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ELPMI

EUROPEAN LINCOLN
PRIVATE MARKET INDEX™

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EUROPEAN LINCOLN PMI DECLINES IN Q1 BUT OUTPERFORMS PUBLIC MARKETS AMID THE SOFTWARE-DRIVEN SELL-OFF

The European Lincoln Private Market Index (PMI) is the only index that tracks changes in the enterprise value (EV) of Europe's privately held companies. Starting at a value of 10,000 as of December 31, 2020, the PMI grew to 15,350, though declined 1.3% in Q1 2026. This marked the first quarterly decline since inception, as multiple contraction more than offset earnings growth following the recent public market software sell-off.

ABOUT THE EUROPEAN LINCOLN PMI

The Lincoln PMI is a first-of-its-kind index measuring changes in the EVs of European private companies over time and a barometer of private company performance. The PMI enables private equity firms and other investors to benchmark how private company investments are performing against peers and how this performance compares to the STOXX 600 and FTSE 250 public indices.

To review the results of an independent study on the quality and breadth of Lincoln's private market database, [click here](#).

INDEX OVERVIEW

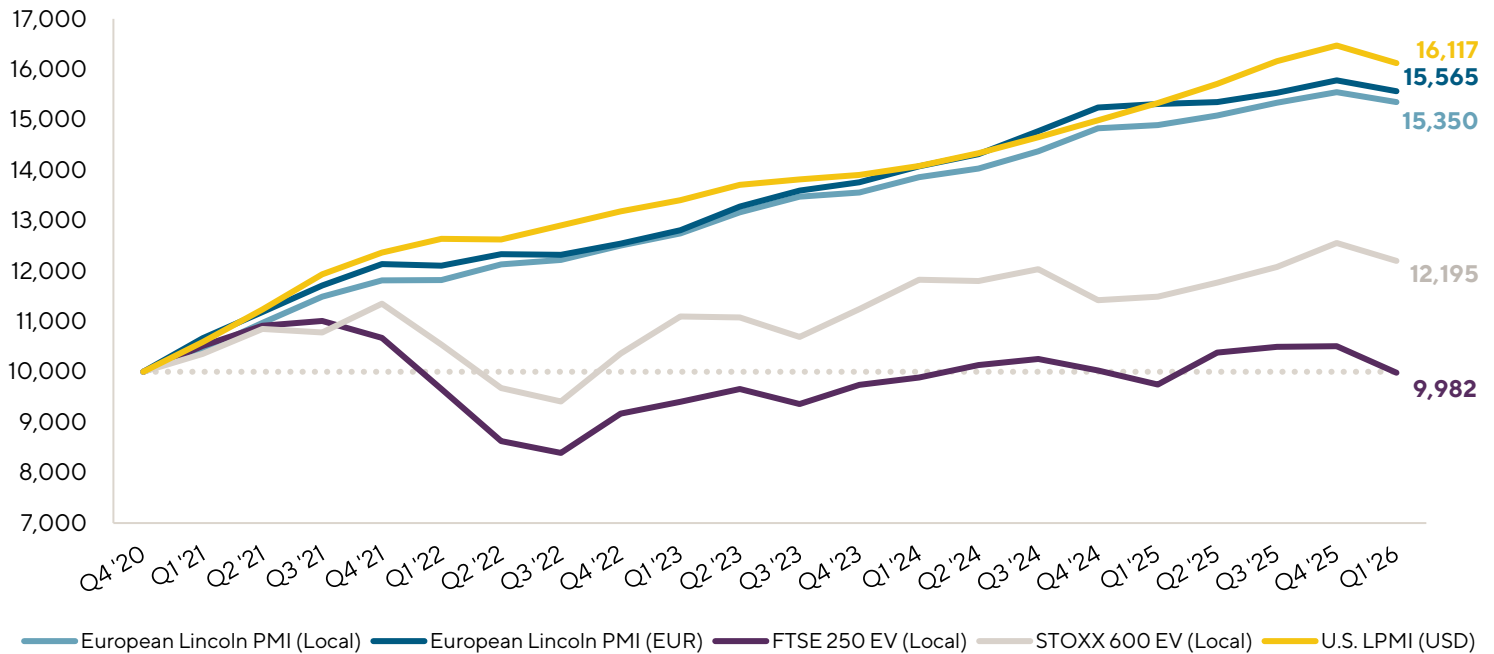
- Sixth Edition: Covers Q1 2026
- Measures quarterly changes in the EVs of more than 300 European private companies with a median EBITDA of ~€38 million
- Analyses the impact of earnings and multiples on the index's performance
- Assesses the change in value for five broad industries

