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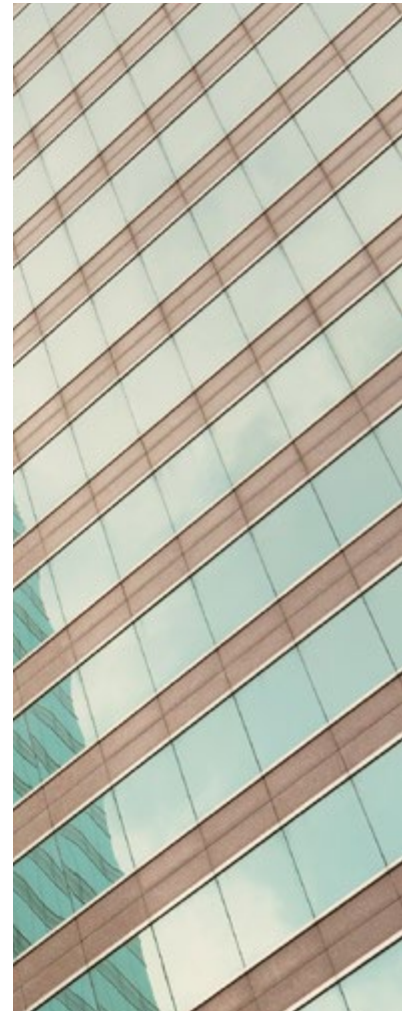
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LINCOLN PRIVATE MARKET INDEX CLOCKS IN ANOTHER QUARTER OF GROWTH IN Q3 ON THE BACK OF STEADY EARNINGS PERFORMANCE

The Lincoln Private Market Index (“LPMI”), the only index that tracks changes in the enterprise value of U.S. privately held companies, increased by 2.2% during the third quarter of 2024 as the index reached a new high. As has been the case in most quarters since the index’s inception, the index’s growth was primarily driven by strong fundamental performance, rather than multiple expansion.

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

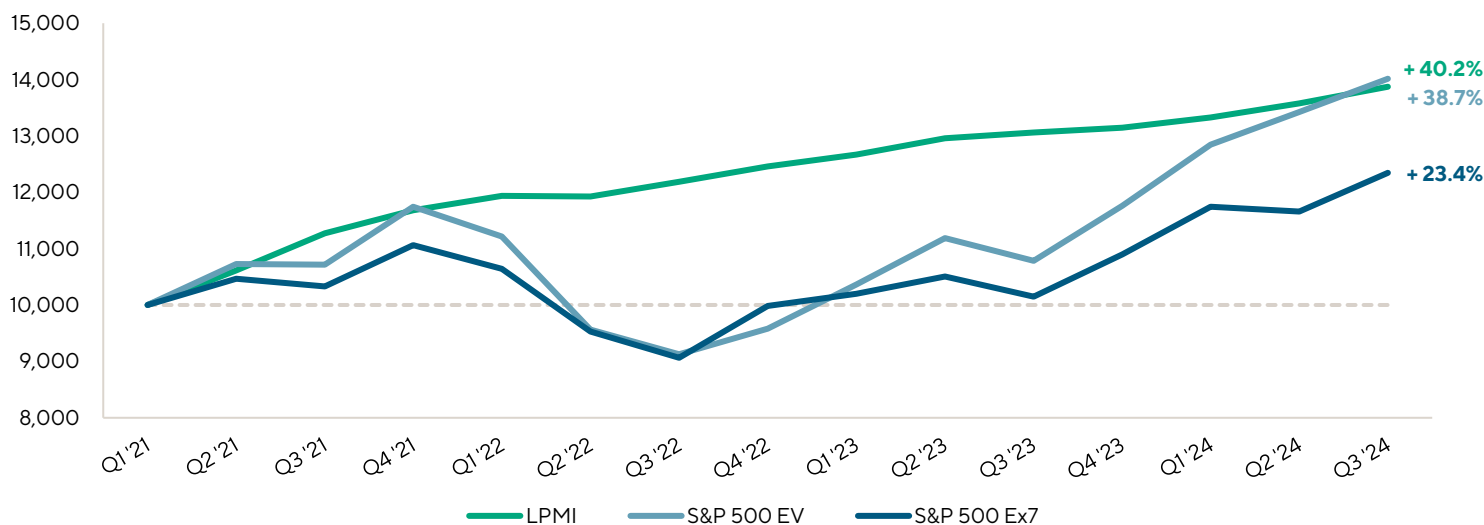
- 29th Edition: Covers Q3 2024
- Measures quarterly changes in the enterprise values of ~1,500 private companies, based on a population of 5,750+ companies primarily owned by private equity firms with a median EBITDA of ~\$40–45 million
- Analyzes the impact from the change in a company’s earnings versus its valuation multiple
- Assesses the change in value for six industry sectors

