Rhône
1204 Genève
+41 22 849 66 33

Belgium
Av. Louise - Bt. 2
1050 Bruxelles
+32 2 554 12 40

Luxembourg
1-B rue Jean Piret
2350 Luxembourg
+352 2484 01 60

argos.wityu.fund 