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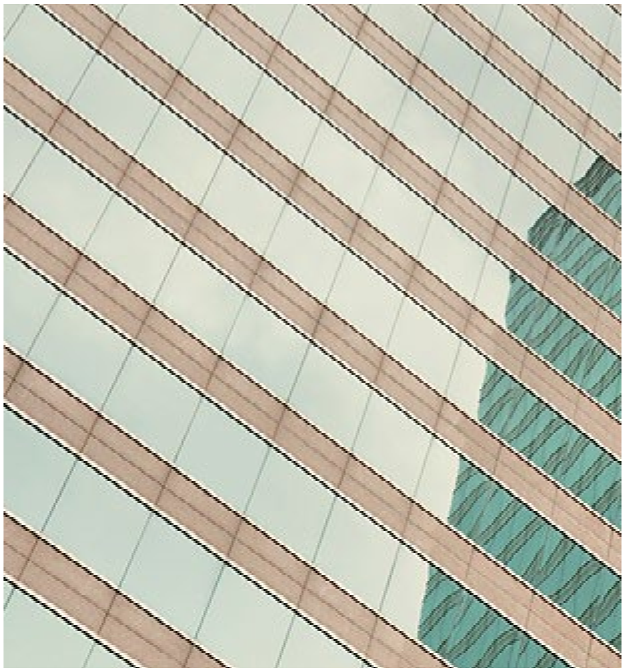
Q1 2024



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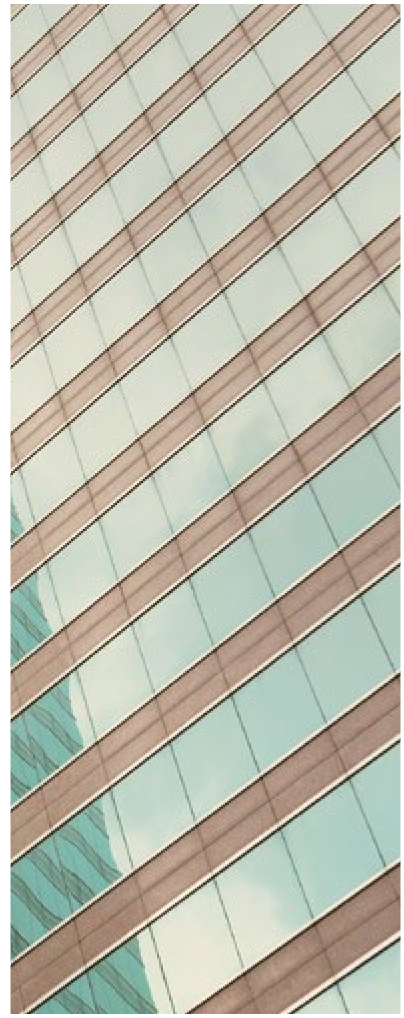

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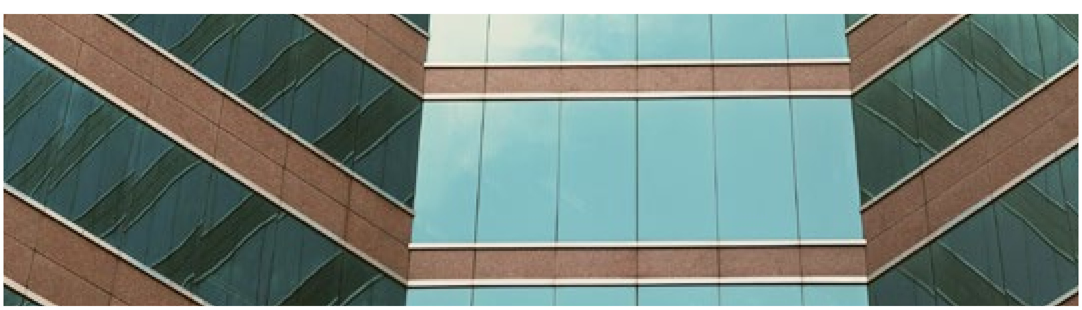

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LINCOLN PRIVATE MARKET INDEX CONTINUED TO CLIMB IN THE FIRST QUARTER ON THE BACK OF STEADY EARNINGS GROWTH

The Lincoln Private Market Index (LPMI), the only index that tracks changes in the enterprise value (EV) of U.S. privately held companies, increased by 1.4% during the first quarter of 2024, as the index climbed to yet another record high. The LPMI's increase was less than that of the S&P 500, which increased 9.2% in Q1 2024 largely a result of multiple expansion. The increase in the LPMI was due to persistent earnings growth amidst a fairly stable valuation multiple environment in the private markets.

