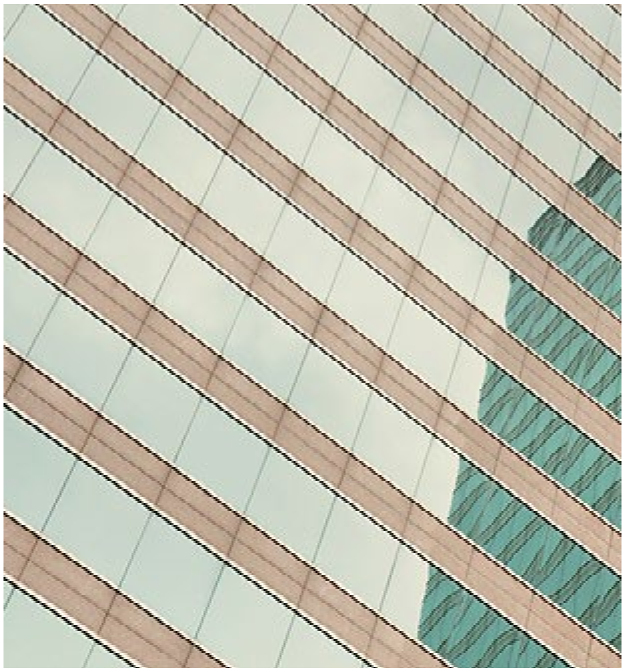
LINCOLN INTERNATIONAL

Q4 2023



INSIDE THIS ISSUE

- Quarterly Overview
- Private Market Company Value Results
- Performance by Industry: Sector Breakdown
- Examining the LPMI: EBITDA Multiples vs. Earnings
- Summary of the LPMI
- Methodology: Data Collection and Academic Advisors

LINCOLN PMI

LINCOLN PRIVATE MARKET INDEX

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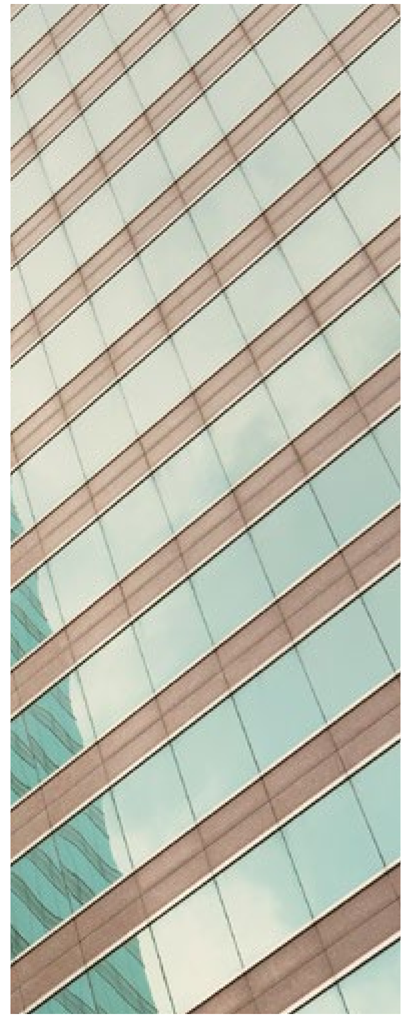

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LINCOLN PRIVATE MARKET INDEX CLOSES 2023 AT A RECORD HIGH DESPITE PROLONGED MISALIGNMENT ON VALUATION EXPECTATIONS AMONGST BUYERS & SELLERS

The Lincoln Private Market Index (LPMI) reveals that in Q4 2023, private market enterprise values increased 0.6%. The LPMI's increase was lower than that of the S&P 500, which increased 9.1% since the third quarter due to the outsized multiple increase of the S&P 500's magnificent seven. The increase in the LPMI was due to persistent earnings growth but was offset by multiple contraction for the third consecutive quarter. Private companies, which tend to be more highly levered than publicly traded companies, continue to face pressure due to the sustained high interest rates resulting in multiple contraction.