RESULTS:

Lincoln PMI's enterprise value growth was surpassed by the S&P 500 in 2024

Q3

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)

	Q3 '24	YTD	LTM	CAGR Since Inception
LPMI	2.2%	5.5%	6.2%	7.6%
S&P 500 EV	4.4%	19.2%	30.0%	10.2%
S&P 500 Ex7 EV	5.9%	13.3%	21.7%	NA

While the two markets continue to move directionally in line, the S&P 500's quarter-over-quarter enterprise value increase of 4.4% surpassed the Lincoln PMI's increase of 2.2%. The S&P 500's enterprise value increase was driven primarily by multiple expansion likely in part due to investor optimism on the back of the Fed's 50 basis point rate cut in the third quarter, which also drove SOFR lower. The lower SOFR forward curve, combined with the recent repricing in the direct lending market, resulted in significantly lower interest burden for sponsor-backed businesses. With the lower interest burden, companies have increased debt capacity for new buyout transactions and buyers can afford to pay higher multiples, which may help close the valuation mismatch between buyers and sellers and spur M&A activity in 2025.

"Coming off record M&A volumes in 2021, the persistent increase in rates led to much of the slowdown in transaction

activity and pressures on EV multiples that the private markets endured the last few years" noted Ron Kahn, Managing Director and co-head of Lincoln's Valuations & Opinions Group. "Sponsors and lenders were laser focused on managing free cash flow, which came with reduced debt capacity in new buyouts. With spreads approaching a potential floor and the Fed cutting rates once again in November, the pendulum may have swung the other way with a greater appetite for higher leverage in buyout transactions."

