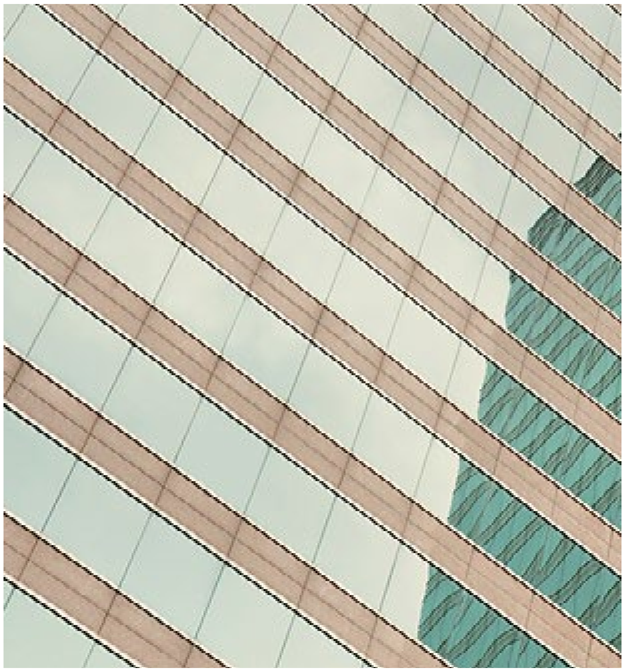
LINCOLN INTERNATIONAL

Q2 2024



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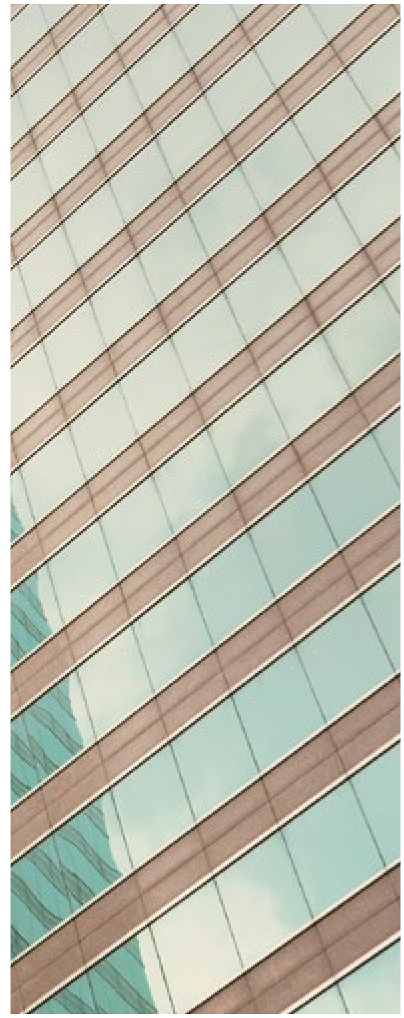
LINCOLN PRIVATE MARKET INDEX

Important Disclosure



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WHILE THE LINCOLN PRIVATE MARKET INDEX INCREASED IN THE SECOND QUARTER, PRIVATE COMPANY EARNINGS GROWTH SLOWED

The Lincoln Private Market Index ("LPMI"), the only index that tracks changes in the enterprise value of U.S. privately held companies, increased by 1.9% during the second quarter of 2024 as the index reached a new high. For both the Lincoln PMI and S&P 500, growth was largely driven by improved performance offset by some multiple contraction.

ABOUT THE LINCOLN PRIVATE MARKET INDEX

The Lincoln PMI is a first-of-its-kind index measuring changes in the enterprise values of private companies over time - and a barometer of the performance of private companies generally. The Lincoln PMI enables private equity 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 Lincoln PMI to solve this problem by measuring the quarterly change in enterprise values for private companies primarily owned by private equity firms. Enterprise value ("EV") is the sum of a company's equity value and debt.

To review the results of an independent study on the quality and breadth of Lincoln's private market database, **click here**.