ABOUT THE LINCOLN PRIVATE MARKET INDEX

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

QUARTERLY OVERVIEW

- 26th edition: covers Q4 2023
- 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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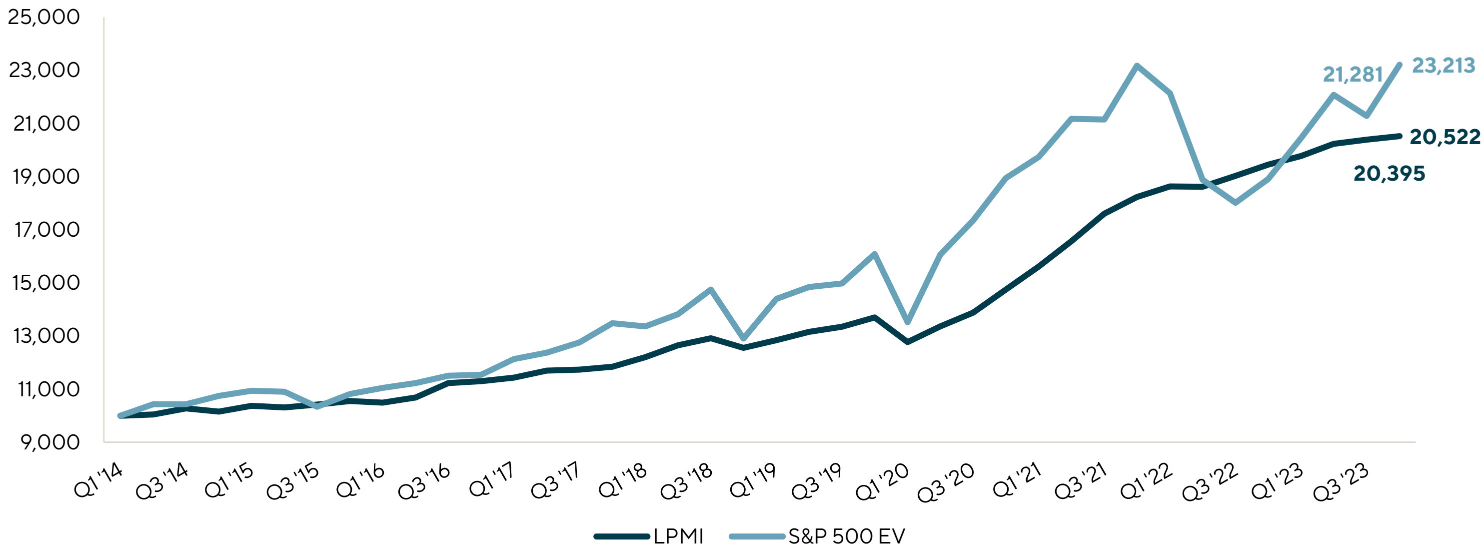
RESULTS:

Private Markets Continue Their Steady Gains Amidst Uncertainty

Q4 2023



(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)

	Q4 '23	2023	CAGR Since Inception
LPMI	**0.6%**	**5.5%**	**7.7%**
S&P 500 EV	**9.1%**	**22.7%**	**9.0%**

The LPMI grew at a compound annual growth rate of 7.7% since inception as compared to 9.0% for the EVs of the S&P 500. Further, since the start of the pandemic, private market EVs have outpaced S&P 500 EVs.

While the two markets both increased in Q4 2023 and 2023, the public market outpaced the private market, highlighting the lower volatility within the private markets. The public index was buoyed by multiple expansion in its seven largest companies whereas the engine behind the LPMI's growth was strong operating performance, as multiples declined for the third consecutive quarter. However, in Q4 2023 Lincoln International's proprietary database indicated single-digit revenue growth for the second consecutive quarter. Despite the slowdown and signal of a potential pullback in demand, LTM EBITDA growth across private companies increased 0.5% quarter-over-quarter to 4.8%.