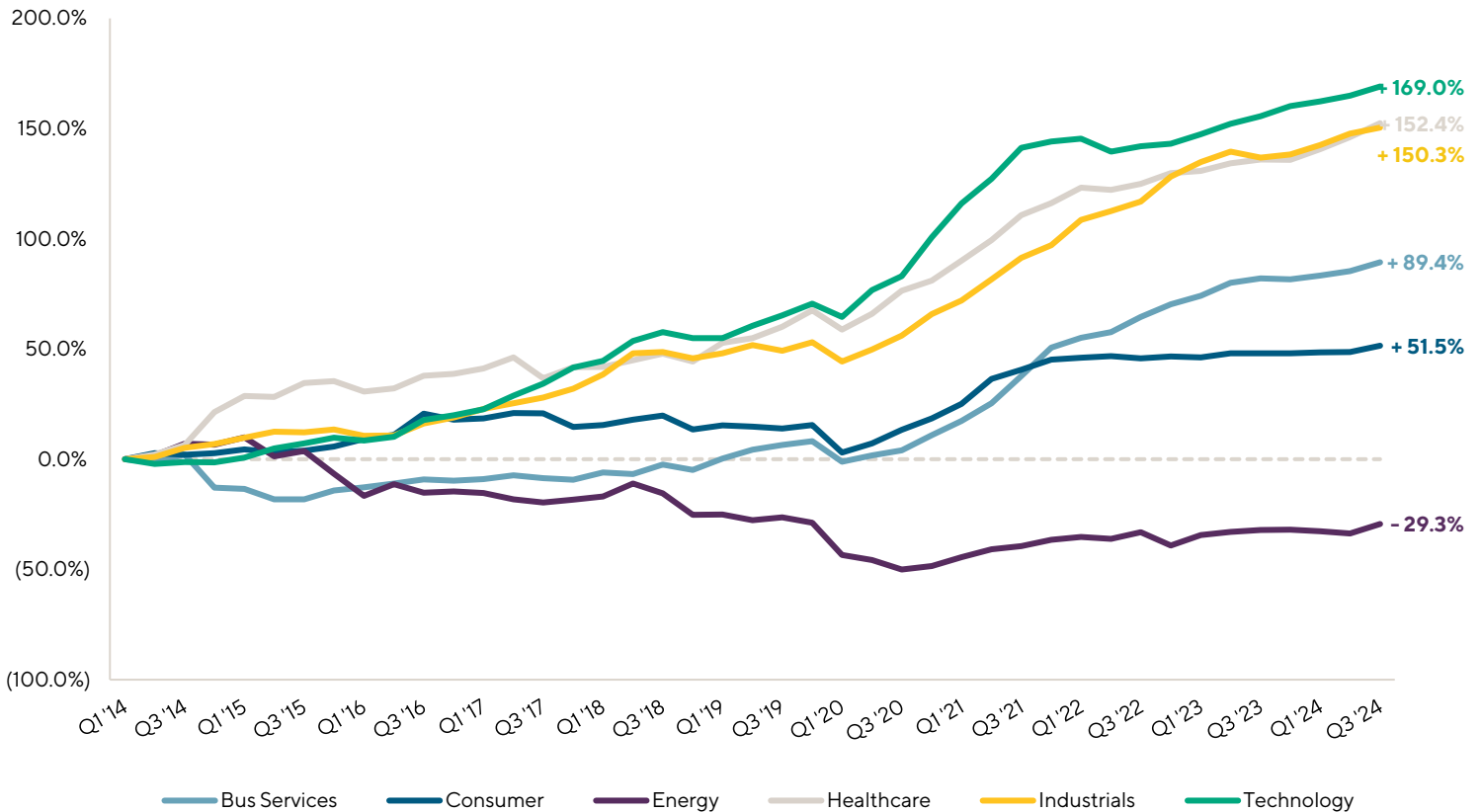
The Lincoln PMI shows that private company enterprise values remain less volatile than those of the S&P 500; the Lincoln PMI's volatility is less than half that of the S&P 500 EV index as multiples have tended to be more stable than public company multiples. Thus, despite the S&P 500's stronger returns, the Sharpe Ratio, which measures excess return per unit of risk, of the Lincoln PMI approximates that of the S&P 500.

SECTOR BREAKDOWN:

Consumer companies experienced their largest enterprise value growth since Q4 2021

Q3

2024



Industry	Q3 '24	YTD	LTM
Business Services	2.2%	4.3%	4.0%
Consumer	1.9%	2.3%	2.3%
Energy	6.5%	3.9%	4.1%
Healthcare	2.6%	7.1%	7.0%
Industrials	1.1%	5.1%	5.7%
Technology	1.6%	3.4%	5.3%