ABOUT THE LINCOLN PRIVATE MARKET INDEX

The LPMI is a first-of-its-kind index measuring changes in the EVs of private companies over time – and a barometer of the performance of private companies generally. The LPMI enables PE firms and other investors to benchmark how private company investments are performing against peers, and how this performance correlates to the S&P 500.

Lincoln designed the LPMI to solve this problem by measuring the quarterly change in EVs for private companies primarily owned by PE firms. EV is the sum of a company's equity value and debt.

QUARTERLY OVERVIEW

- 27th edition: covers Q1 2024
- Measures quarterly changes in the EVs of ~1,500 private companies, based on a population of approximately 5,000+ companies primarily owned by private equity firms with a median EBITDA of ~$40-45 million
- Analyzes the impact from the change in company earnings versus market valuation multiples
- Assesses the change in value for six industry sectors

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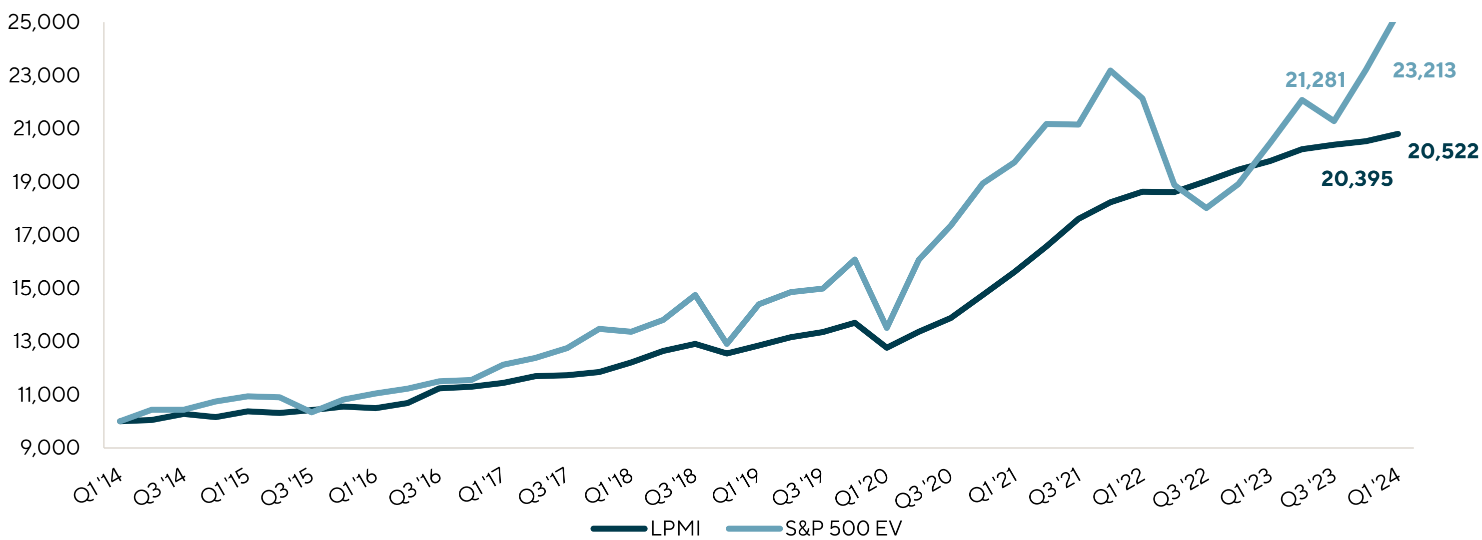
RESULTS:

Private Market Steady Growth was Overshadowed by the S&P 500's Gains

Q1 2024



(NOTE: Both the LPMI and S&P 500 EV returns above reflect EVs)
(S&P 500 EV excludes financial companies for which enterprise value is generally not meaningful; however, including such companies produces similar results)

	Q1 '24	LTM	CAGR Since Inception
LPMI	**1.4%**	**5.2%**	**7.6%**
S&P 500 EV	**9.2%**	**24.0%**	**9.8%**

The LPMI grew at a compound annual growth rate of 7.6% since inception as compared to 9.8% for the EVs of the S&P 500. Since the start of the pandemic, private market and S&P 500 EVs have grown at similar rates in aggregate, however, the private markets have seen more stable growth since that time.