RESULTS:

European Lincoln PMI Decreased for the First Time since Inception, Declining -1.3% Despite Continued Positive Earnings Growth

Q1

2026



(NOTE: The Lincoln PMI, STOXX 600 and FTSE 250 EV returns above reflect enterprise values)

(Index EVs exclude financial institutions and real estate for which enterprise value is generally not meaningful; however, including such companies produces similar results)

Index	Q1 '26	LTM	CAGR since Inception
European Lincoln PMI (Local)	(1.3%)	3.1%	8.5%
European Lincoln PMI (EUR)	(1.4%)	1.7%	8.8%
FTSE 250 EV (Local)	(5.0%)	2.4%	(0.0%)
STOXX 600 EV (Local)	(2.9%)	6.1%	3.9%
U.S. Lincoln PMI	(2.1%)	5.2%	9.5%

The European PMI declined -1.3% in Q1 2026, compared with declines of -5.0% for FTSE 250 EV and -2.9% for STOXX 600 EV. The PMI decline was driven by multiple contraction, which was only partially offset by earnings growth. The contraction in Q1 was primarily driven by decreases in the EVs of technology companies following the accelerated pace of AI development and recent public market software sell-off. Technology companies formed 15% of the constituents of the European Lincoln PMI and contributed to over 50% of the overall decline this quarter.

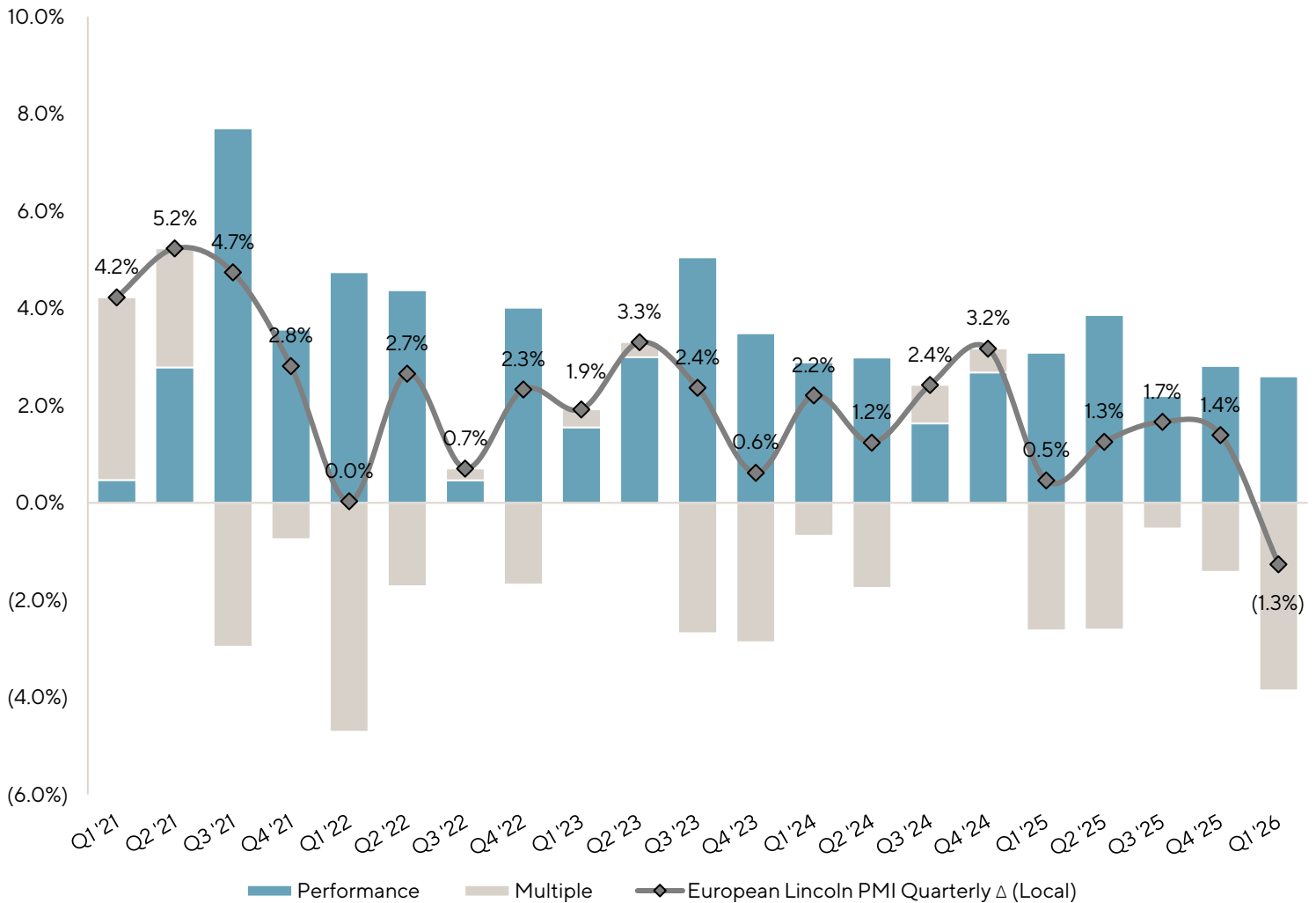
Despite the Lincoln PMI's decrease, private markets continued to demonstrate relative resilience in comparison to the public markets. As with previous quarters, the return for the public markets was almost entirely attributed to the impact of changes in EV multiples, which more than offset the positive underlying fundamental performance. Over the last 12 months, the Lincoln PMI's return of 3.1% beat that of the FTSE 250's of 2.4%, but it trailed the STOXX 600's return of 6.1%.

