

European Private Market Q4 2023 Insights & Q1 2024 Outlook



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Agenda

- Q4 2023 EU valuations insights
- Debt outlook for 2024
- M&A outlook for 2024
- High-quality deal insights

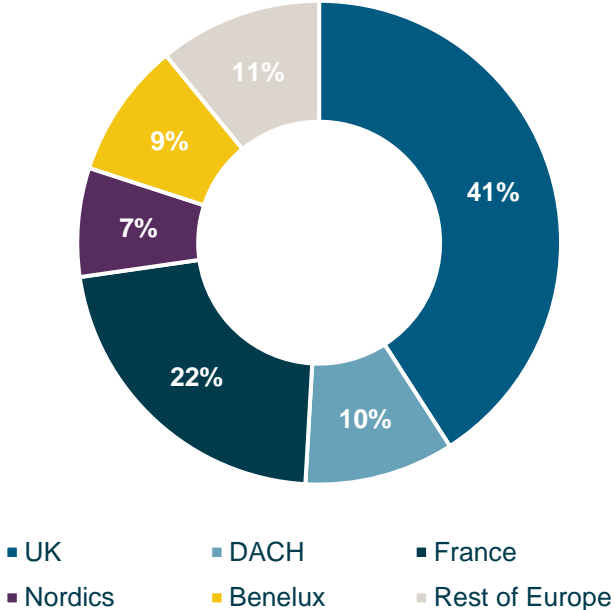


Q4 2023 EU valuations insights

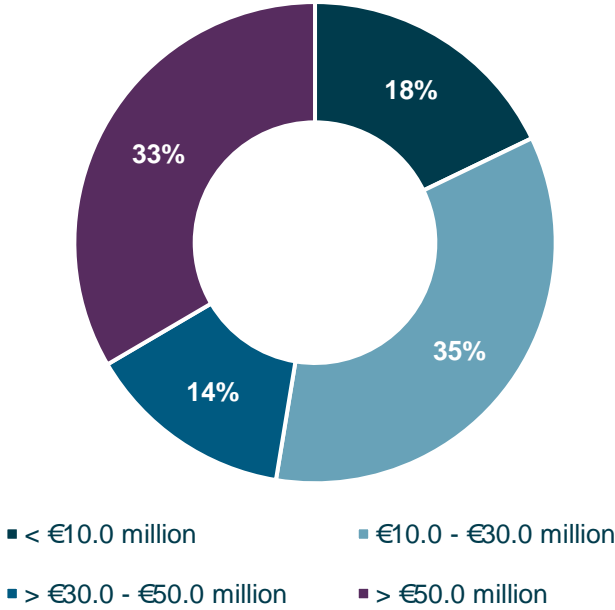


Q4 2023 European Private Company Data

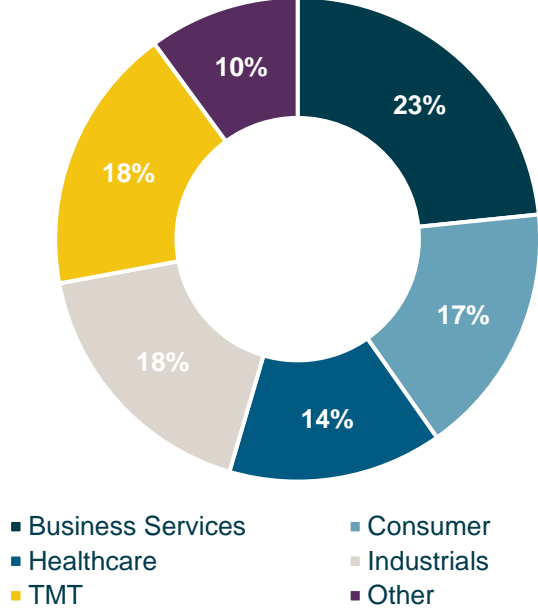
Portfolio Companies by Region



Portfolio Companies by LTM EBITDA



Portfolio Companies by Industry



Prior period: Q3 '23

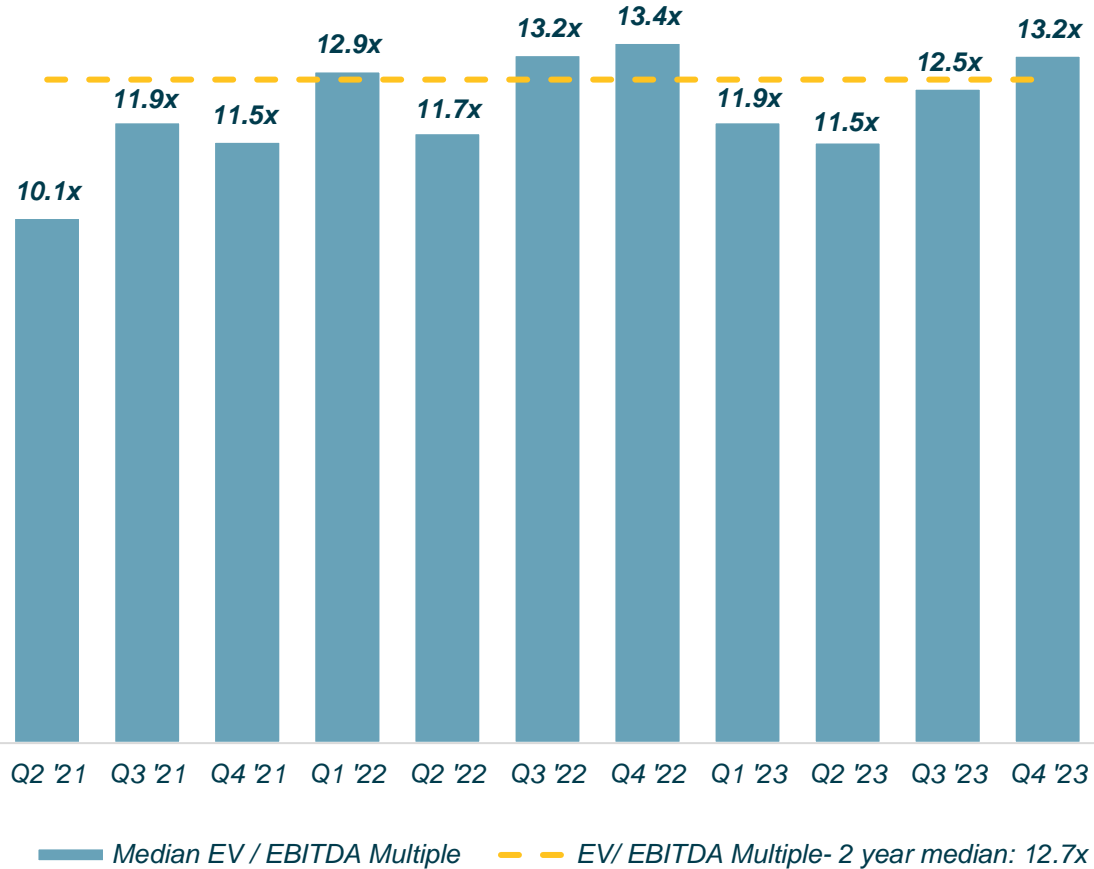
- Population: Over 260 U.K. and E.U. based Private companies
- Median Company Size (LTM EBITDA): ~ €32 million
- Average EV / LTM EBITDA Multiple: 12.1x
- Average Debt / LTM EBITDA Multiple: 5.4x