QUARTERLY OVERVIEW

- 28th edition: covers Q2 2024
- Measures quarterly changes in the enterprise values of ~1,500 private companies, based on a population of approximately 5,500+ companies primarily owned by private equity firms with a median EBITDA of ~$40-45 million
- Analyzes the impact from the change in a company's earnings versus its valuation multiple
- Assesses the change in value for six industry sectors

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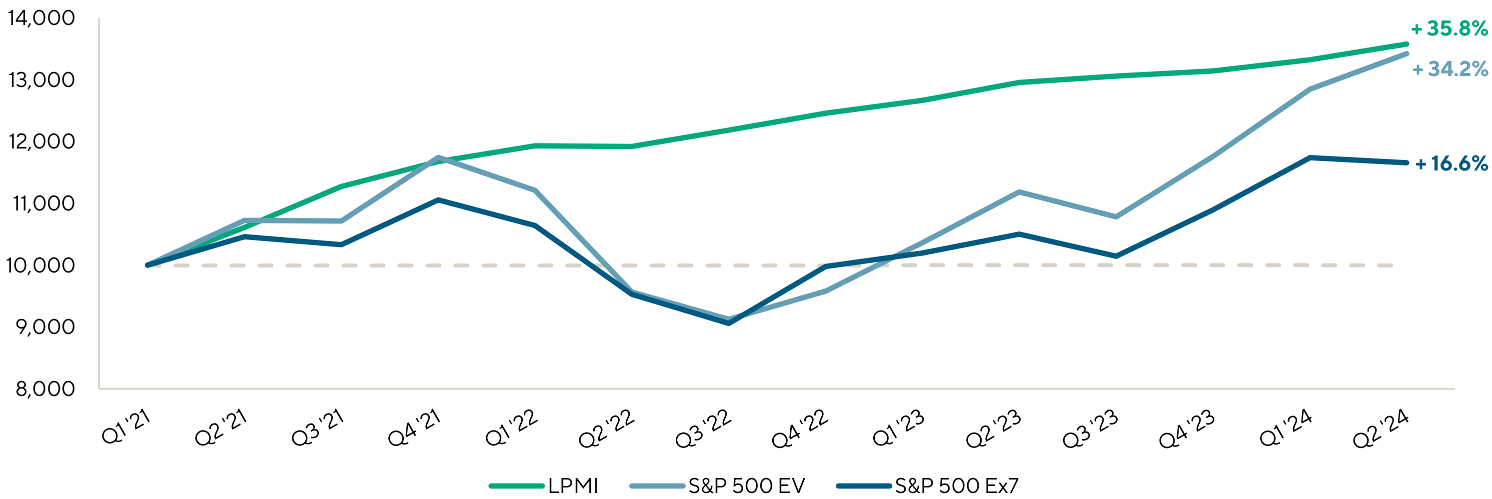
RESULTS:
Lincoln PMI's enterprise value growth was steady amidst public market volatility

Q2
2024



(NOTE: All three indices above represent enterprise values, including the public market indices)
(S&P 500 EV excludes financial companies for which enterprise value is generally not meaningful; however, including such companies produces similar results)
(S&P 500 Ex7 represents the S&P 500 EV index after excluding the "Magnificent Seven" of Alphabet, Amazon, Apple, Meta, Microsoft, Nvidia, and Tesla)

	Q2 '24	YTD	LTM	CAGR Since Inception
LPMI	**1.9%**	**3.3%**	**4.8%**	**7.6%**
S&P 500 EV	**4.5%**	**14.1%**	**20.0%**	**10.0%**
S&P 500 Ex7 EV	**(0.7%)**	**7.0%**	**11.0%**	**NA**

The Lincoln PMI grew at a compound annual growth rate of 7.6% since inception as compared to 10.0% for the enterprise values of the S&P 500.

In Q2 2024, the S&P 500's enterprise value growth of 4.5% outpaced the Lincoln PMI's growth of 1.9%; however, when excluding the "Magnificent Seven" from the S&P 500, public market enterprise values *contracted* by 0.7%. The public and private indices both experienced multiple contraction as the quantum and magnitude of near-term expected rate cuts further shrank. However, the private market took rate cuts into its own hands and proactively repriced existing facilities for performing credits, reducing the interest burden for these companies. With the ample dry powder in the private market and the reduced interest burden for private companies, buyers can afford to pay more for portfolio companies which may result in multiple expansion in future periods and a much-needed jolt to buyout activity.

"While higher SOFR and resulting higher borrowing costs contributed to the slower M&A environment, ironically, decreased spreads and reduced equity cushions could be the catalyst for renewed buyout activity as buyers now have the ability to pay more for portfolio companies," said Kahn. "All of these tailwinds beg the question on everyone's mind: has the M&A tide finally started to shift for the second half of 2024?"