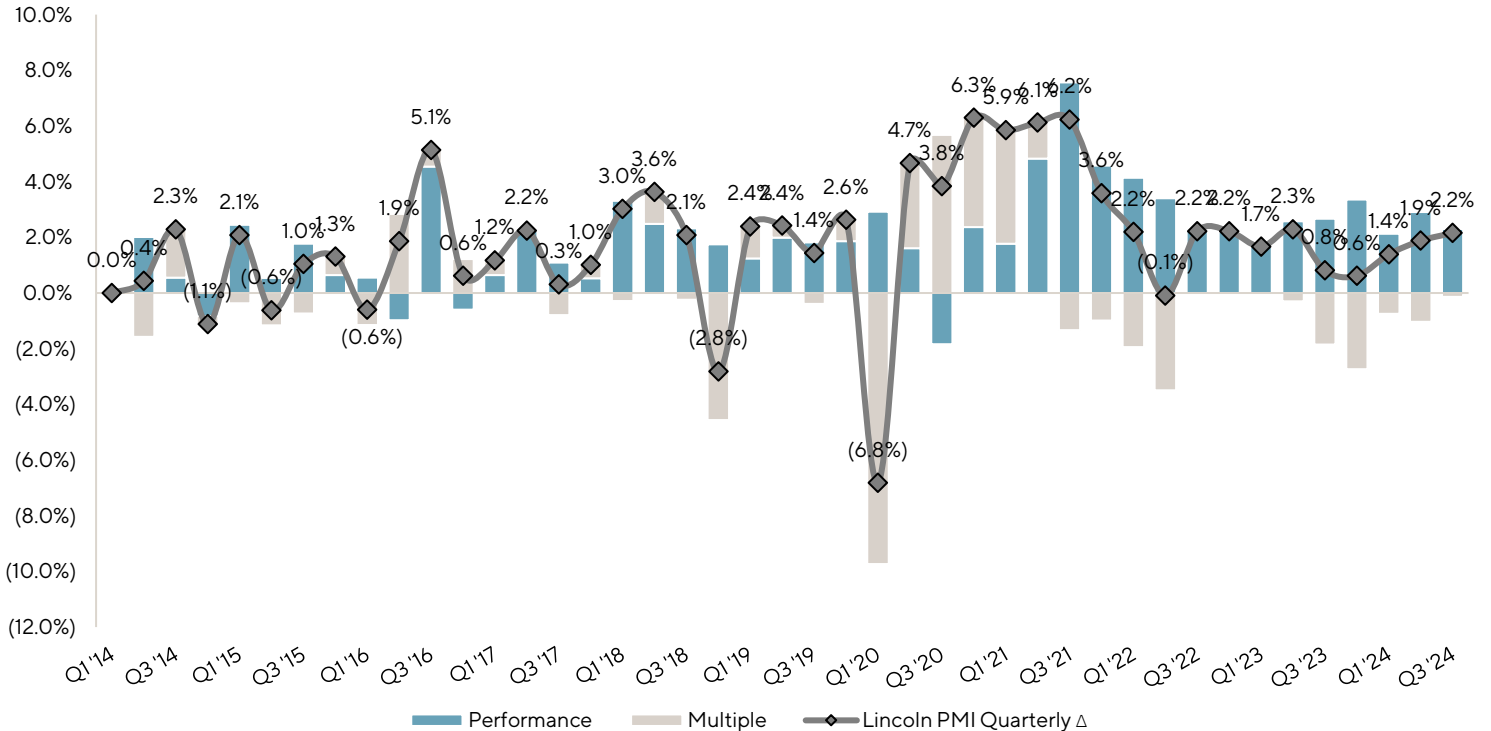
All industries saw steady enterprise value growth in Q3 2024. Consumer companies saw their largest enterprise value growth since Q4 2021. The increase in enterprise value was largely driven by improved performance as inflationary pressures continue to subside. As observed in Lincoln’s proprietary database, consumer companies saw LTM EBITDA grow 4.4% year-over-year and margins improve 1.6% over the same period.

While healthcare companies experienced the greatest enterprise value growth for the third consecutive quarter, based on transaction data from Lincoln’s proprietary database, there may still be a wider valuation gap between buyers and sellers within the healthcare industry. In 2021, Healthcare companies accounted for 17% of buyouts whereas so far in 2024 it only represented 11%. However, given the conclusion of the election, the reduced uncertainty may allow buyer and seller expectations to better align leading to greater healthcare buyout activity.

EXAMINING THE LPMI: EBITDA Multiples versus Earnings

Q3

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.