Current period: Q4 '23

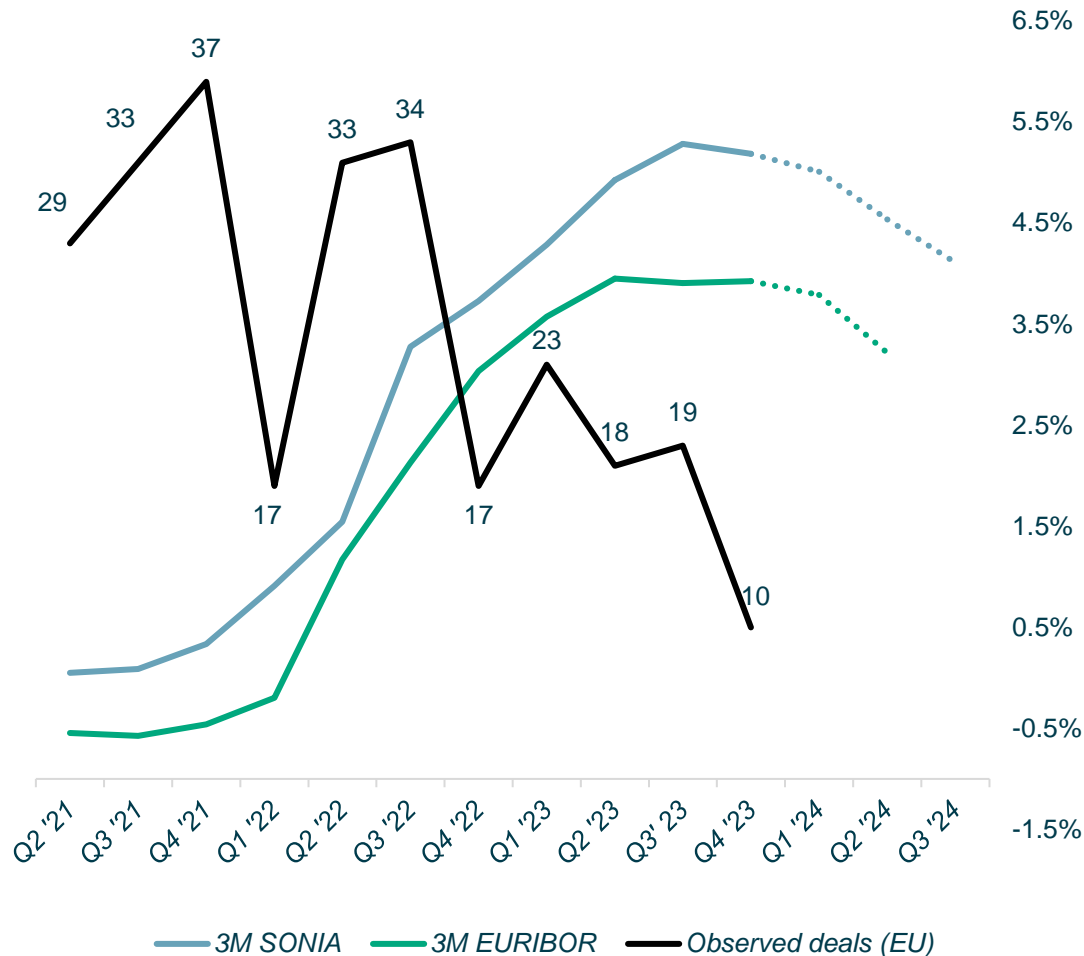
- Population: Over 300 U.K. and E.U. based Private companies
- Median Company Size (LTM EBITDA): ~ €29 million
- Average EV / LTM EBITDA Multiple: 11.9x
- Average Debt / LTM EBITDA Multiple: 5.3x