The Lincoln PMI shows that private company enterprise values remain less volatile than those of the S&P 500; the Lincoln PMI'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 Lincoln PMI is superior to that of the S&P 500 EV index.

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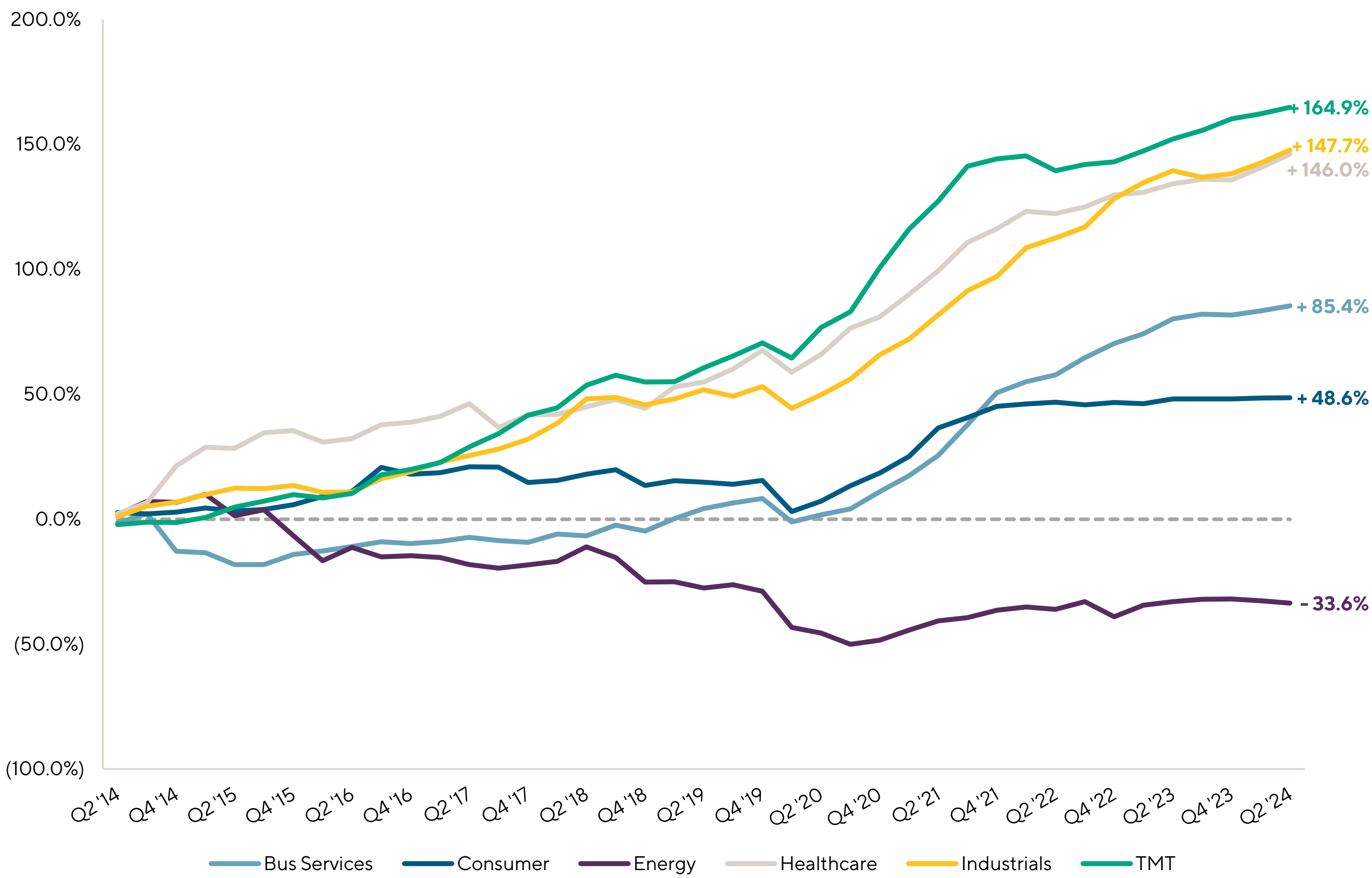
SECTOR BREAKDOWN:

Consumer companies' valuations remain stable, but performance growth slows

Q2 2024



Industry	Q2 '24	YTD	LTM
Business Services	1.1%	2.0%	2.9%
Consumer	0.1%	0.4%	0.4%
Energy	(1.4%)	(2.4%)	(1.0%)
Healthcare	2.3%	4.4%	5.1%
Industrials	2.1%	4.0%	3.4%
TMT	1.0%	1.8%	5.1%

With the exception of Energy, all industries saw increased enterprise values in Q2 2024. However, consumer companies have only grown enterprise values by 1.3% since Q2 2022 and experienced the weakest performance growth trends; both revenue and EBITDA growth fell below the average growth rates observed within Lincoln's proprietary database.