The Lincoln PMI saw the 16th consecutive quarter of earnings growth while multiple contraction slowed to the lowest amount since Q2 2023. Of the companies tracked by Lincoln’s proprietary database, the percentage of companies growing revenue declined from Q2. Despite this, 63.1% of companies demonstrated EBITDA growth, indicating growth within the private market remains strong and the current stagnation in deal volume is not performance driven.

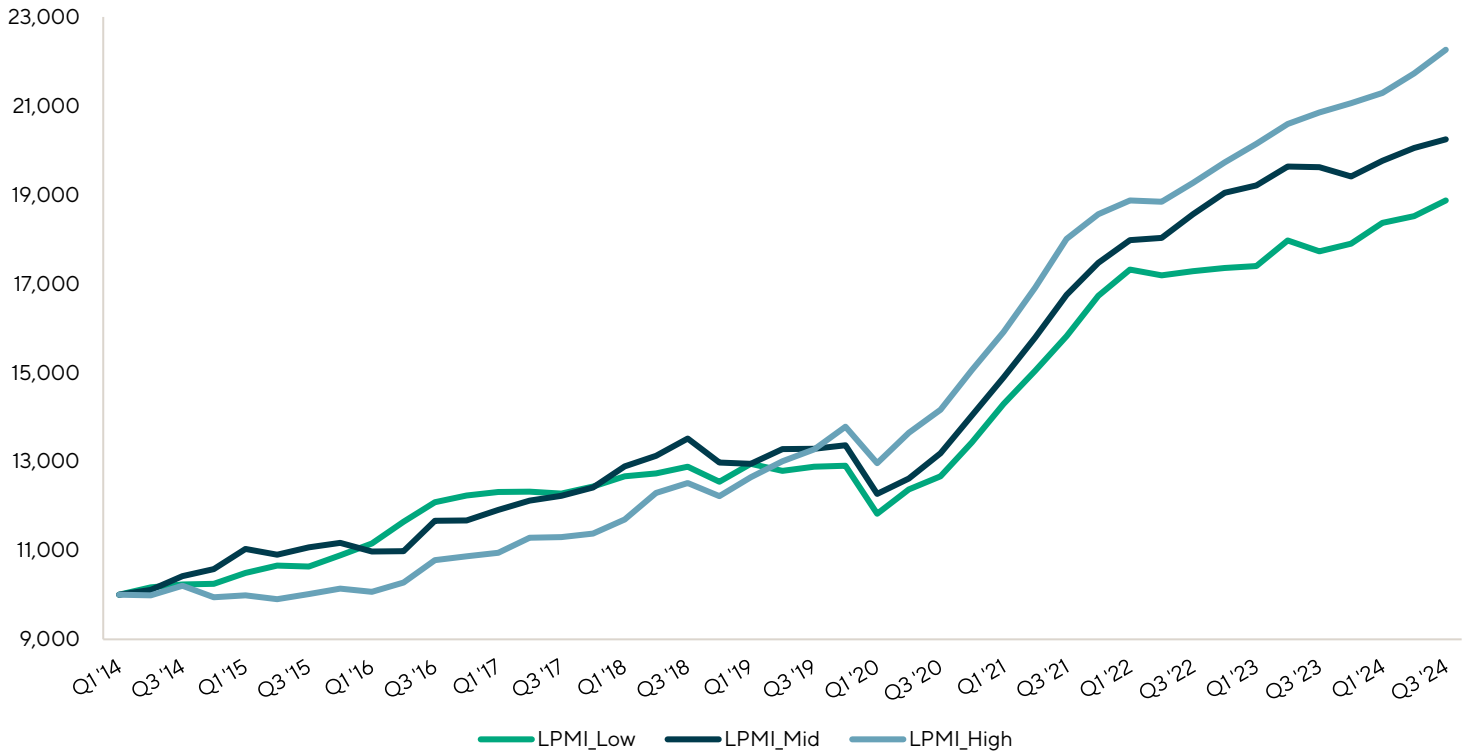
“Although revenue growth has slowed, private companies have continued to experience earnings growth despite the variety of macroeconomic challenges posed to them in the last few years,” said Steve Kaplan, Neubauer Distinguished Service Professor of Entrepreneurship and Finance at the University of Chicago Booth School of Business, who assists and advises Lincoln on the LPMI. “Businesses have shown resiliency and lower interest rates could provide an opportunity for renewed investment in future growth initiatives.”