European Lincoln Observed New Third-Party M&A Buyouts

EV / LTM EBITDA Transaction Multiples

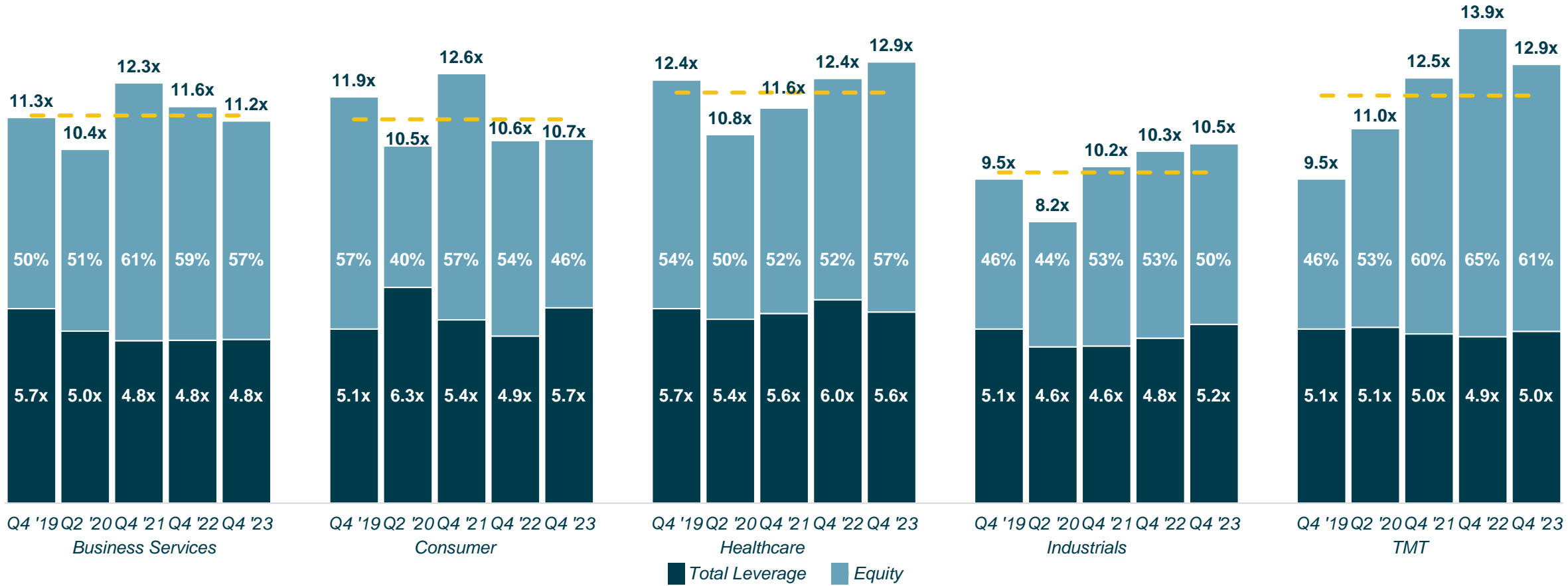


3M EURIBOR, 3M SONIA & LI Observed Deal Activity



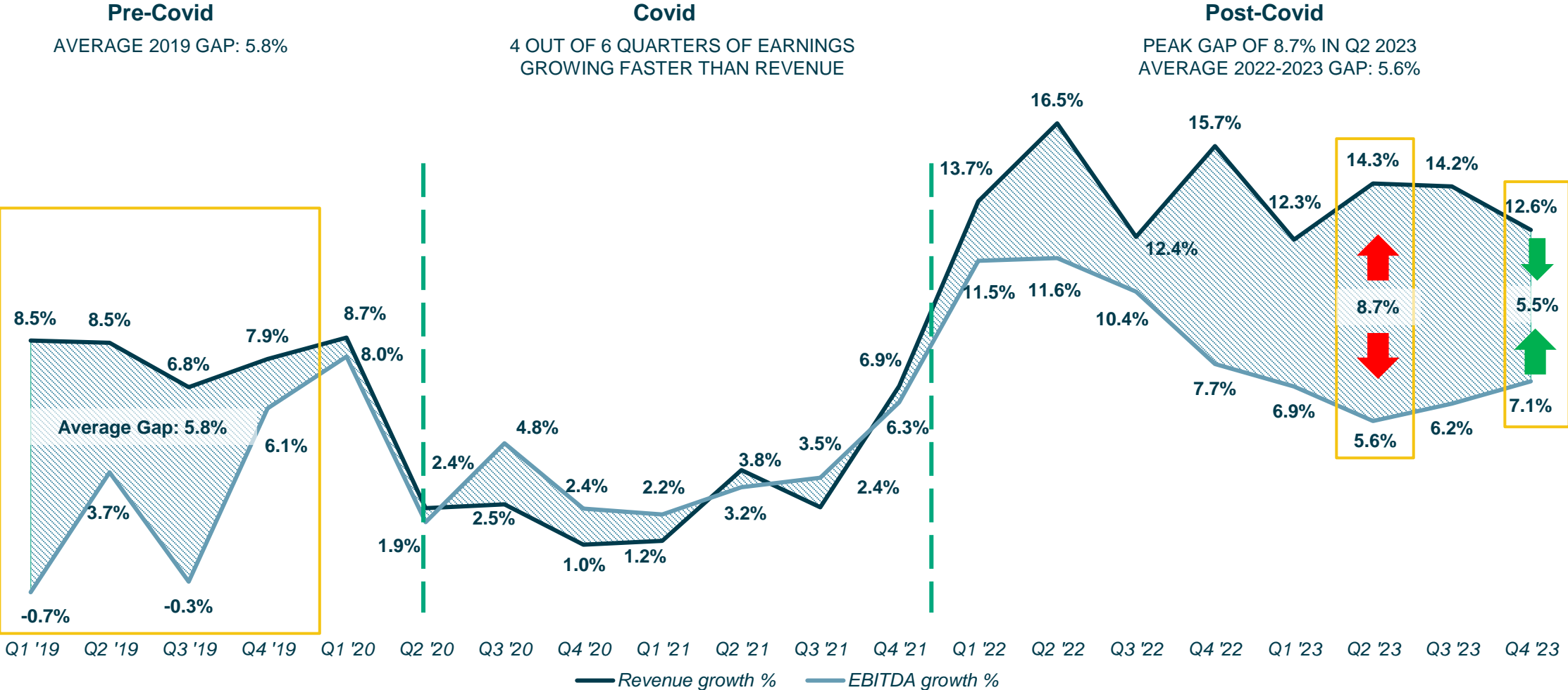
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European EV/LTM EBITDA Multiple Evolution by Industry



SOURCE: Lincoln International's proprietary database – Europe only. NOTE: EV/LTM EBITDA multiples exclude companies valued solely using revenue multiples.
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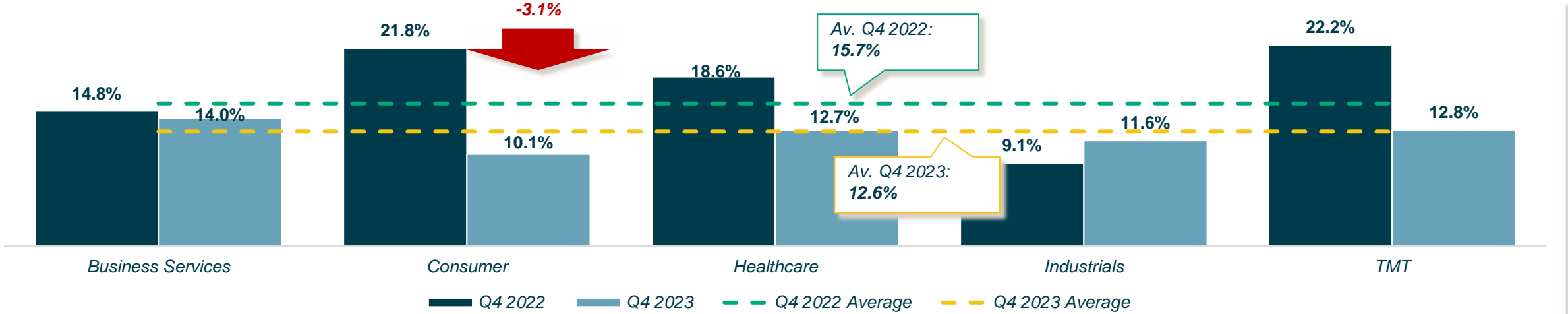
European Magnitude of LTM Revenue & EBITDA Growth