EXAMINING THE LPMI:

European Lincoln PMI QoQ Delta Drivers: EBITDA Multiples Versus Earnings

Q1

2026



Financial performance has consistently contributed positively to the European Lincoln PMI, driving EV growth every quarter from inception to Q4 2025. Q1 2026 marked a change from this trend as multiple contraction more than offset the earnings growth, demonstrating the highest multiple contraction impact since Q1 2022 amid the Russian invasion of Ukraine.

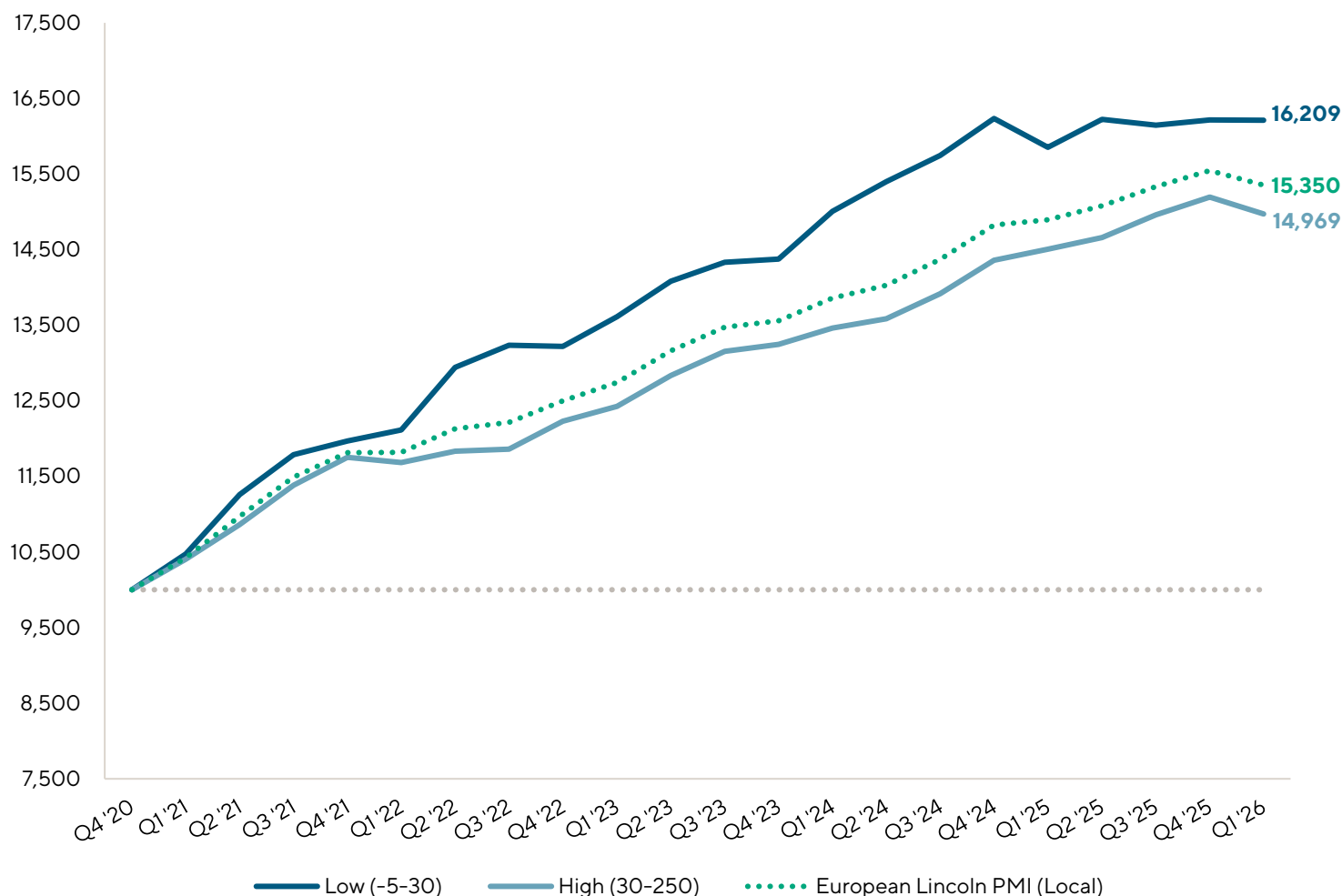
The median EV multiple for the constituents of the PMI declined from 11.7x in Q4 to 11.5x in Q1. Notably, the median EV multiple in the technology sector declined approximately 1.0x in Q1.