"Revenue growth has declined, but interestingly EBITDA growth has been strong as businesses took measures to protect and even grow their profitability," 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 International on the LPMI. "Businesses were able to stave off numerous headwinds since the beginning of 2023, and the resiliency they exhibited is evidenced by the LPMI's growth despite the multiple contraction in the private markets."

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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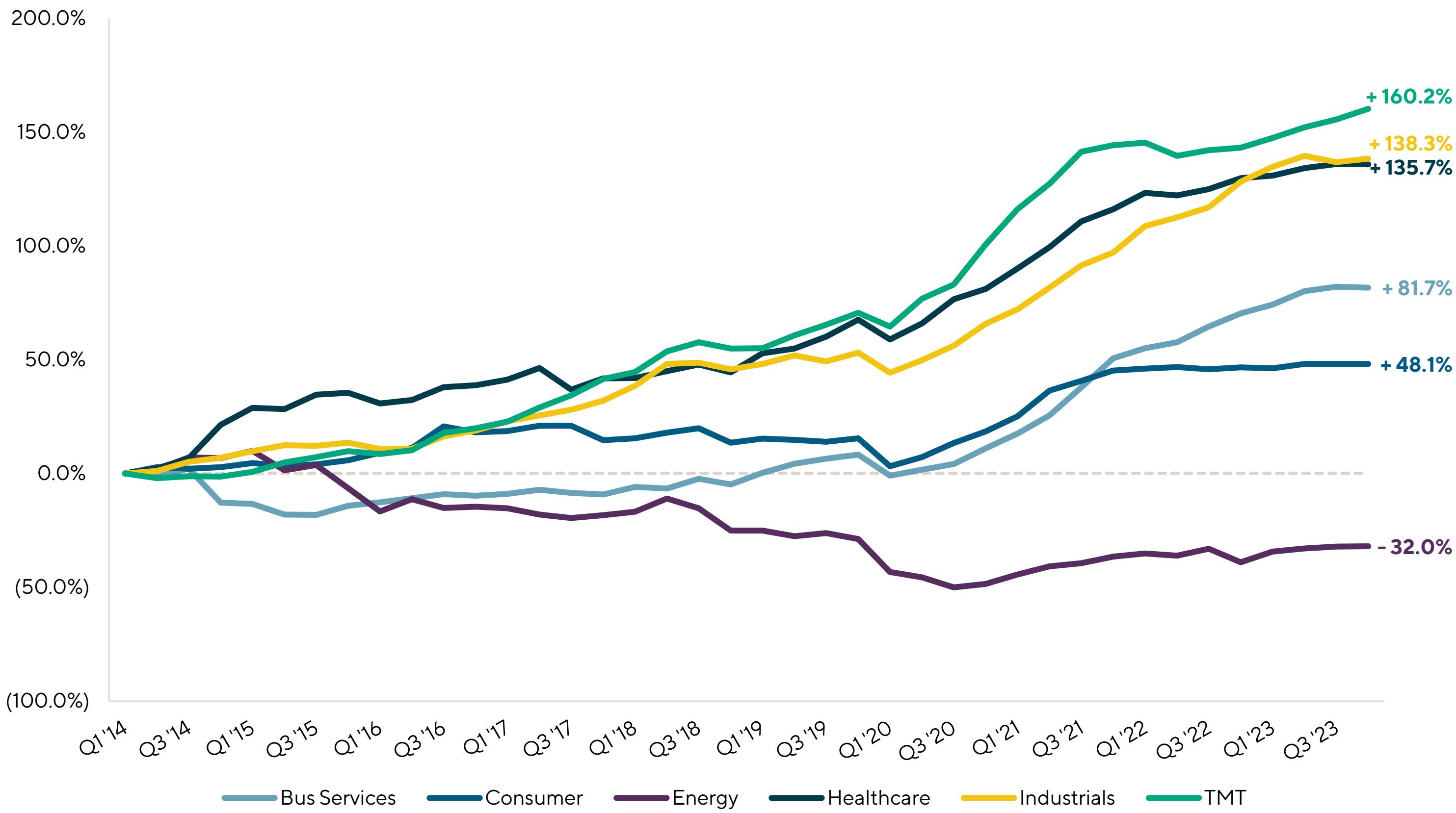
SECTOR BREAKDOWN:

TMT Was the Big Winner in Q4 as All Other Industries Were Fairly Stable

Q4 2023



Industry	Q4 '23	2023
Business Services	(0.2%)	6.7%
Consumer	(0.0%)	1.0%
Energy	0.2%	11.7%
Healthcare	(0.1%)	2.6%
Industrials	0.6%	4.4%
TMT	1.8%	7.1%

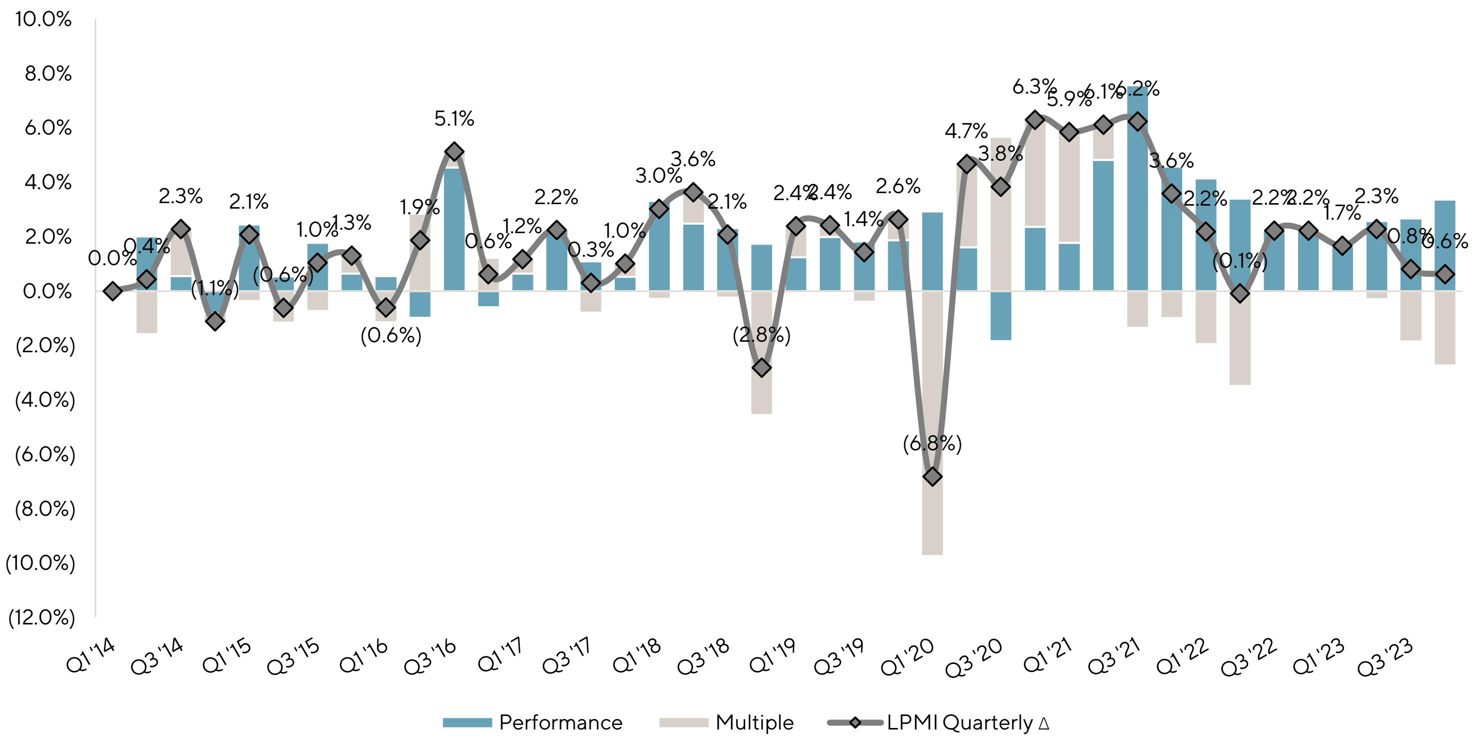
In Q4 2023, the LPMI growth was largely driven by the increased valuations in technology, media and telecom (TMT). In light of difficult fundraising environments, some TMT companies have shifted their focus toward profitability rather than revenue growth at all costs. As observed in Lincoln's proprietary private market database, TMT revenue growth decreased 3.2% relative to Q4 2022, whereas EBITDA growth increased by 4.0%.