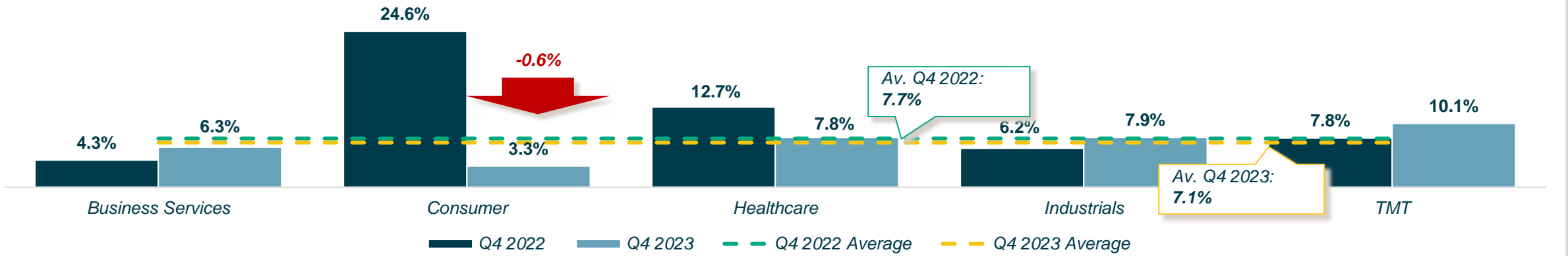
SOURCE: Lincoln International's proprietary database – Europe only. NOTE: EV/LTM EBITDA multiples exclude companies valued solely using revenue multiples.
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EU YoY LTM Revenue & EBITDA Growth Magnitude

YoY LTM Revenue Growth



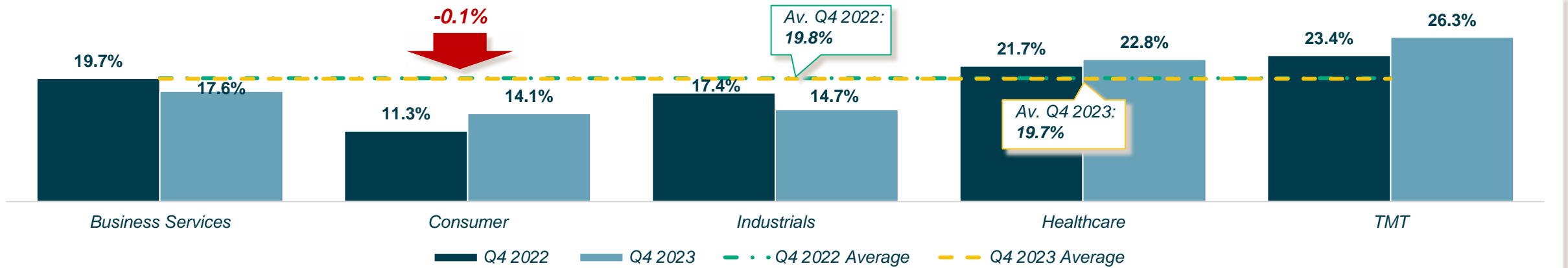
YoY LTM EBITDA Growth



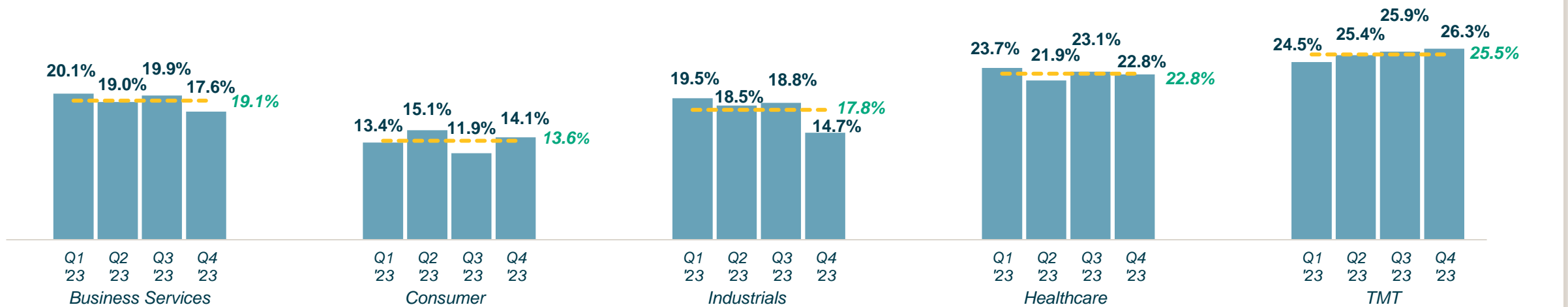
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European EBITDA Margins