Healthcare companies experienced the greatest enterprise value growth for two consecutive quarters. Despite enterprise value growth, covenant default rates increased 50% for healthcare companies, highlighting the tale of two cities within the industry. While some healthcare businesses can garner outlier multiples on the back of strong performance, many face uncertainty related to reimbursement rates and regulation in the face of November's election.

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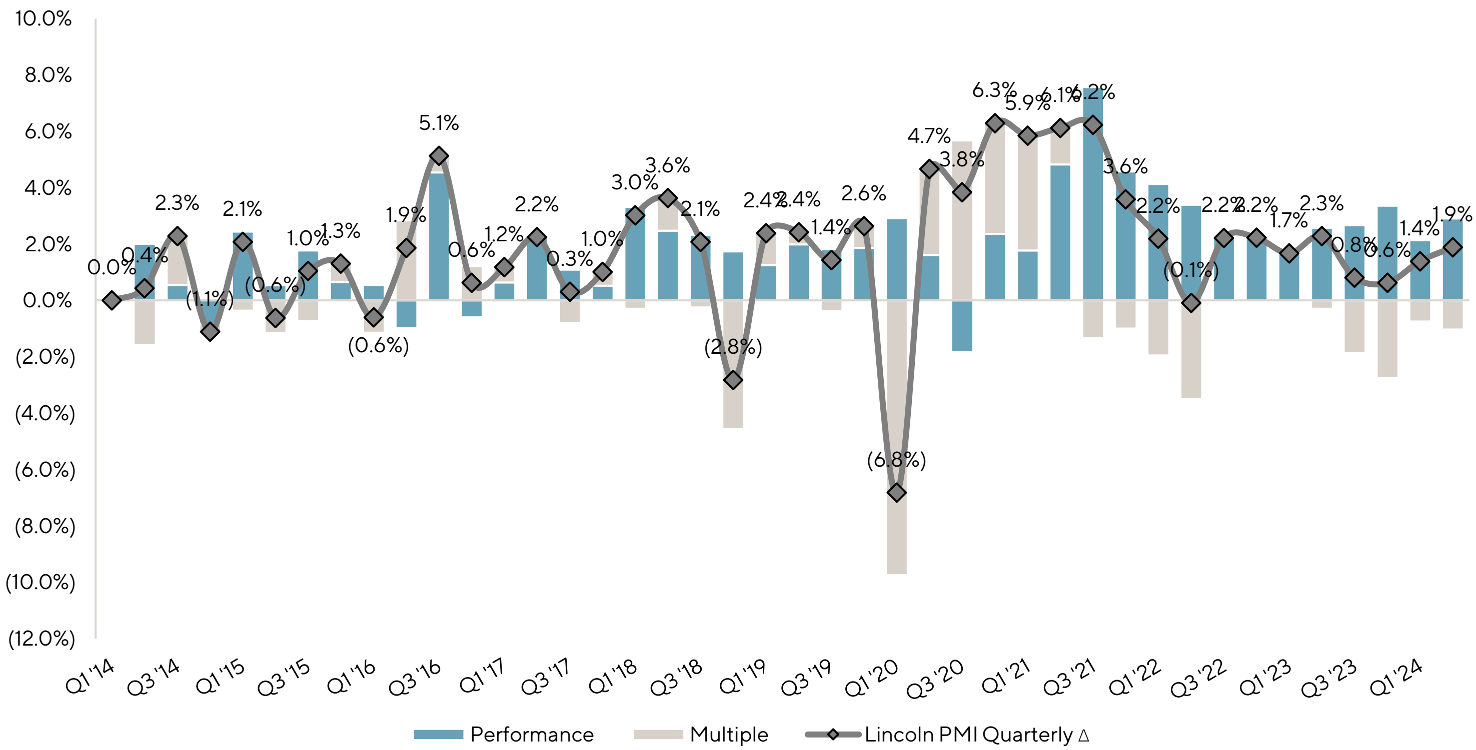
EXAMINING THE LPMI:

EBITDA Multiples versus Earnings

Q2
2024



~45%+

Expansion of LPMI valuation multiples since Q2 2014

The grey line in Graph 3 indicates the quarterly change in Lincoln PMI enterprise values; this change is based on changes in performance (i.e., EBITDA) combined with the change in EBITDA multiples.