“While private company enterprise values have historically been driven by fundamental performance and near-term expectations of growth, Q1 marked a deviation from that trend for software companies,” noted 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. “Within the ELPMI, European software company operating performance, in fact, was positive in Q1. The decline in software valuations was entirely due to lower multiples for such businesses, reflecting market participants’ views of longer-term expectations around AI-driven disruption.”

EXAMINING THE LPMI: Considering the Impacts of Small and Large Businesses¹

Q1

2026



1. Small and large businesses were defined as having an EBITDA of -€5.0 to €30.0 million and greater than €30.0, respectively

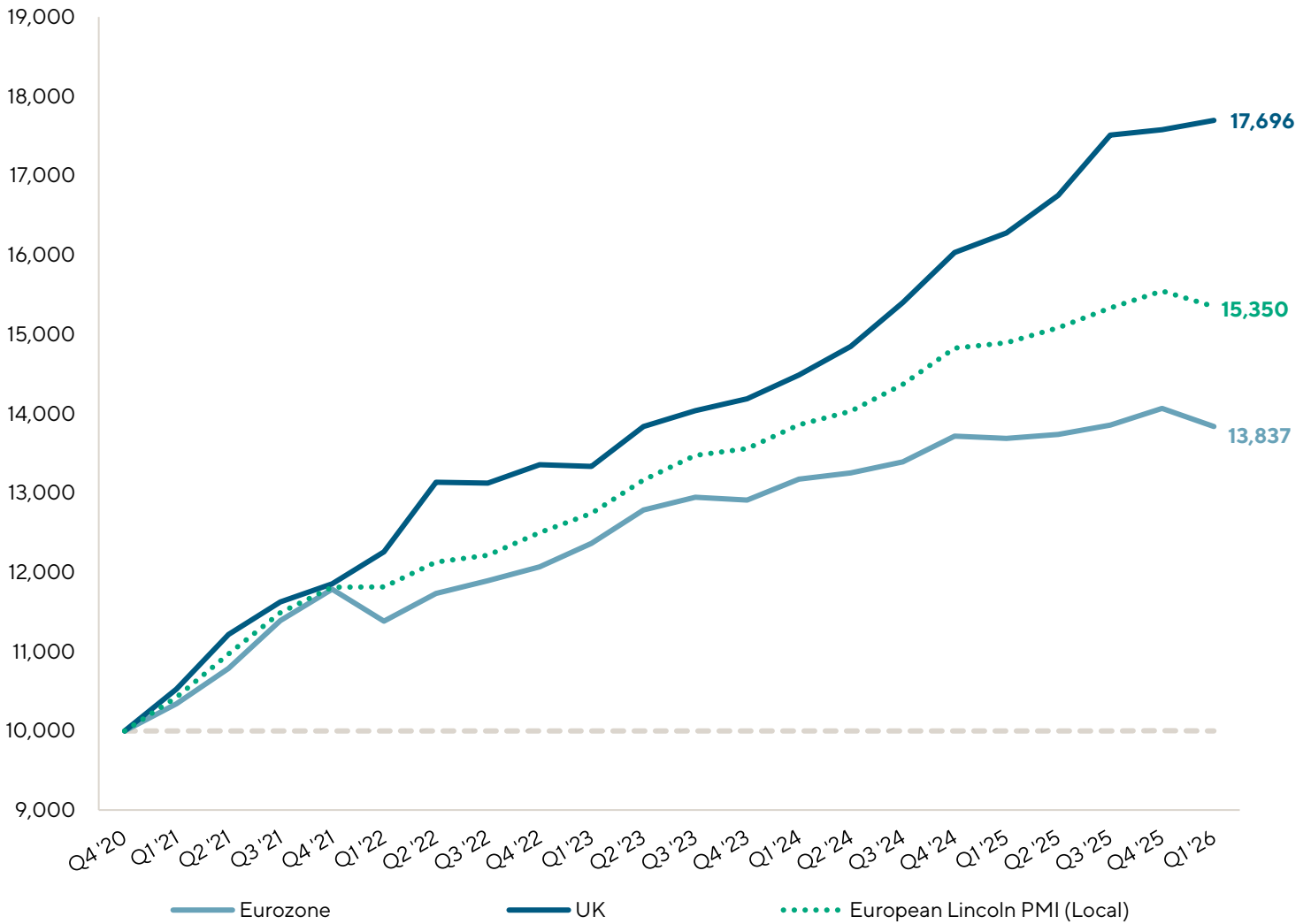
Index by EBITDA	Q1 '26	LTM	CAGR since Inception
Small (Local)	(0.0%)	2.2%	9.6%
Large (Local)	(1.5%)	3.2%	8.4%
European Lincoln PMI (Local)	(1.3%)	3.1%	8.5%

Small companies outperformed larger companies in Q1 2026 as stronger earnings growth offset multiple contraction. The impact of multiple contraction was elevated in large companies given the largest constituents of the PMI were particularly exposed to software. The three largest companies within the European Lincoln PMI were software companies and had an average multiple decline of 8.6%.

EXAMINING THE LPMI: Comparing the UK and the Eurozone

Q1

2026



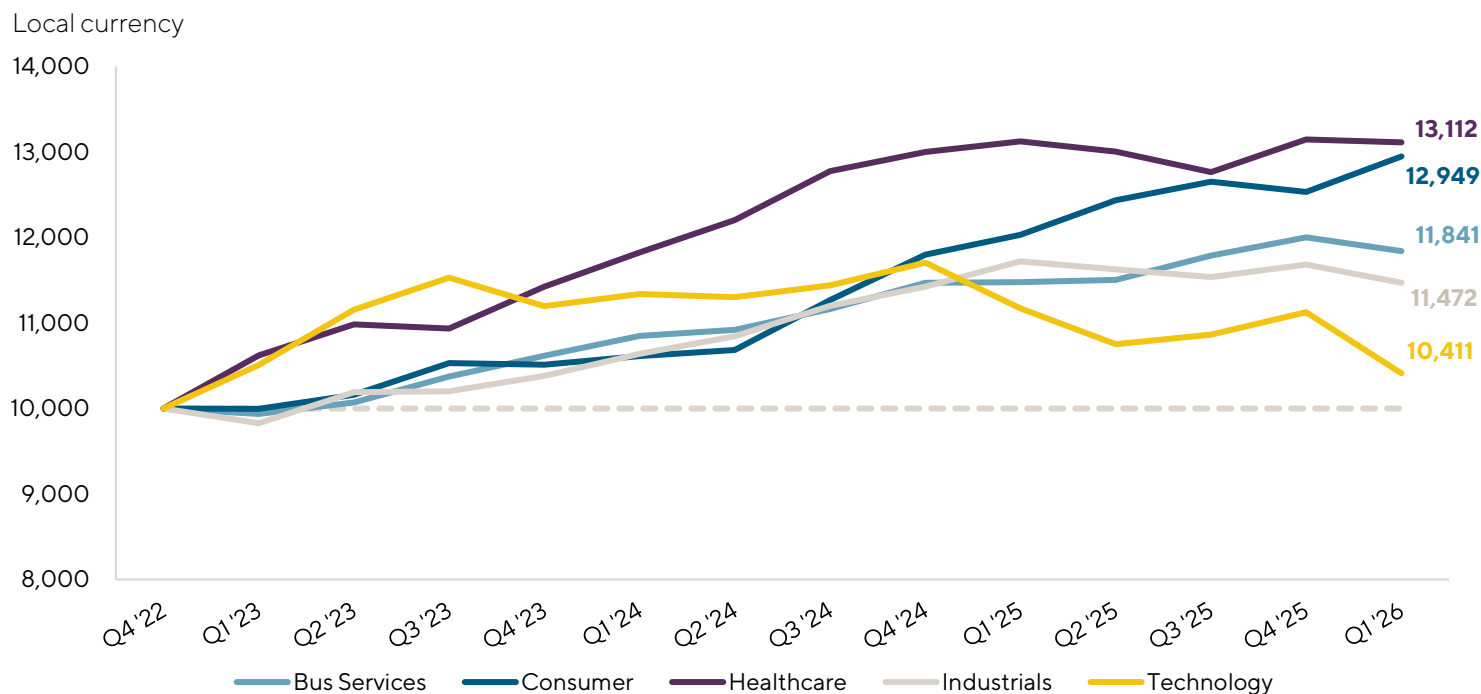
Geography	Q1'26	LTM
European Lincoln PMI (Local)	(1.3%)	3.1%
Eurozone	(1.6%)	1.1%
UK	0.7%	8.7%

