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PRIVATE COMPANY ENTERPRISE VALUES INCREASED AGAIN TO NEW RECORD HIGHS IN Q4

Lincoln International's 18th edition of the Lincoln Private Market Index (Lincoln PMI) reveals that in Q4 2021, private market enterprise values increased 3.9%. Fundamental performance remained the driver of growth in Q4 2021, as multiple contraction partially offset earnings growth in the Lincoln PMI during the quarter, though multiples remain near all-time highs. The Lincoln PMI outpaced the S&P 500 EV growth during 2021 (23.5% vs 22.5%) despite a much stronger Q4 from public companies. Consistent with recent quarters, all industries in the Lincoln PMI experienced enterprise value growth, demonstrating the breadth of the recovery despite mounting supply chain and inflationary pressures.

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.

QUARTERLY OVERVIEW

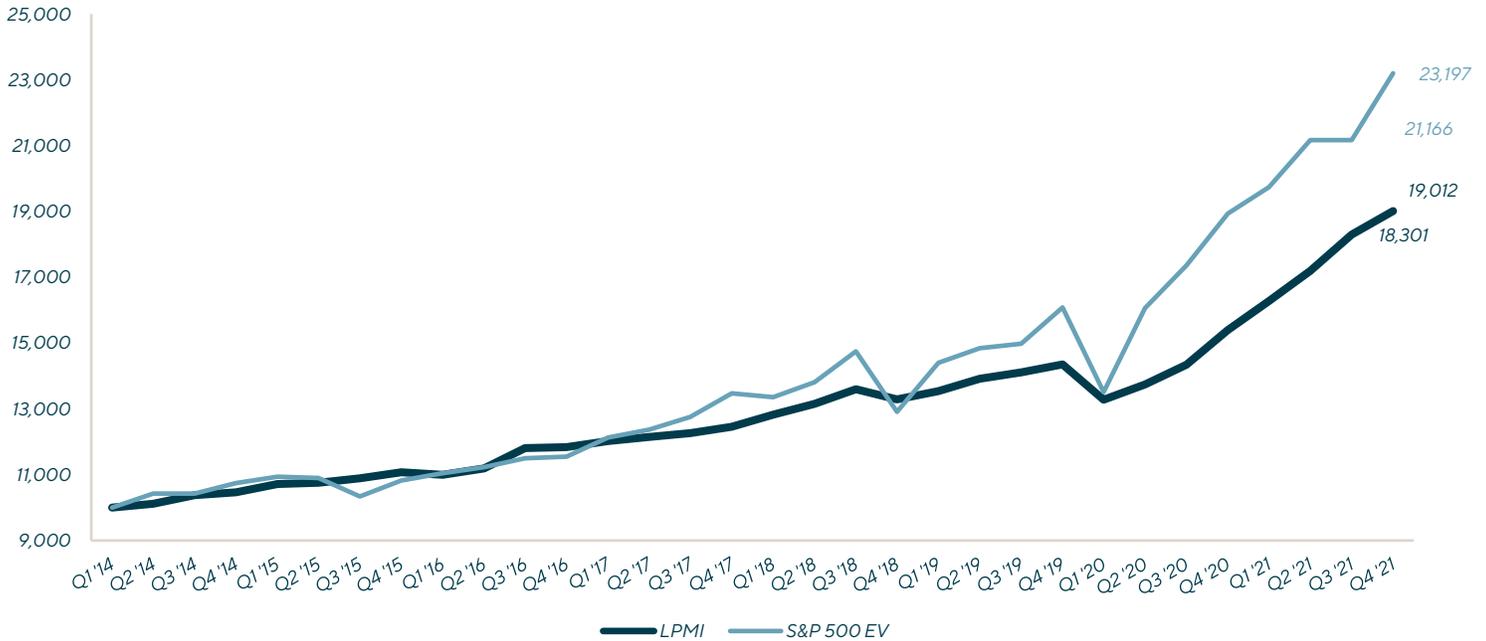
- Eighteenth Edition: Covers Q4 2021
- Measures quarterly changes in the enterprise values of ~600 private companies, based on a population of approximately 3,000 companies primarily owned by private equity firms with a median EBITDA of ~\$30 million.
- Analyzes the impact from the change in company earnings versus market valuation multiples
- Assess the change in value for six industry sectors

RESULTS:

Private and Public Company Valuations Again Reach New Highs

Q4

2021



(NOTE: Both the Lincoln PMI and S&P 500 EV returns above reflect enterprise values)

(S&P 500 EV excludes financial companies for which enterprise value is generally not meaningful; including such companies produces similar results)

	Q4 '21	2021
Lincoln PMI	3.9%	23.5%
S&P 500 EV	9.6%	22.5%

Starting at a value of 10,000 as of March 31, 2014, the Lincoln PMI has increased 90.1% cumulatively to 19,012, as of December 31, 2021. The Lincoln PMI grew at a compound annual growth rate of 8.6% since inception as compared to 11.5% for the enterprise values of the S&P 500.