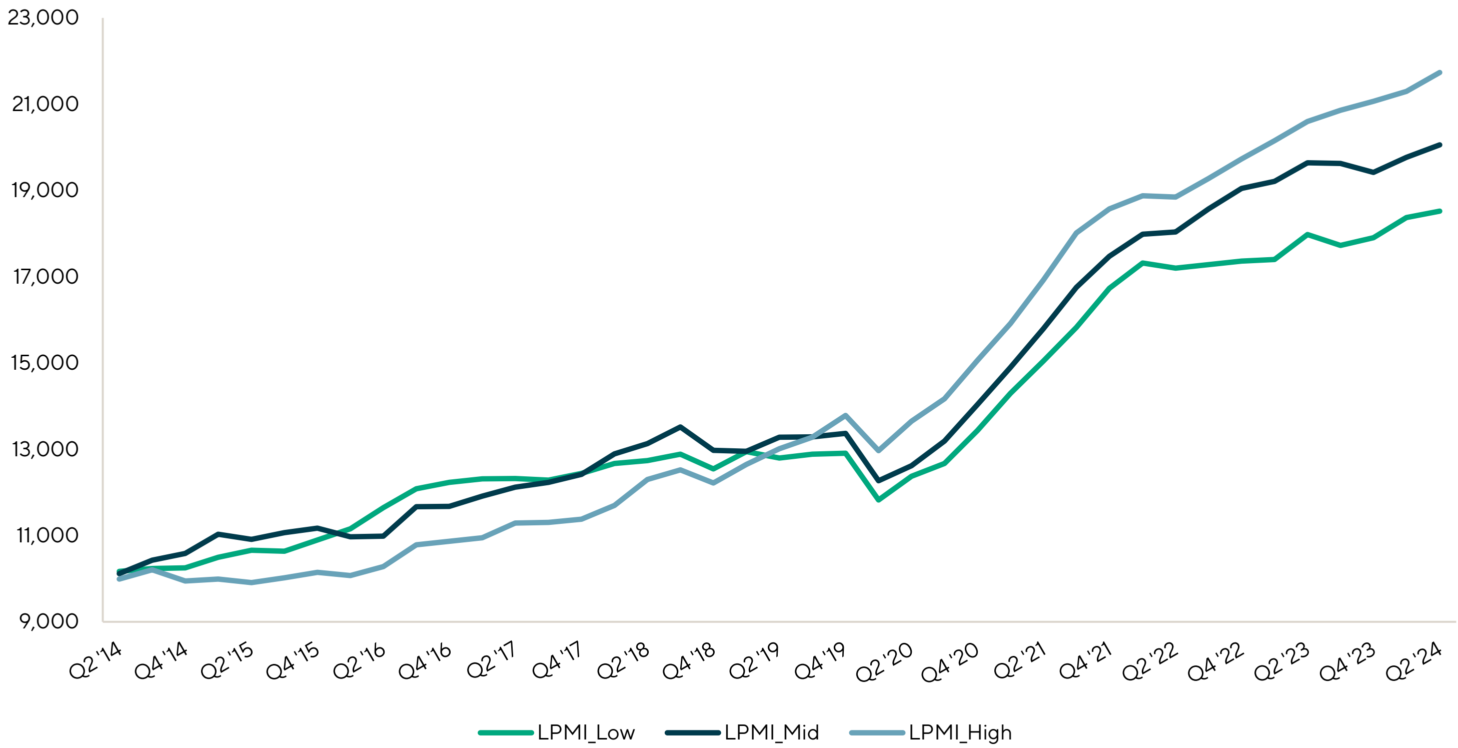
Yet again, earnings growth more than offset multiple contraction. While the Lincoln PMI saw the 15th consecutive quarter of earnings growth, the percentage of companies with LTM EBITDA growth decreased for the first time since Q3 2023. Despite the observed slowdown, the percentage of companies growing LTM EBITDA still exceeded the long-term average, indicating aggregate growth within the private market remains strong. Revenue trends were more stable, as the percentage of companies growing revenue and the magnitude of their growth was consistent quarter over quarter.