UK sponsor-backed companies have outperformed the Eurozone since inception, driven by concentration in higher-growth sectors such as business services. In Q1 2026, Eurozone performance was pressured by greater exposure to declining sectors, such as technology and industrials, and hence was more impacted by multiple compression.

EXAMINING THE LPMI: European Lincoln PMI by Sector

Q1

2026



Consistent with public market headlines, the decline in EVs this quarter was primarily driven by weakness in the technology sector, which represented 15% of the European Lincoln PMI and contributed to over 50% of the overall decline. The pressure in the sector was driven by software companies, reflecting the recent global sell-off of public software equities and credits and concerns around AI disruption to software and Software as a Service (SaaS) businesses. AI's capabilities, investment and adoption have grown significantly and far more quickly than many market participants expected. However, the decline in the software subsector was driven by multiple contraction rather than earnings, which remained positive within the European Lincoln PMI in Q1. While macroeconomic factors such as AI disruption may take time to be reflected in financial results, private companies' earnings growth overall remained positive in Q1, albeit with the rate of growth continuing to slow slightly.

Industry	Q1'26	LTM
Business Services	(1.3%)	3.2%
Consumer	3.3%	7.6%
Healthcare	(0.3%)	(0.1%)
Industrials	(1.8%)	(2.1%)
Technology	(6.4%)	(6.8%)
European Lincoln PMI (Local)	(1.3%)	3.1%

Business services declined by 1.3%, marking its first decline since early 2023, as AI-related disruption spread into subsectors such as insurance, which is particularly exposed to AI-related risks. Other subsectors experiencing average earnings decline were marketing and information services, whilst the majority of subsectors experienced average multiple decline.