Despite the numerous macroeconomic headwinds faced within the consumer industry since the beginning of 2023, consumer company valuations demonstrated resiliency in Q4 2023 and 2023. However, as indicated in Lincoln's proprietary database, consumer company covenant default rates have doubled since the end of 2022 and the headroom between reported leverage relative to their respective leverage-based covenant is the lowest among all industries, indicating the current stability within the industry's valuations may not remain.

EXAMINING THE LPMI:

EBITDA Multiples versus Earnings

Q4 2023



~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.

The LPMI increased in Q4 2023 as earnings growth more than offset multiple contraction. However, the index experienced its largest multiple contraction since Q2 2022. Leveraged buyout (LBO) transactions are similarly experiencing lower multiples as the second half of 2023 average EBITDA multiple of 11.8x remains a far cry from the peak average multiple of 13.4x which occurred in Q4 2021. LBO volumes in 2023 were depressed as sellers and buyers remained in a stare-down, with sellers reluctant to part with their investments at lower valuations multiples than those seen at the height of the market in 2021 and early 2022, and private equity has deferred or passed on investment opportunities to ensure they meet their return requirements given the sustained higher interest rate environment.

"Amidst a sluggish deal environment in 2023, private companies demonstrated resiliency," noted Ron Kahn, Managing Director and co-head of Lincoln's Valuations & Opinions Group. "With performance holding up, the biggest hurdle to surmount in 2024 for ramped up dealmaking will be the alignment of buyer and seller expectations. Limited partners expect a return on their capital, and general partners need to deploy capital."