While the LPMI reached a record high on the back of strong operating performance, it was overshadowed by the S&P 500's quarter-over-quarter growth rate of 9.2%, or 7.8% excluding the "Magnificent Seven." While the two markets diverged this quarter, the increase in the public index was largely multiple-driven on the back of optimism of rate cuts throughout the remainder of 2024; whereas deal activity in the private markets remained slow. However, optimism for the remainder of the year remains as the competition for A+ companies with stable, high cash flow profiles, has increased amongst sponsors with ample dry powder to acquire such companies as anecdotes of outlier valuations return.

"We are seeing outsized multiples being paid for A+ businesses, but for the rest of the portfolio company universe, selling at a discount to the going in multiple is not an attractive option since it results in a suboptimal IRR. As a result, general partners are in the difficult position of wanting to give investors the distributions they deserve, while preserving IRRs," said Ron Kahn, Managing Director and co-head of Lincoln's Valuations & Opinions Group.

The LPMI shows that private company EVs remain less volatile than those of the S&P 500; the LPMI's volatility is less than half that of the S&P 500 EV index as multiples have tended to be more stable than public company multiples. As a result, the Sharpe Ratio, which measures excess return per unit of risk, of the LPMI is superior to that of the S&P 500 EV index.

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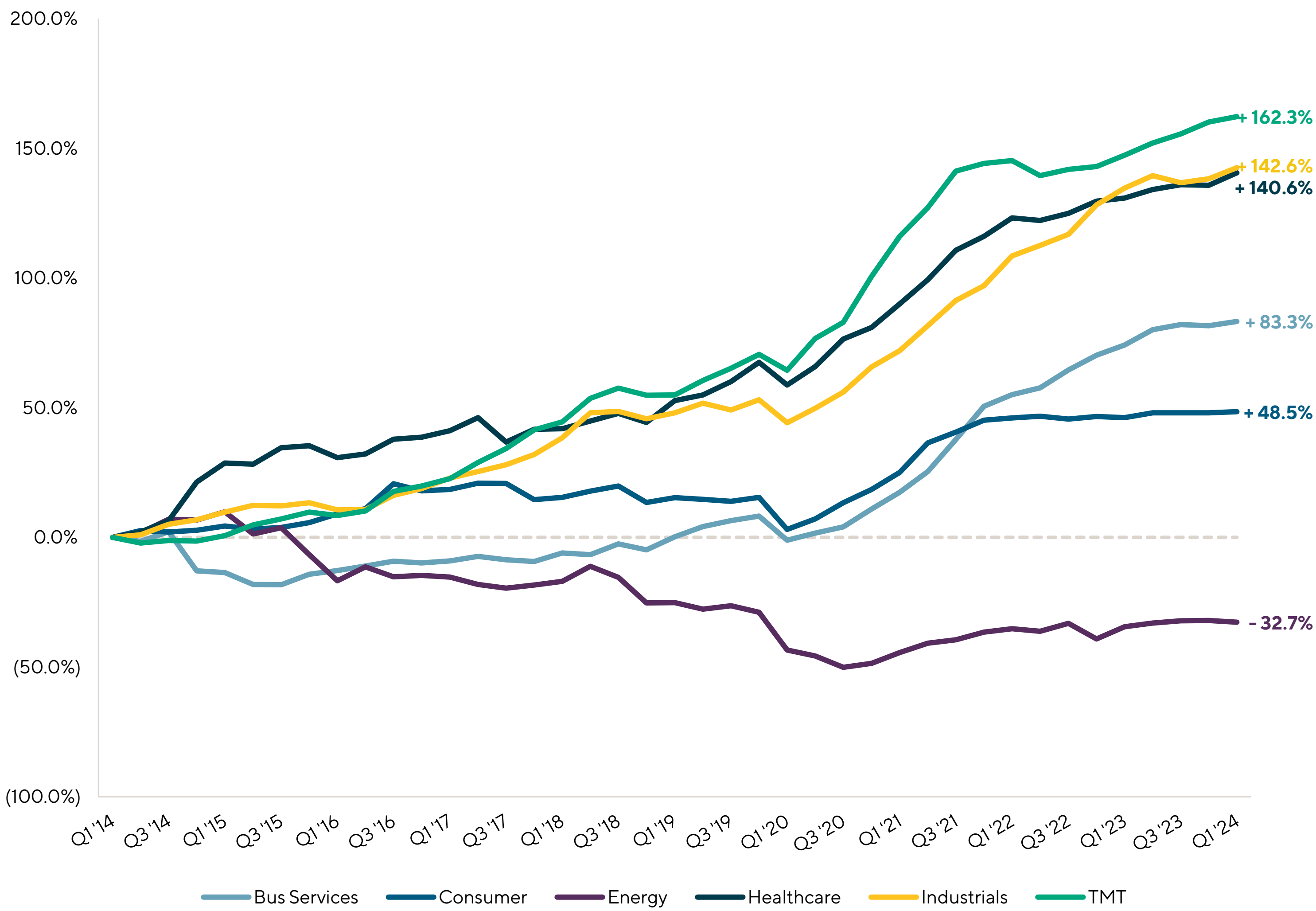
SECTOR BREAKDOWN:

Healthcare Valuations Improve Despite Increased Regulatory Scrutiny

Q1 2024



Industry	Q1 '24	LTM
Business Services	0.9%	5.2%
Consumer	0.2%	1.5%
Energy	(1.0%)	2.6%
Healthcare	2.1%	4.2%
Industrials	1.8%	3.3%
TMT	0.8%	6.0%

Except for energy, all industries saw increased EVs in Q1 2024. Although industrial EVs increased by 1.8%, it was the only industry to experience less year-over-year revenue and EBITDA growth. Covenant default rates nearly doubled for industrial businesses, suggesting there is perhaps a widening divergence between top-quality assets and the rest of the industry and that certain subsectors may be facing greater pressure.

Despite increased regulatory scrutiny and potential election concerns, healthcare EVs increased in Q1 2024. While healthcare companies' performance remained steady, it remains to be seen if multiples will begin to contract given the recent scrutiny resulting in a future decline in EVs.

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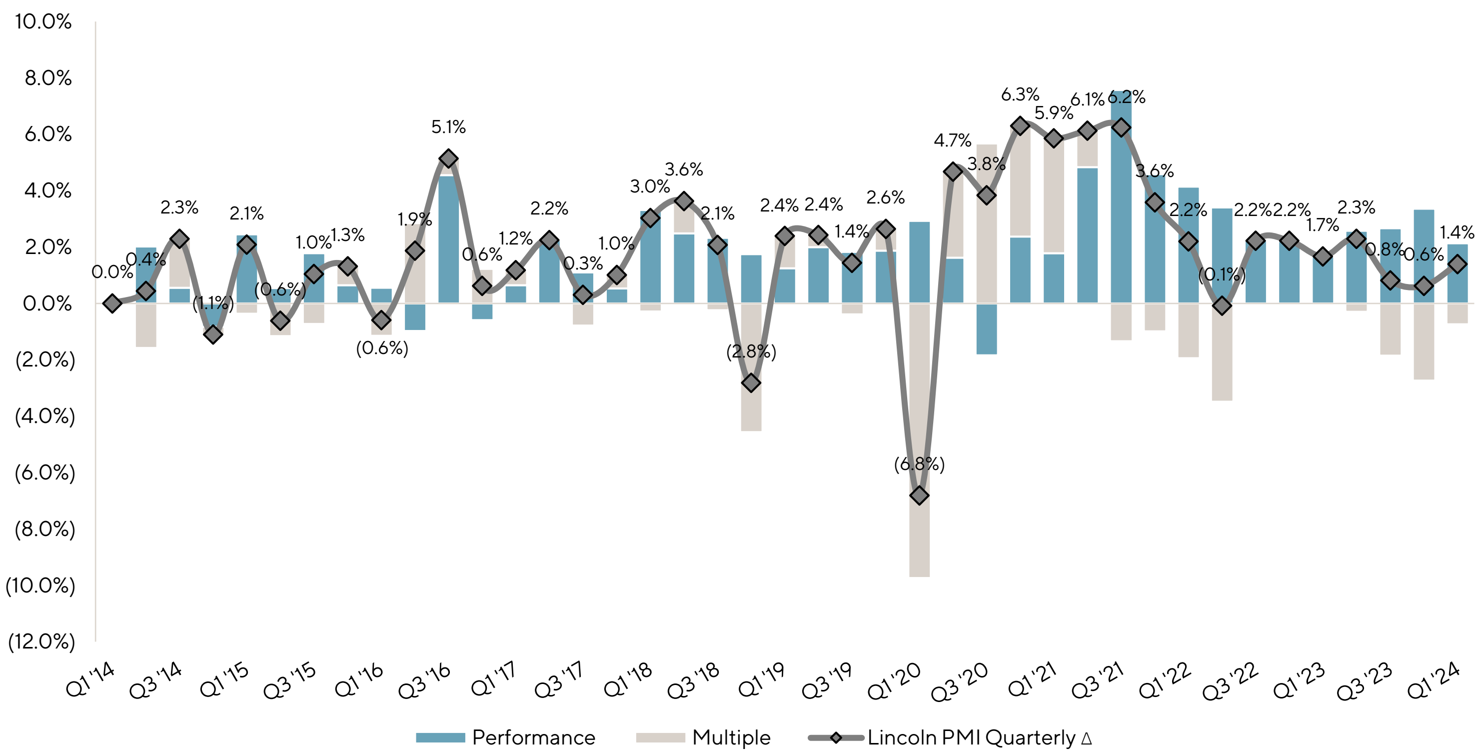
EXAMINING THE LPMI:

EBITDA Multiples versus Earnings

Q1

2024



~45%+

Expansion of LPMI valuation multiples since Q1 2014

The grey line in the above graph indicates the quarterly change in LPMI EVs; this change is based on changes in performance (i.e., EBITDA) combined with the change in EBITDA multiples.