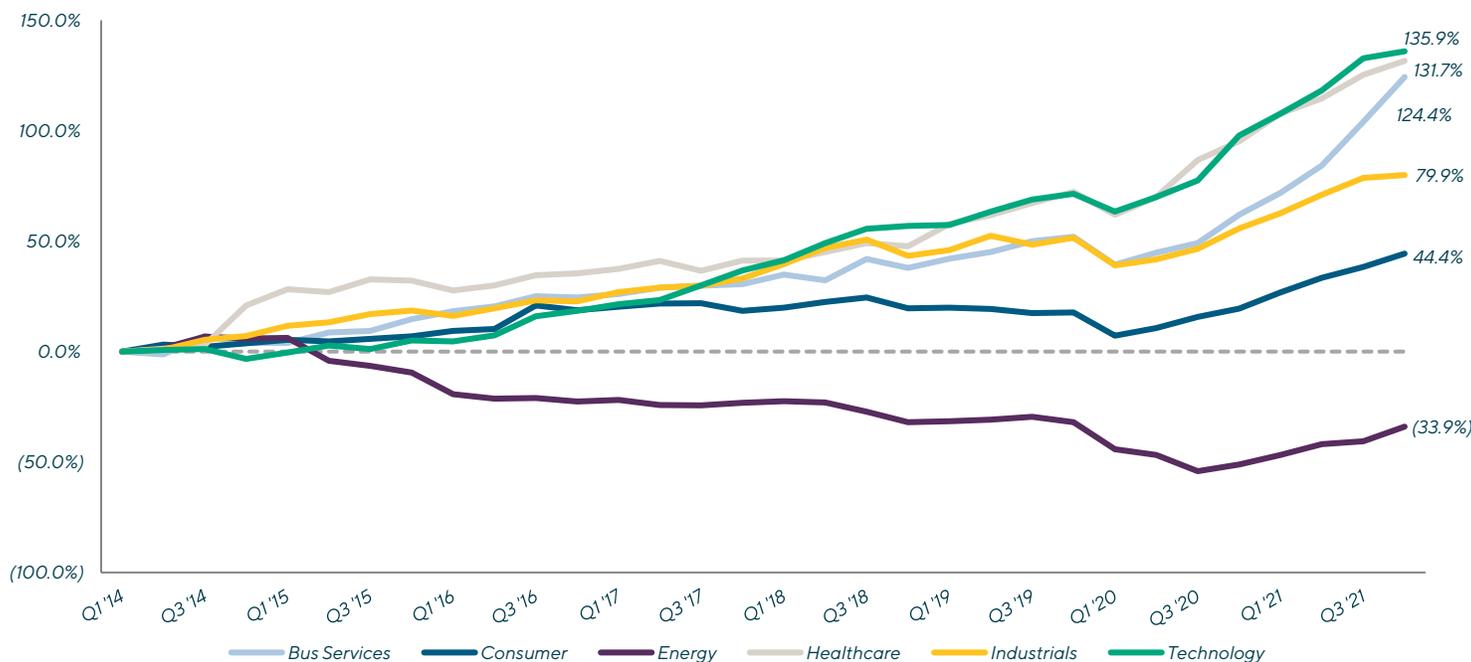
- The Lincoln PMI continued its strong recovery and was up 32.4% from Q4 2019. The private markets outperformed the public markets in 2021 as the LPMI grew by 23.5% whereas S&P 500 enterprise values grew 22.5%. The disparity in the growth since inception relates primarily to the second half of 2020 when the largest companies of the S&P 500 grew at outsized rates.
- 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.
- While the Lincoln PMI shows a relatively lower growth in enterprise value since inception as compared to the S&P 500, private equity owned companies traditionally have more leverage than public companies and, therefore, generate relatively greater equity gains.