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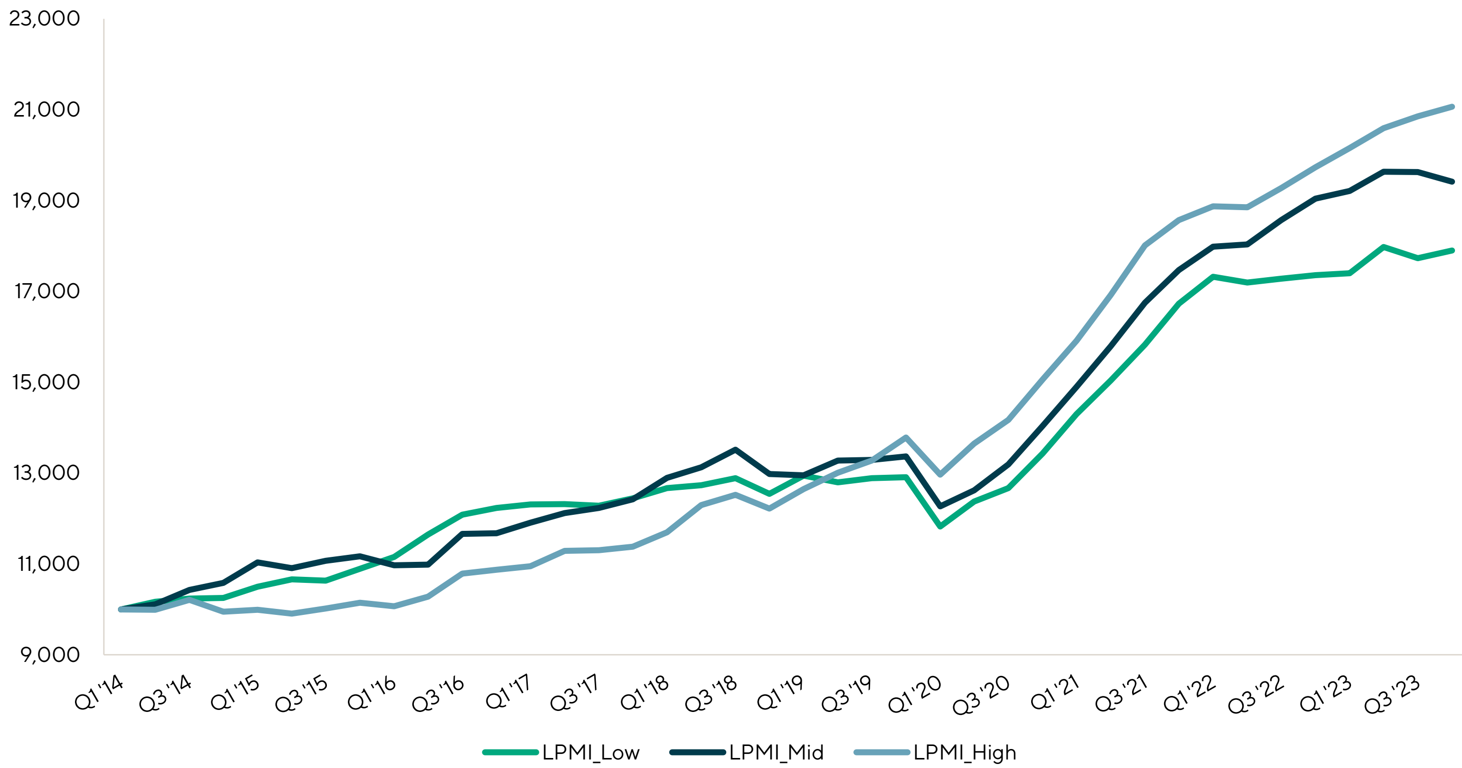
EXAMINING THE LPMI: :

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

Q4
2023



(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)

While private company EVs tracked by the LPMI grew in aggregate in Q4 2023, not all companies were the beneficiaries of this growth. Contrary to Q3 2023, smaller company (i.e., those with less than $20.0 million of EBITDA) EVs increased 1.0%. Smaller company performance and valuations proved to be resilient despite experiencing the largest degree of multiple contractions amongst the sub-indices as buyers have been less likely to invest in smaller companies given they face an increased likelihood of customer concentration, difficulties passing on rising costs, less product diversification and therefore greater risk.

While the valuations of smaller and larger companies grew at a similar pace in Q4 2023, larger companies have outperformed smaller companies over the last four years. In fact, larger companies have both grown earnings at a faster rate than smaller companies and benefited from more stable valuation multiples over the last four quarters. The sub-index for mid-sized companies (i.e., those with EBITDA between $20.0 million and $50.0 million) was the only sub-index to experience a decrease as performance did not outpace multiple compression.

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SUMMARY:

Q4 2023 LPMI

Q4 2023

Q4 2023 LPMI: GENERAL OBSERVATIONS

- Private company EVs increased for the sixth consecutive quarter as the LPMI increased 0.6%, albeit at a slower rate than the prior quarter's increase.
- The S&P 500 EVs increased more than the LPMI in Q4 2023 as, the S&P 500 increase was driven by multiple expansion whereas the Lincoln PMI was driven by improved performance.
- Since its inception in Q1 2014, the LPMI 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.

Q4 2023 LPMI: ENTERPRISE VALUE RESULTS

- Operating performance remains under pressure as revenue growth was in the single digits for the second consecutive quarter; should slowing demand persist, private company EVs could start to see a decline.
- New LBO transaction multiples remained notably below peak levels in Q4 2021 as sellers and buyers remain locked in a tug-of-war on valuation expectations.
- Smaller companies' performance proved to be resilient as EVs increased despite seeing the largest degree of multiple contraction amongst all sub-indices.