YoY LTM EBITDA Margins



QoQ LTM EBITDA Margins

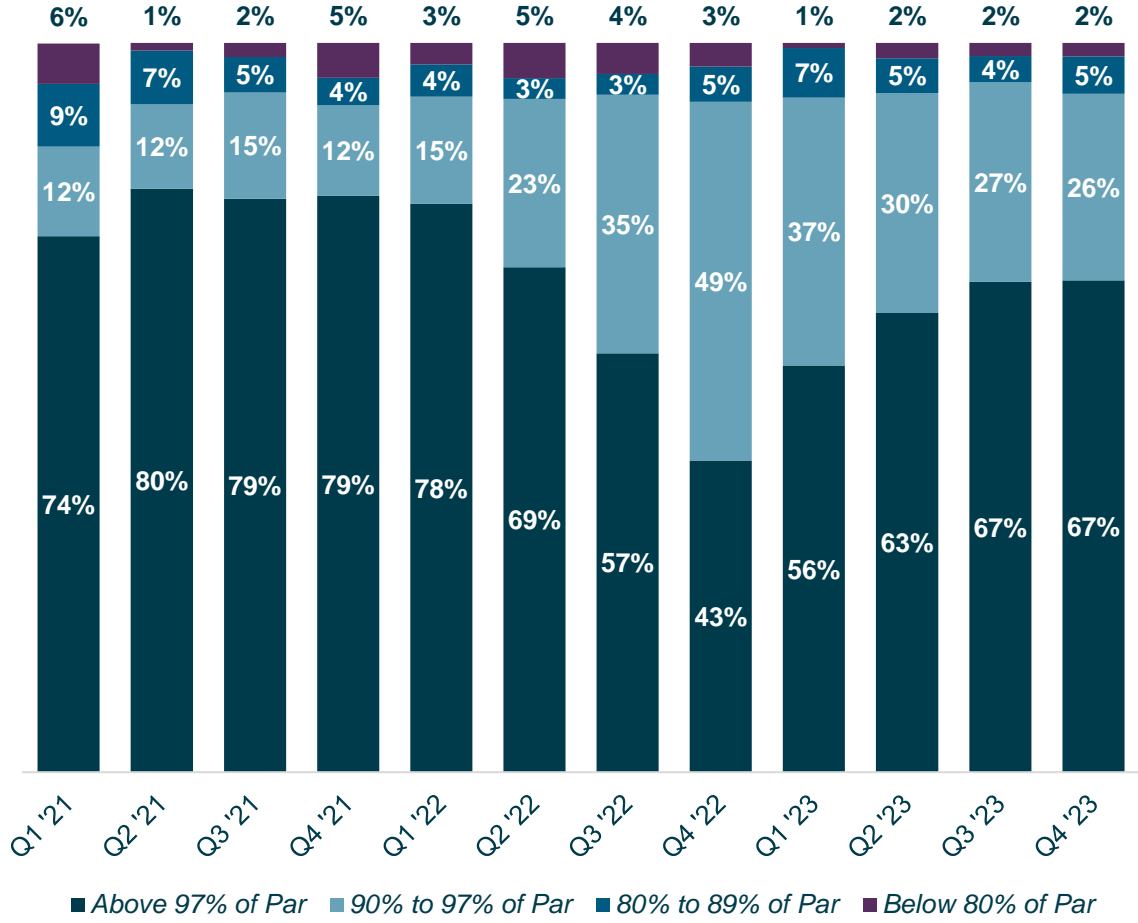


SOURCE: Lincoln VOG Proprietary Database.

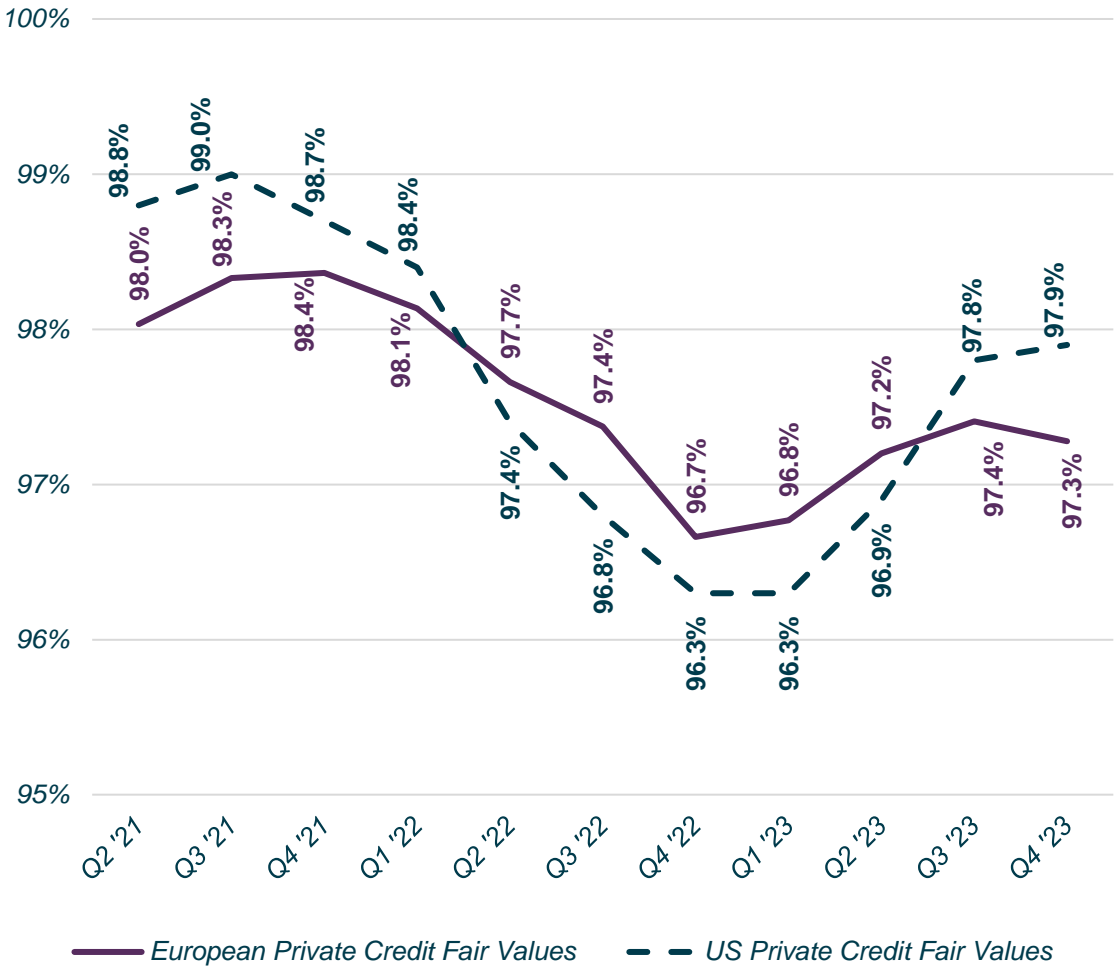
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European Q4 2023 Private Credit Fair Values