While new platform buyout activity remained slow to start 2024, it was not because of signs of performance headwinds, but rather a higher-for-longer rate environment and lingering macroeconomic concerns. Despite the current rate environment, the LPMI index saw relatively stable multiples and the 14th consecutive quarter of earnings growth highlighting the private market's stability in comparison to the public markets. Revenue growth has begun to normalize as inflationary pressures start to cool; however, for the fourth consecutive quarter, the percentage of companies achieving EBITDA growth increased, with 63.0% of companies tracked by Lincoln's proprietary database demonstrating EBITDA growth in Q1.

"EBITDA growth is the highest it's been in nearly two years, while revenue growth continues to normalize," said Steve Kaplan, Neubauer Distinguished Service Professor of Entrepreneurship and Finance at the University of Chicago Booth School of Business, who assists and advises Lincoln on the LPMI. "The days of double-digit headline revenue growth appear to be behind us as inflation subsides, but EBITDA growth continues to be steady and the percentage of companies growing EBITDA was at the highest levels dating back to 2019. This also suggests that PE-owned companies are weathering the storm from the large interest rate hikes."

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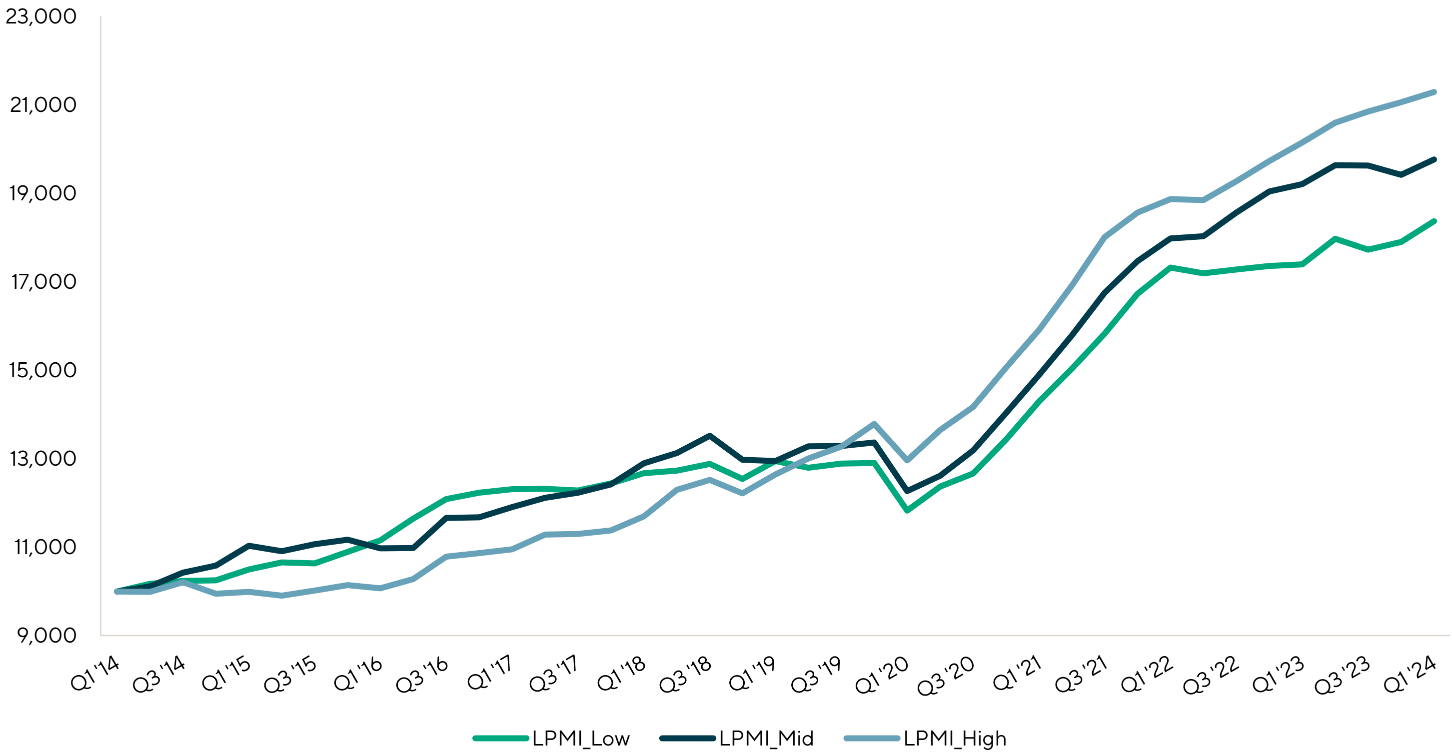
EXAMINING THE LPMI: :