"While we observed slowing revenue growth dating back to 2022, EBITDA continues to steadily grow on the back of margin improvements," 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. "While revenue growth may have slowed, businesses' fundamental performance has weathered the storm so far, as shown in the LPMI's growth despite multiple contraction in the private markets."

EXAMINING THE LPMI:

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

Q2
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 second consecutive quarter, all size categories tracked by the Lincoln PMI grew in aggregate; however, the indices continue to see variability within performance trends and the movement of multiples.

Consistent with recent trends, smaller companies (i.e., those with less than $20.0 million of EBITDA) experienced the greatest earnings growth amongst all sub-indices. Despite this, investors tend to favor the stability found in larger companies as smaller companies often have greater exposure to customer concentration and less product diversification and therefore greater risk. The increased risk and lower appetite for smaller companies amongst investors has also led to more volatile multiples in recent periods as compared to larger companies who have benefited from more stable valuation multiples and earnings.

SUMMARY:
Q2 2024 LPMI

Q2
2024

Q2 2024 LPMI: GENERAL OBSERVATIONS

- Private company enterprise values increased for the eighth consecutive quarter as the Lincoln PMI increased 1.9%, driven by improved earnings.
- The S&P 500 enterprise values grew more than the Lincoln PMI in Q2 2024 thanks to the Magnificent 7 as the S&P 500 would have declined if the Magnificent 7 were excluded, which represents a more meaningful comparison to the private markets and thus the Lincoln PMI's results.
- Since its inception in Q1 2014, the Lincoln PMI has shown that private company enterprise value multiples have been less volatile than public company multiples and that earnings are the primary factor driving long term value creation.

Q2 2024 LPMI: EV RESULTS

- Buyout activity remained muted in the first half of 2024; however, increased competition amongst lenders and tighter spreads could be the jolt needed to turn the tide on M&A activity in the latter half of the year.
- While the percentage of companies experiencing growth slowed for the first time since Q3 2023, the magnitude of EBITDA growth remained strong and approximated recent growth rates.
- Despite smaller companies' earnings growth, they experienced the greatest degree of multiple contraction as investors remain comparatively risk-off and favor the stability of larger businesses as opposed to the growth prospects of smaller businesses.

Q2 2024 LPMI: INDUSTRY BREAKDOWN ON AN EV BASIS

- Healthcare enterprise values improved despite regulatory uncertainty and reimbursement rate pressures.
- Consumer companies experienced the lowest performance and enterprise value growth as they continued to stave off sustained macroeconomic headwinds.

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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Source of Data and Sample Size

SOURCE OF DATA AND SAMPLE SIZE

On a quarterly basis, Lincoln determines the enterprise fair value of over 5,500+ portfolio companies for over 175 sponsors (i.e., private equity groups and lenders to private equity groups). These portfolio companies report quarterly financial results to the sponsor or lender. Lincoln obtains this information and determines the appropriate enterprise value multiple so as to compute the enterprise value in accordance with the fair value measurement principles of generally accepted accounting principles. In assessing enterprise value, 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 enterprise value data for analysis.

To construct the Lincoln PMI, 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.

INDEPENDENT ACADEMIC VALIDATION OF LINCOLN'S DATA

In January 2024, an Assistant Professor of Finance at Penn State University's Smeal College of Business conducted a study to evaluate the statistical significance of Lincoln's private market Database as compared to other independent sources, like Pitchbook, BDC Collateral, and Preqin. The test was akin to an FDA pharmaceutical drug effectiveness test wherein Lincoln's data was tested in relation to the independent data sets, measuring overlap of deals detailed and congruency of reported terms. The results were robust and concluded that Lincoln's data was representative of the private debt universe, and comprehensive of sponsor backed deals, in particular. Lincoln's Database featured 53% of reported private debt deals with terms in Pitchbook and 48% of sponsor backed deals with reported debt terms that appeared in BDC Collateral. However, beyond the abundance of pure deals, Lincoln's database goes a step beyond and includes vital operating performance figures from the portfolio company level that the other databases don't feature. Lincoln's data is more comprehensive, inclusive of enterprise value and financial performance metrics that allow for a much clearer picture of the state of the private markets.