Distribution of Private Credit Fair Values

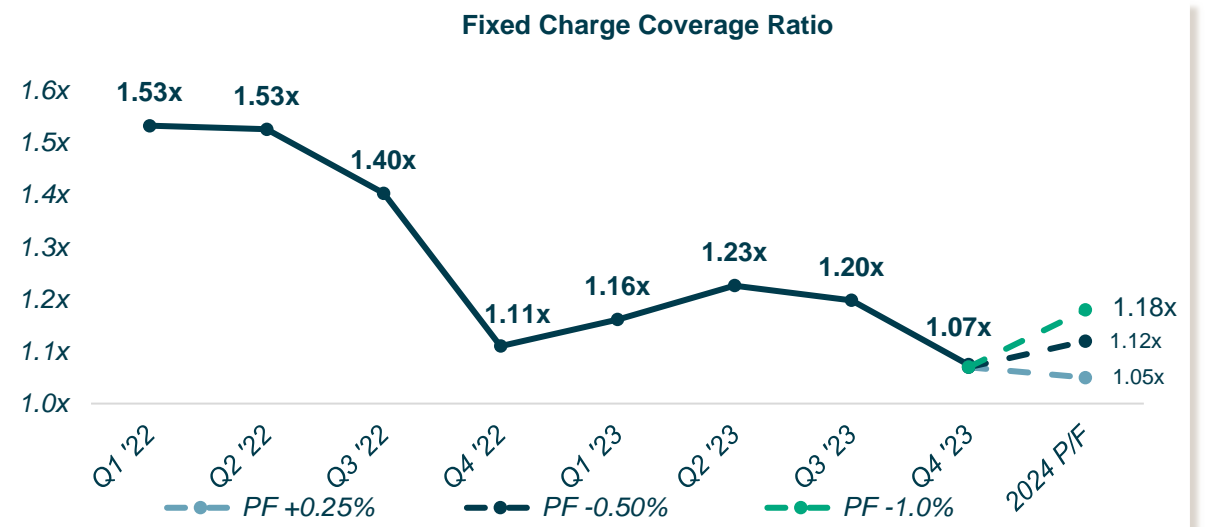
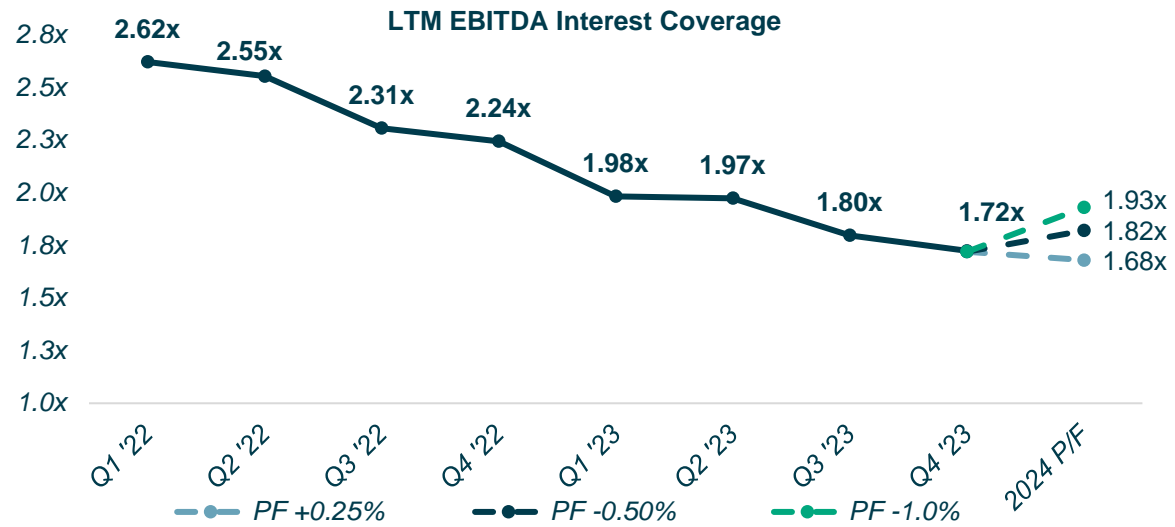


Private Credit Fair Values by Quarter



NOTE: Fair Value averages may differ from Lincoln's Senior Debt Index as they represent overall fair value averages for all of the debt securities that Lincoln values.
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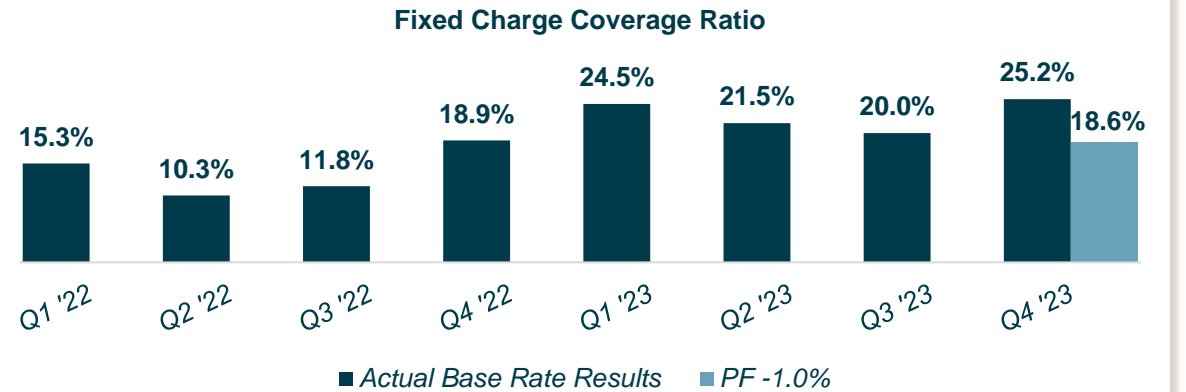
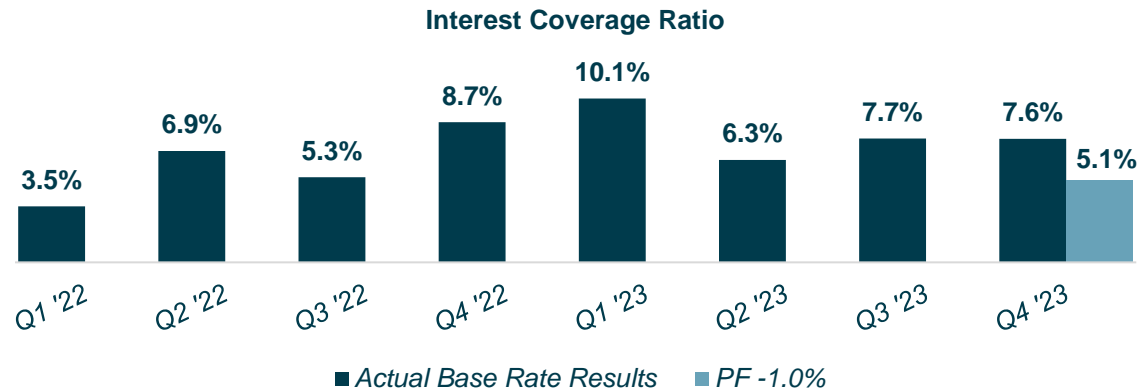
European Interest Coverage & Fixed Charge Coverage Ratios