SECTOR BREAKDOWN:

EV Growth Across all Industries; Energy and Business Services Index's Largest Gainers

Q4

2021



Industry	Q4 2021	2021
Bus Services	10.0%	38.5%
Consumer	4.4%	21.0%
Energy	11.4%	35.2%
Healthcare	2.8%	18.6%
Industrialst	0.7%	15.5%
Technology	1.3%	19.3%

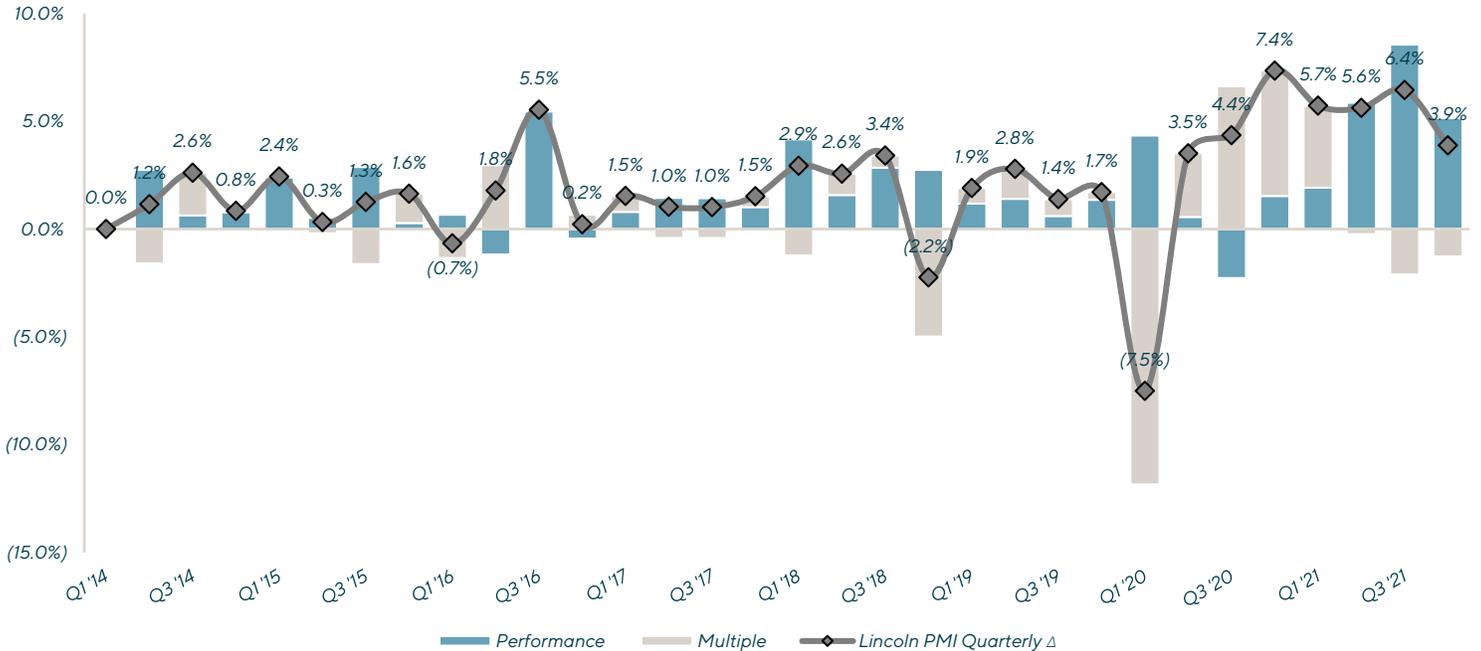
Q4 2021 marked the fifth consecutive quarter wherein all industries in the LPMI experienced enterprise value growth driven by strong fundamental performance across all industries. Energy companies experienced the largest enterprise value gain in Q4 2021, which represented the largest quarter-over-quarter gain of the industry's history since LPMI inception in 2014. However, Energy companies EV remain 2.9% below pre-pandemic levels.

Consumer and Industrials, industries that were most impacted by supply chain, labor shortage, and inflationary pressures, increased 4.4% and 0.7%, respectively, during the quarter. "We have seen time and time again that business fundamentals drive long-term growth in private markets," said Steve Kaplan, Neubauer Distinguished Service Professor of Entrepreneurship and Finance at the University of Chicago Booth School of Business, who assists and advises on the Lincoln PMI. "Private companies that take measures to offset supply chain, labor shortage and inflationary pressures—whether it be price increases, cost rationalization, or alternative material sourcing—can reach their full growth potential."

EXAMINING THE LINCOLN PMI: Examining the Lincoln PMI - EBITDA Multiples versus Earnings

Q4

2021



~40%+

Expansion of Lincoln PMI valuation multiples since Q1 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.

Lincoln PMI enterprise values grew at lower rates in Q4 2021 as compared to the previous five quarters, as earnings growth was partially offset by multiple contraction during the quarter. The S&P 500 grew at a higher rate than the Lincoln PMI, as growth in S&P 500 earnings was compounded by multiple expansion during the quarter. Lincoln noted that the start of 2022 for public equity markets has been volatile, with the S&P 500 decreasing over 5% in January alone.