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

5,500+

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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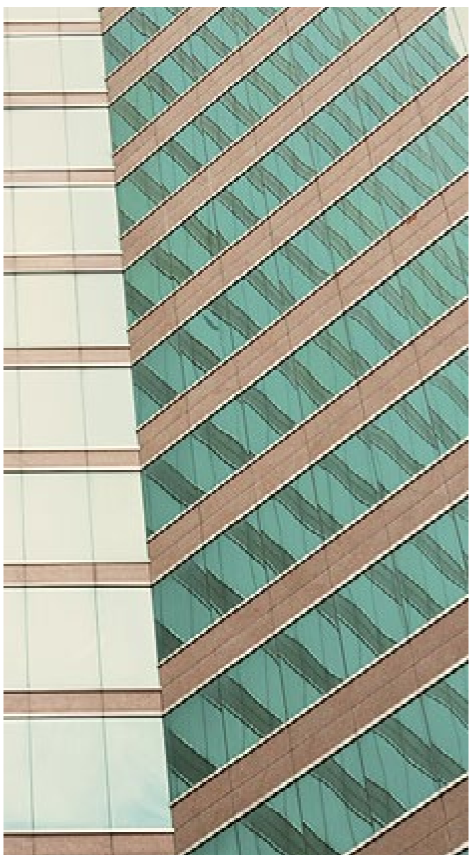
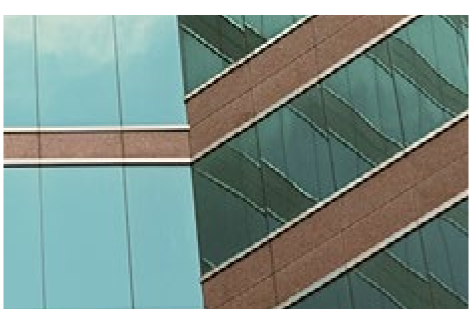
METHODOLOGY:

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 private equity, corporate finance, corporate governance, and wealth management. Professor Kaplan conducts research on a wide array of issues in private equity, 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.

Professor Kaplan 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 Deputy Dean for Faculty and Fuji Bank and Heller 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 B.S. from the University of Illinois, where he graduated with Highest Honors.

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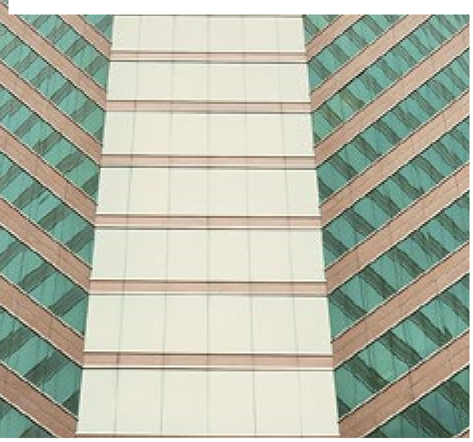
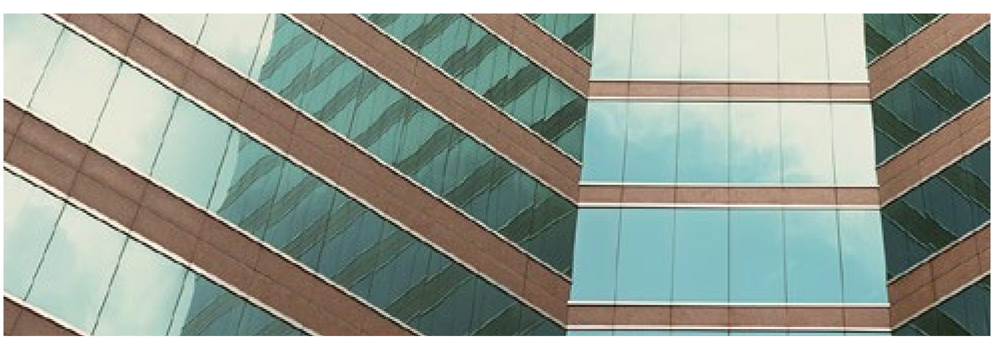
ABOUT LINCOLN INTERNATIONAL

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 1,000 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 Lincoln International's "real world" transaction experience from its M&A and debt 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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