Q4 2023 LPMI: INDUSTRY BREAKDOWN ON AN ENTERPRISE VALUE BASIS

- Consumer company EVs held up in the last two quarters despite significant pressures as exemplified by successive quarters of rising defaults.
- TMT companies experienced steady EV growth over the last year as more TMT companies turned focus towards profitability versus revenue growth.

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

SOURCE OF DATA AND SAMPLE SIZE

On a quarterly basis, Lincoln determines the enterprise fair value of more than 5,000 portfolio companies for over 150 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 EV multiple so as to compute the EV 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 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 **www.lincolninternational.com/services/valuations-and-opinions/lincolnpmi**

5,000+

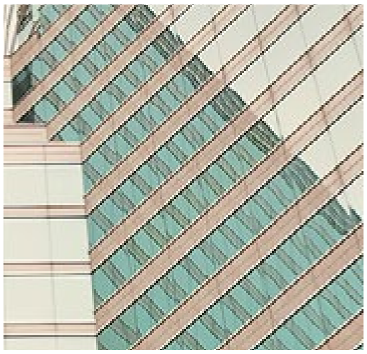
Portfolio companies are evaluated by Lincoln on a quarterly basis to determine their enterprise fair value

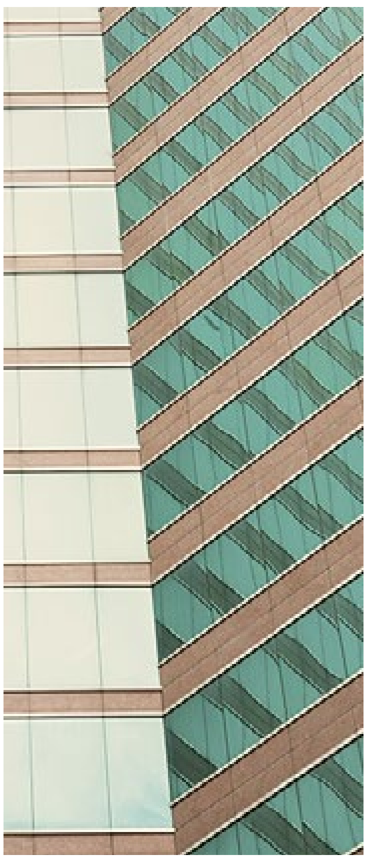
150+

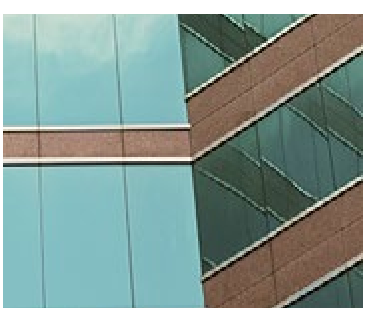
Sponsors participate in LPMI i.e. private equity groups & lenders to private equity groups

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 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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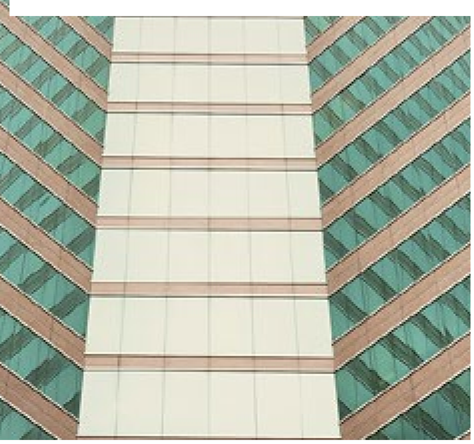
We are trusted investment banking advisors to business owners and senior executives of leading private equity firms and their portfolio companies and to public and privately held companies around the world. Our services include mergers and acquisitions advisory, private funds and capital markets advisory, 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 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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