Lower Middle Market vs Middle Market vs Large Corporate Sub-Indices

Q1

2024



(Low is includes companies with LTM EBITDA <$20 million, Mid includes companies with LTM EBITDA of $20 million to $50 million and High includes companies with $50 million to $250 million)

For the first time since Q2 2023, all size categories tracked by the LPMI grew in aggregate in Q1 2024. However, the indices continue to see variability within performance trends and the movement of multiples. Like Q4 2023, smaller companies (i.e., those with less than $20.0 million of EBITDA) experienced the greatest earnings growth amongst all sub-indices, albeit to a lesser degree than in the prior quarter. However, smaller companies continue to have the highest level of covenant defaults, as observed in Lincoln's proprietary database, highlighting the greater exposure to customer concentration and less product diversification and therefore greater risk which has resulted in less stable valuation multiples, in comparison to larger companies.

While the valuations of smaller and larger companies grew at a similar pace in Q1 2024, in aggregate larger companies have outperformed smaller companies since the inception of the index. Larger companies have benefited from more stable valuation multiples and earnings over the last several quarters.

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SUMMARY:
Q1 2024 LPMI

Q1
2024

Q1 2024 LPMI: GENERAL OBSERVATIONS

- Private company EVs increased for the seventh consecutive quarter as the LPMI increased 1.4%, driven by improved earnings.
- S&P 500 EVs grew more than the LPMI in Q1 2024 as the S&P 500 increase was driven by multiple expansion, whereas the LPMI was driven by improved performance.
- Since its inception in Q1 2014, the LPMI has shown that private company EV multiples have been less volatile than public company multiples and that earnings are the primary factor driving long-term value creation.

Q1 2024 LPMI: EV RESULTS

- Revenue growth continues to slow as inflation cools; however, companies grew earnings for the 14th consecutive quarter, highlighting the successful stewardship provided by PE sponsors.
- New leveraged buyout transaction multiples remained notably below peak levels in 2021 as sellers and buyers remain in a staredown; however, competition for A+ deals increased, driving optimism for valuation multiple increases as 2024 progresses.
- Smaller companies' performance proved to be resilient as they grew earnings at the greatest rate in Q1 2024, although larger companies continue to be the beneficiaries of more stable performance and multiples.

Q1 2024 LPMI: INDUSTRY BREAKDOWN ON AN EV BASIS

- Healthcare EVs improved despite recent regulatory pressures and potential election concerns; however, it remains to be seen if valuations will be impacted moving forward.
- Industrial companies saw improved EVs despite slowed earnings growth and rising covenant defaults.

IN SUMMARY, WE BELIEVE THE LPMI:

- Enables investors in private companies, including private equity firms, to benchmark their investments against their peers and the S&P 500 on both EV and equity value bases;
- Demonstrates that private companies generate returns comparable to major public stock market indices with less volatility;
- Offers many unique valuation insights into the fair value of private companies for a wide array of stakeholders and investors; and
- Represents a significant enhancement to the information available to investors in private companies.

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METHODOLOGY:
Source of Data and Sample Size

Q1
2024

SOURCE OF DATA AND SAMPLE SIZE

On a quarterly basis, Lincoln determines the enterprise fair value of over 5,000+ portfolio companies for over 175 sponsors (i.e., PE groups and lenders to PE groups). These portfolio companies report quarterly financial results to the sponsor or lender. Lincoln obtains this information and determines the appropriate EV multiple so as to compute the EV in accordance with the fair value measurement principles of generally accepted accounting principles. In assessing EV, Lincoln relies on well-accepted valuation methodologies such as the market approach and income approach considering each company's historical and projected performance and other qualitative and quantitative factors. Finally, each valuation is then vetted by auditors, company management, boards of directors and regulators. Upon concluding each quarterly valuation cycle, Lincoln aggregates the underlying financial performance and EV data for analysis.