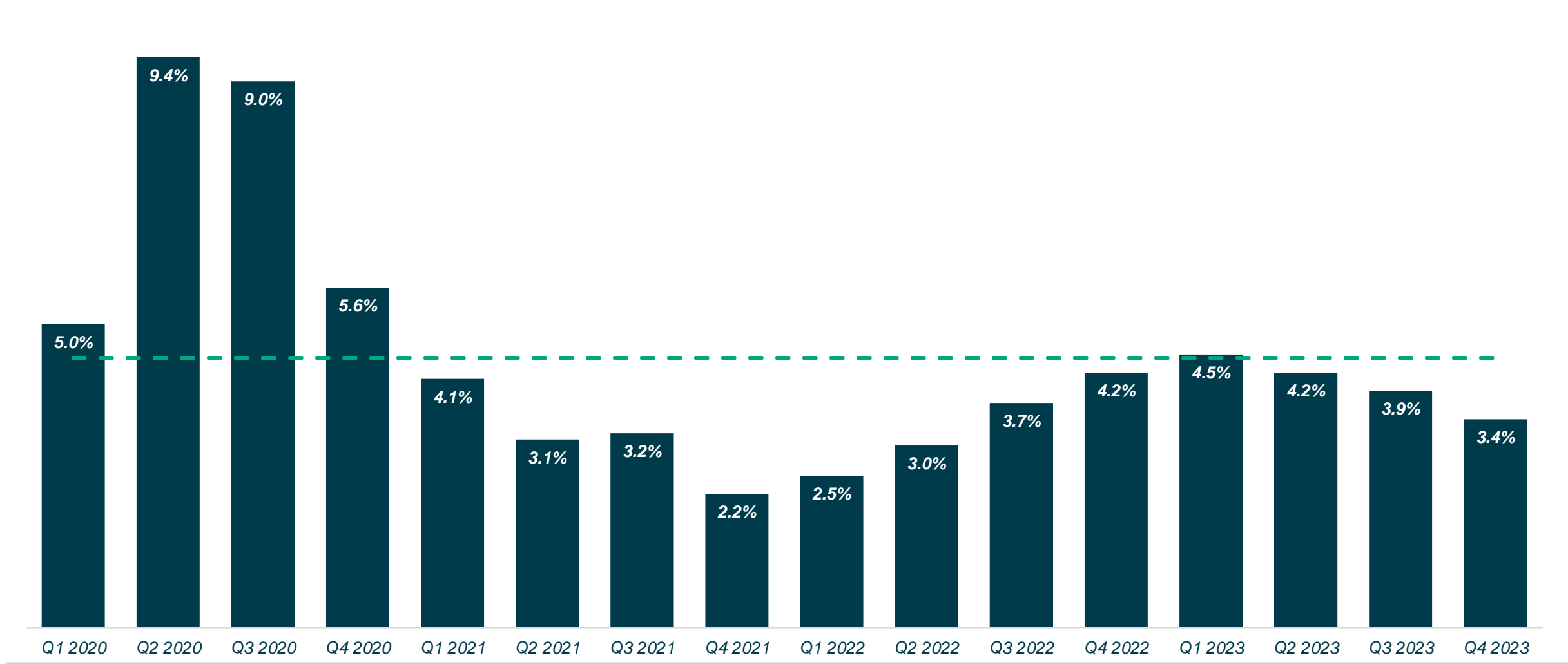
Calculations: Interest Coverage Ratio = (LTM EBITDA) / Actual LTM Interest

Fixed Charge Coverage Ratio = (LTM EBITDA-Taxes-Capex) / [(LTM Interest Expense+(1% * Total Debt)]

Size-Weighted Percentage of Companies with Interest Coverage and Fixed Charge Ratios under 1.0x

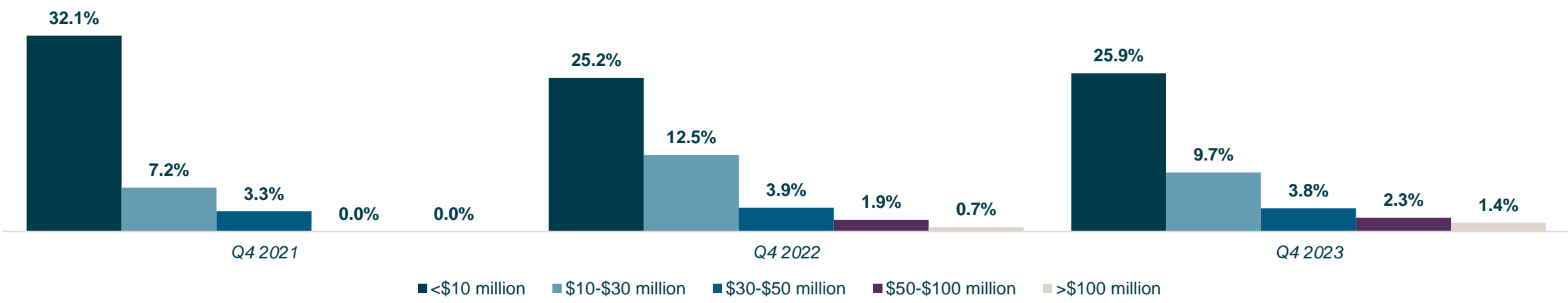
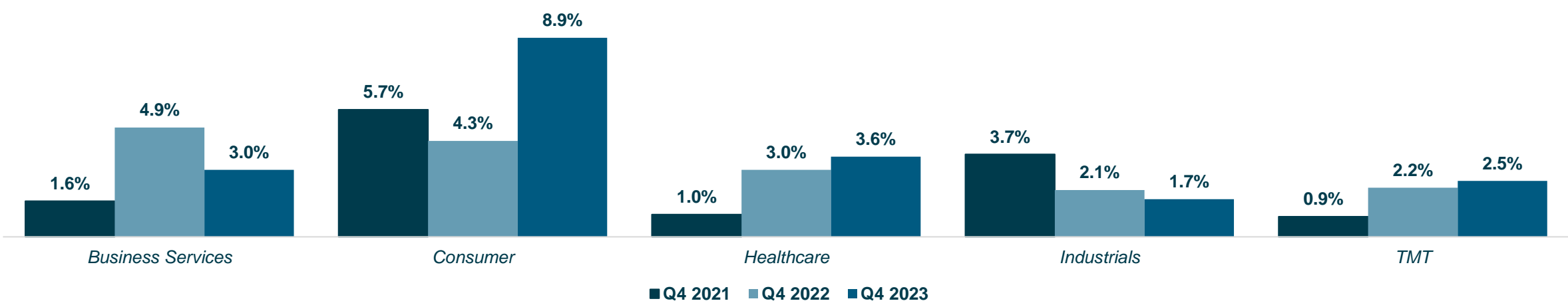


Global Covenant Default Rate (Size-Weighted)