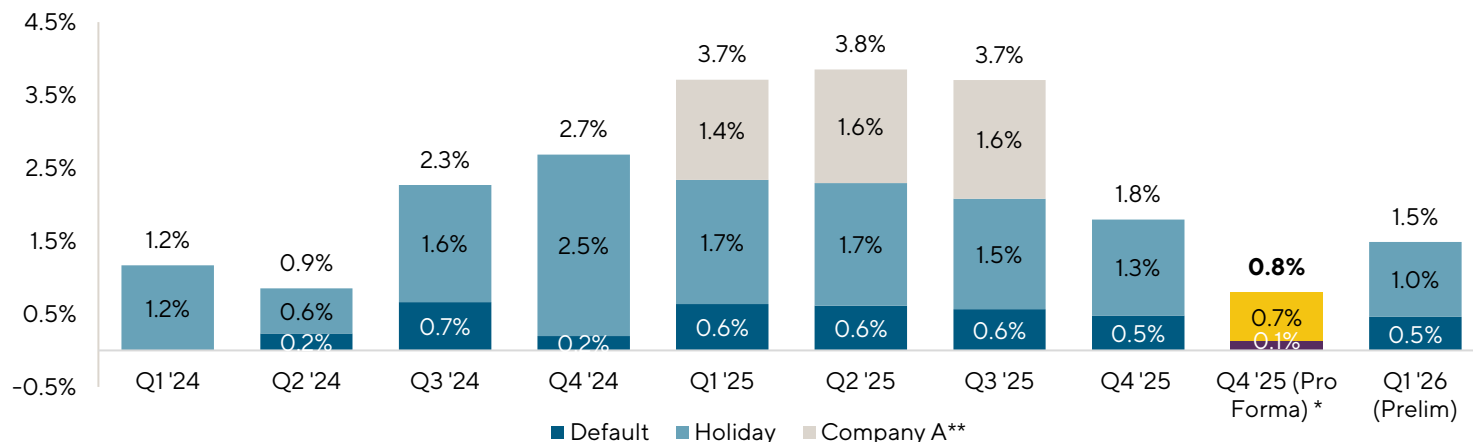
Industrial EVs declined in Q1, reflecting concerns around the Iran conflict's impact on energy costs and supply chains. While underlying performance remained resilient, any sustained disruption could translate into more pronounced operational pressure in coming quarters.

Meanwhile, consumer was the only sector to grow in Q1, rebounding from the decline in Q4. The sector saw strong average earnings growth across all subsectors but most notably in lifestyle and leisure.

EXAMINING THE LPMI: Credit Conditions: Some Signs of Weakness Remain

Q1

2026



* Q4 '25 (Pro Forma) excludes borrowers that were classified as Fail/Holiday in Q4 '25 but whose status was subsequently remediated through covenant amendments or restructured in Q1 '26.

** As per the prior quarter, 1 large issuer made up a significant portion of defaults between Q1 '25 and Q3 '25.

While headline metrics appeared positive, some signs of weakness remain. Covenant default rates declined from 1.8% to 1.5%; however, this was influenced by the amending or restructuring of several breaches in the prior quarter rather than a fundamental improvement in borrower health, with nine new companies that breached covenants in the quarter. The overall proportion of companies utilizing PIK interest declined from 17.1% to 16.2%. However, the percentage of companies that paid cash interest at close before implementing PIK interest (i.e., bad PIK) increased from 7.3% to 7.8%, indicating rising stress among more challenged private companies. For those companies with “bad PIK,” LTV increased 28.5% since transaction close.

While private markets have remained resilient, Q1 reflected a shift toward multiple-driven valuation declines offsetting earnings growth, albeit slowing growth, in addition to some persistent credit stress. Together, these trends point to a more cautious market backdrop.

Nick Baldwin, Managing Director in Lincoln International’s European Valuations & Opinions Group, commented, “Q1 marked a notable shift, with the decline in the European Lincoln PMI largely driven by the software-led sell-off and changing market expectations around AI. That said, underlying fundamentals remain robust, with the European Lincoln PMI still supported by positive earnings growth. What we are seeing is a growing divergence, where strong businesses continue to perform, but valuations are adjusting to reflect longer-term uncertainty. As a result, investors are becoming more selective, particularly in sectors most exposed to disruption.”

IN SUMMARY, WE BELIEVE THE LINCOLN PMI:

- Enables investors in private companies, including private equity firms, to benchmark their investments against their peers and European public indices on both enterprise value and equity value bases;
- 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:

Data Collection and Academic Advisors

METHODOLOGY

The Index is calculated using anonymized data on an aggregated basis by Lincoln's Valuations & Opinions Group, which has unique insights into the financial performance of thousands of portfolio investments across a variety of investment vehicles, including private equity and private debt funds. All figures are quoted in and based on calculations in local currencies, however Lincoln also prepares the index on a single-currency basis to account for FX impacts. Lincoln applied the same methodology to public indices to allow a like-for-like enterprise value comparison between the Index, the FTSE 250 and the STOXX 600.

PROFESSOR STEVEN KAPLAN

Professor Steven Kaplan is a Senior Advisor to Lincoln's Valuations & 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 & 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 holds a doctorate from the University of Michigan and his a Bachelor of Science from the University of Illinois, where he graduated with Highest Honors.

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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.