EXAMINING THE LPMI:

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

Q3

2024



(Low 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.

While all size categories saw improved fundamental performance, smaller and mid-sized companies (i.e. companies with EBITDA < \$50 million) surpassed the performance growth of larger companies. Despite this, the

large company sub index (i.e. those with EBITDA of \$50 million to \$250 million) was the only sub index to experience multiple expansion. Investors continue to remain focused on high quality deals and are willing to pay a premium for those companies given the lower quantity of high-quality assets in the market. This could explain the increase in multiples for larger companies, who tend to have more diverse product and service offerings with less customer or supplier concentration and therefore more stable earnings and lower risk.

SUMMARY:

Q3 2024 LPMI

Q3

2024

Q3 2024 LPMI: GENERAL OBSERVATIONS

- Private company enterprise values increased for the ninth consecutive quarter as the Lincoln PMI increased 2.2%, driven by improved earnings.
- The S&P 500 enterprise values grew more than the Lincoln PMI in Q3 2024 driven primarily by multiple expansion.
- 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.

Q3 2024 LPMI: EV RESULTS

- Enterprise value multiples had effectively no unfavorable impact on the index for the first time in a year and a half as borrowing costs have declined materially in 2024 allowing for greater debt capacity and thus higher enterprise value multiples.
- While the percentage of companies experiencing revenue growth slowed, the percentage of companies growing EBITDA increased showing the continued resiliency of private companies.
- Smaller companies' performance growth surpassed that of larger companies; however, larger companies benefited from multiple expansion as investors remained risk averse.

Q3 2024 LPMI: INDUSTRY BREAKDOWN ON AN EV BASIS

- All industries experienced enterprise value growth for the first time since Q2 2023.
- Consumer companies experienced the largest enterprise value growth since Q4 2021 driven by improved performance and subsiding inflationary pressures.

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.

METHODOLOGY: Source of Data and Sample Size

SOURCE OF DATA AND SAMPLE SIZE

On a quarterly basis, Lincoln determines the enterprise fair value of over 5,750 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.

For more information, visit

<https://www.lincolninternational.com/perspectives/an-overview-of-the-lincoln-private-market-index/>.

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.

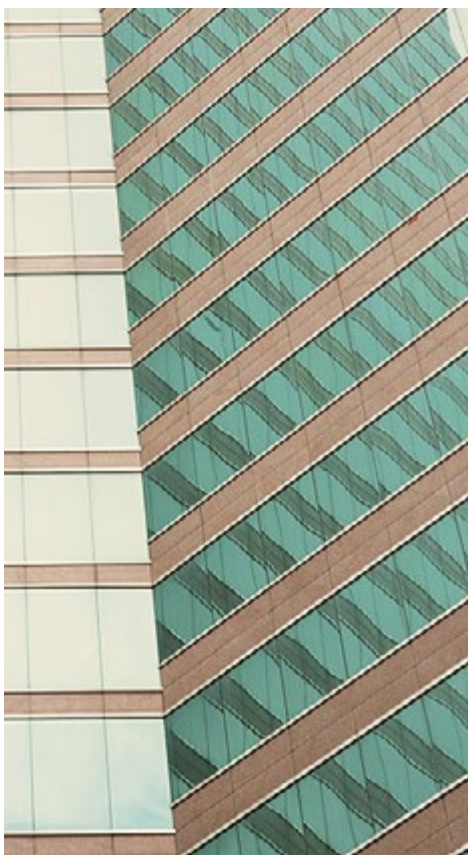
5,750+

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

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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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.

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