Multiples in the private market remain at all-time highs as private company revenue is expected to grow 9.7% and EBITDA is expected to grow 6.2% in 2022. Of M&A transactions that closed in Q4 2021, the average buyout multiple was 12.0x EBITDA, which is above the pre-COVID 2019 average buyout multiple of 10.4x. As companies continue to face supply chain issues, labor shortages, and inflationary pressures heading into 2022, LTM EBITDA multiples may trend back toward historical norms if businesses are unable to mitigate these cost pressures.

SUMMARY: The Lincoln PMI

Q4

2021

GENERAL OBSERVATIONS:

- Private company enterprise values again grew to record levels in Q4 2021 as the LPMI increased 3.9%. The index has increased 32.4% from pre-pandemic levels observed in Q4 2019 and 43.2% from the pandemic lows observed in Q1 2020.
- In 2021, the LPMI's growth outpaced that of the S&P 500's enterprise values as the LPMI grew by 23.5% in 2021 as opposed to the S&P 500's enterprise values which grew 22.5%, largely due to volatility in the multiples of the selected public companies, especially the largest companies within the S&P 500.
- 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 despite multiples expanding dramatically in the second half of 2020 and into early 2021.

ENTERPRISE VALUE RESULTS:

- Heading into 2022, private market valuations hinge on whether companies can execute on projected growth while also mitigating cost pressures caused by supply chain issues, labor shortages, and inflationary pressures.
- In Q4 2021, both the LPMI and S&P 500 EV indices benefitted from improved operating results; however, multiple contraction partially offset earnings growth in the Lincoln PMI, whereas multiple expansion compounded S&P 500 EV growth.
- Fundamental performance remains the primary driver of long-term enterprise value growth in the Lincoln PMI. Private companies experienced revenue and EBITDA growth of 12.5% and 8.2%, respectively, in 2021. Fundamental performance growth is expected to continue in 2022, as private company budgets project revenue and EBITDA growth of 9.7% and 6.2%, respectively.

INDUSTRY BREAKDOWN ON AN ENTERPRISE VALUE BASIS:

- Q4 2021 saw continued growth across every industry; this was the fifth consecutive quarter with enterprise values increasing across every industry. The best performing industry in Q4 2021 was Energy, which experienced the largest single-quarter gain of the industry's history since inception of the LPMI in 2014.
- Generally speaking, the best performing industries this past quarter and those with the strongest prospects for 2022 were those best positioned to handle the ongoing supply chain, labor, and inflationary pressures.

IN SUMMARY, WE BELIEVE THE LINCOLN PMI:

- Enables investors in private companies, including private equity firms, to benchmark their investments against their peers and the S&P 500 on both enterprise value 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

Q4

2021

SOURCE OF DATA AND SAMPLE SIZE

On a quarterly basis, Lincoln determines the enterprise fair value of over 3,000 portfolio companies for over 125 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 \$100.0 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

3,000

Portfolio Companies are evaluated by Lincoln on a quarterly basis to determine their Enterprise Fair Value

~125

Sponsors participate in Lincoln PMI i.e. Private Equity Groups & lenders to Private Equity Groups

METHODOLOGY: Academic Advisors

Q4

2021



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 and an Associate Editor of the Journal of Financial Economics.

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 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 B.S. from the University of Illinois, where he graduated with Highest Honors.

GLOBAL INDUSTRY GROUPS

Business Services

Consumer

Energy, Power & Infrastructure

Financial Institutions

Healthcare

Industrials

Technology, Media & Telecom

ADVISORY SERVICES

Mergers & Acquisitions

Capital Advisory

Private Funds Advisory

Joint Ventures & Partnering

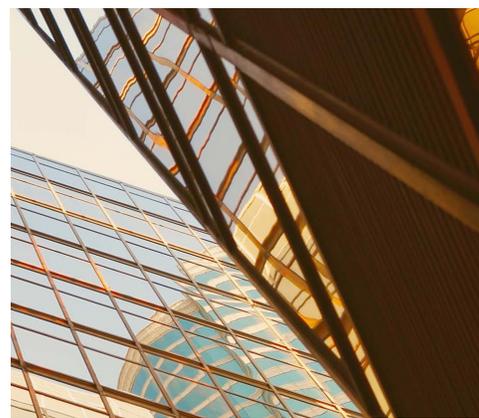
Valuations & Opinions

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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 Valuations & Opinions 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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