To construct the LPMI, Lincoln selects a subsection of the companies valued each quarter, including private companies each generating earnings before interest, taxes, depreciation and amortization of less than $250.0 million, disregarding venture-stage businesses and non-operating entities, such as special purpose entities that own real estate and specialty finance assets.

For more information, visit **https://www.lincolninternational.com/perspectives/an-overview-of-the-lincoln-private-market-index/**.

5,000+

Portfolio companies are evaluated by Lincoln on a quarterly basis to determine their enterprise fair value

175+

Sponsors participate in LPMI i.e. private equity groups & lenders to private equity groups

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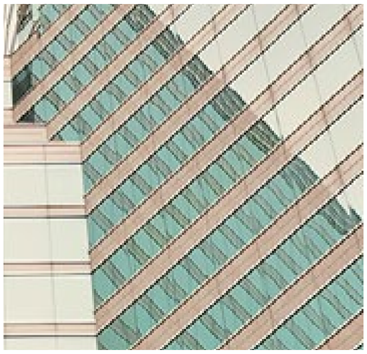
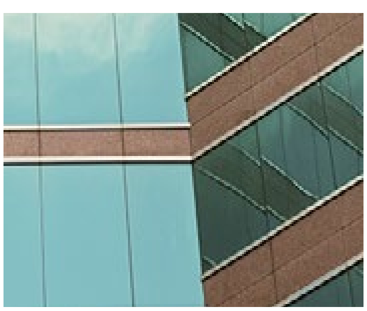
METHODOLOGY:
Academic Advisors





PROFESSOR STEVEN KAPLAN

Professor Steven Kaplan is a Senior Advisor to Lincoln's Valuations and Opinions Group. He is the Neubauer Family Distinguished Service Professor of Entrepreneurship and Finance and Kessenich E.P. Faculty Director at the Polsky Center for Entrepreneurship and Innovation at the University of Chicago Booth School of Business. Among other courses, Professor Kaplan teaches advanced Master of Business Administration and executive courses in entrepreneurial finance and PE, corporate finance, corporate governance and wealth management. Professor Kaplan conducts research on a wide array of issues in PE, venture capital, corporate governance, boards of directors, mergers and acquisitions and corporate finance. He has been a member of the Chicago Booth faculty since 1988.

Professor Kaplan serves on the board of Morningstar and several fund and company advisory boards. He is also a Research Associate at the National Bureau of Economic Research. He received a Bachelor of Arts, summa cum laude, in applied mathematics and economics from Harvard College and earned a Doctor of Philosophy in business economics from Harvard University.

PROFESSOR MICHAEL MINNIS

Professor Michael Minnis is a Senior Advisor to Lincoln's Valuations and Opinions Group. He is the Charles E. Merrill Faculty Scholar and a Professor of Accounting at the University of Chicago Booth School of Business, where he researches the role of accounting information in allocating investment efficiently by both managers and capital providers. His recent research focuses on understanding the role of privately held companies in the U.S. economy and how these firms use financial reporting to access, deploy and manage capital. He particularly enjoys identifying unique data and methods to empirically examine issues in a novel way.

In January 2018, Professor Minnis became a member of the Private Company Council, the primary advisory council to the Financial Accounting Standards Board (FASB) on private company issues. Professor Minnis received his Ph.D. from the University of Michigan and his Bachelor of Science from the University of Illinois, where he graduated with highest honors.

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Consumer

Energy, Power & Infrastructure

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Healthcare

Industrials

Technology, Media & Telecom

ADVISORY SERVICES

Mergers & Acquisitions

Capital Advisory

Private Funds Advisory

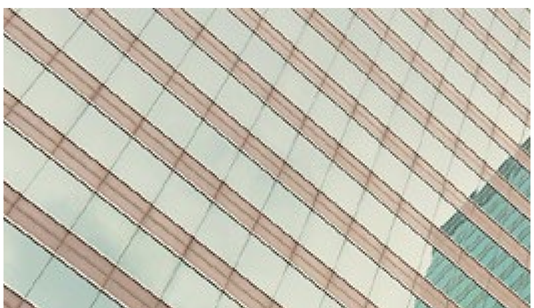
Valuations & Opinions

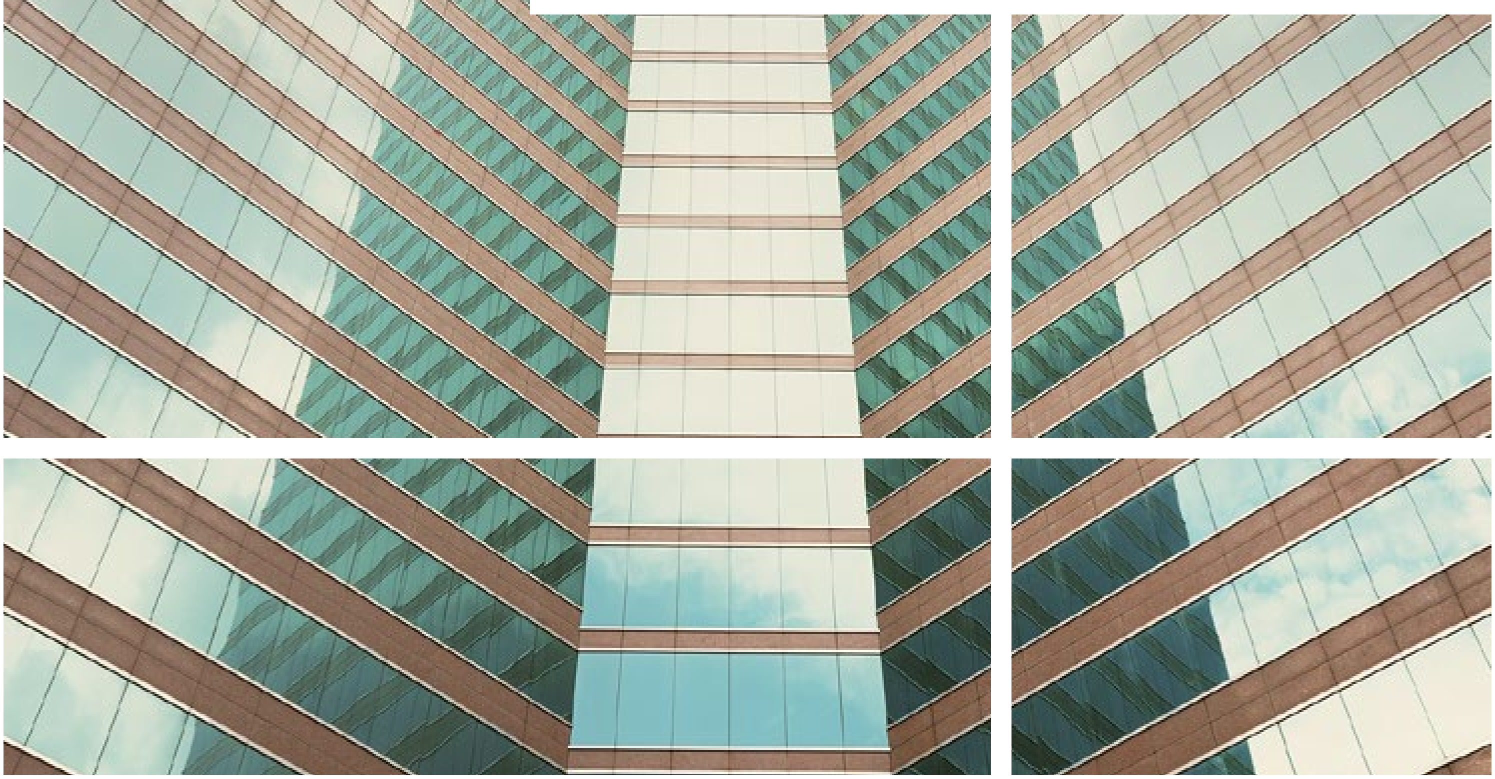
ABOUT LINCOLN INTERNATIONAL

We are trusted investment banking advisors to business owners and senior executives of leading private equity firms and their portfolio companies and to public and privately held companies around the world. Our services include mergers and acquisitions advisory, private funds and capital markets advisory, and valuations and fairness opinions. As one tightly integrated team of more than 950 professionals in more than 20 offices in 15 countries, we offer an unobstructed perspective on the global private capital markets, backed by superb execution and a deep commitment to client success. With extensive industry knowledge and relationships, timely market intelligence and strategic insights, we forge deep, productive client relationships that endure for decades. Connect with us to learn more at **www.lincolninternational.com**.

Lincoln's Valuations & Opinions Group is a leading independent valuation advisor to managers of illiquid assets and lenders to alternative assets funds. The group specializes in the valuation of illiquid debt, equity and derivative securities. Additionally, they provide independent fairness, solvency and other transaction opinions for a variety of corporate transactions for both public and private companies.

Lincoln's Valuations & Opinions Group is widely recognized for leveraging the firm's "real world" transaction experience from its M&A and capital advisory practices to assist its clients in the determination of fair value. Lincoln International's highly skilled professionals have extensive experience in determining and supporting fair value measurements for traditional and complex securities.





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