Source: Lincoln VOG Proprietary Database. Note: A default is defined as a covenant default and not a monetary default. The analysis was performed based on a size-weighted approach, which considered the total net debt balance for each of the portfolio companies that had a defaulting security in the respective quarter.
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Covenant Default Rate by Industry and Size (Size-Weighted)



Source: Lincoln VOG Proprietary Database. Note: A default is defined as a covenant default and not a monetary default. The analysis was performed based on a size-weighted approach, which considered the total net debt balance for each of the portfolio companies that had a defaulting security in the respective quarter.
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Debt outlook for 2024

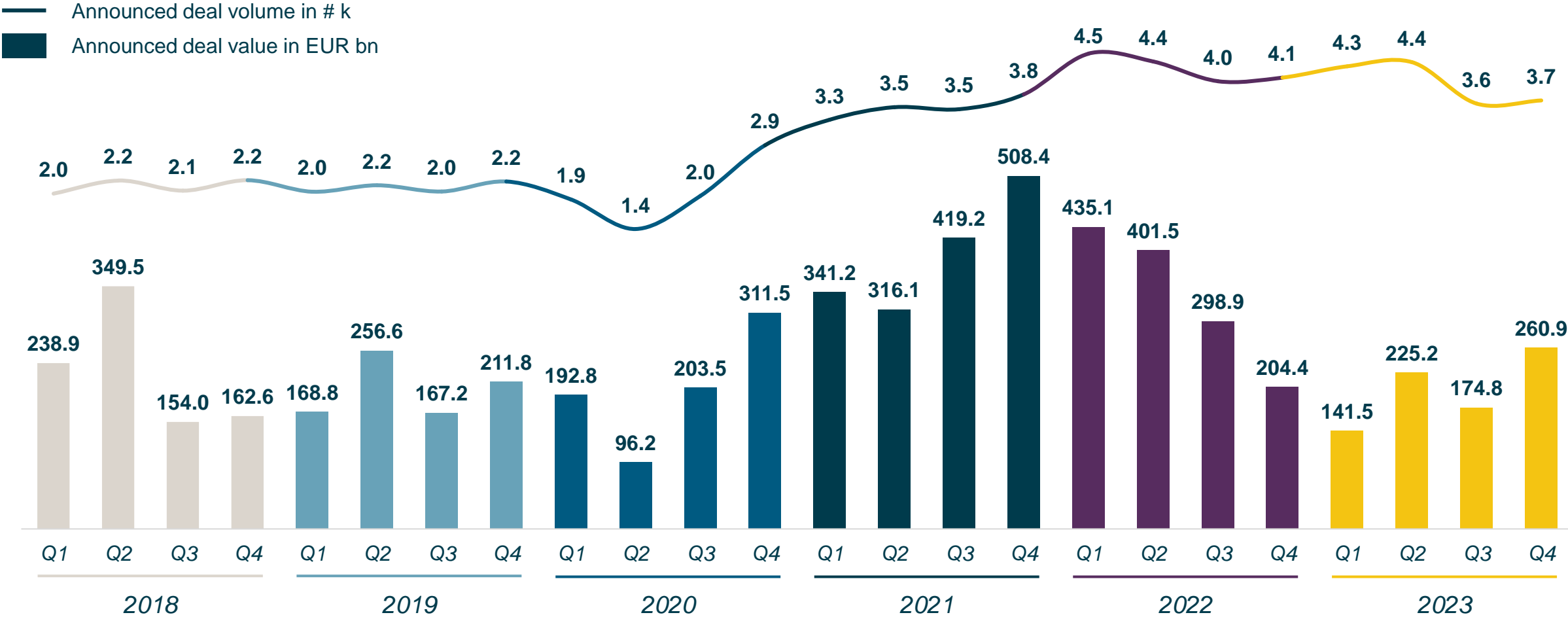


M&A outlook for 2024



When will the M&A market rebound in Europe?

MergerMarket European quarterly announced deal volume and value



Back to economic stability despite the Ukraine war

	2022 / 2023	2024 / 2025
1 Ukraine war & energy crisis	xx	vv
2 Economic outlook / uncertainty	xxx	v
3 Inflation / interest rate development	xxx	v
4 Debt liquidity and cost	xx	v
5 Covid effects on business performance	xx	

Lens on the private capital markets

The good

Improved debt liquidity and margins

Public P/E multiples are up and IPO market seems to open up...

Private equity dry powder remains at all-time highs

Average hold periods lengthen...

...and fund dynamics will start playing a role in 2024

Private owners want to diversify wealth

The bad

Geopolitical risks (Ukraine, Middle East, China/Taiwan, US/UK elections)

...but private markets multiples lag behind

The value gap persists; PE owners facing low or no returns

Zooming in on Lincoln's day-to-day practice

TMT has been hit hardest but is also expected to bounce back fastest

Old economy industrials will likely struggle

Increasing number of incoming requests to pitch

Energy transition and sustainable business models attract a lot of interest

Healthy and increasing backlog

AI and ESG impact every deal



High-quality deal insights




Through the cycle we observe continued strong interest from impact/ESG and tech investors for A+ assets

2023




Double digit

EV/EBITDA multiple

- 

Cycling infrastructure enabling green mobility
- 

Industrials sector
- 

Limited auction process
- 

Debt perspective 4,5x

2023



Outlier

EV/ARR multiple

- 

Third party risk management SaaS
- 


TMT sector
- 

Limited fast paced process
- 

Debt perspective of up to 5x

Recent Capital Advisory Transactions

CIKLUM
 a portfolio company of
RECOGNIZE
 has acquired
Infogen
 Acquisition Financing



Bridgepoint
 has made a strategic investment in
kerv
 a portfolio company of
LDC
 Buy-Side Acquisition Financing


OVARRO
 CONNECTING TECHNOLOGIES
 a portfolio company of
FFL PARTNERS
 has been refinanced
 Refinancing


Deutsche Beteiligungs AG
 has acquired
ProMik
 TRUSTED SOLUTIONS
 Acquisition Financing



skerritts
 a portfolio company of
SOVEREIGN CAPITAL PARTNERS
 has been refinanced
 Refinancing


CHEQUERS CAPITAL
 has entered into a strategic partnership with
cheops
 Buy-Side Acquisition Financing


Reapit
 a portfolio company of
AKKR
 has merged with
PayProp
 Valuation Advisory


ORIENTA
 has acquired
bierrebi
 with senior loan financing from
Banca Ifis **BPER**
green arrow **SOLUTION**
 and mezzanine financing from
Eiello Investimenti
 Acquisition Financing


MiddleGround Capital
 has acquired
XTRAC
 from
inflexion
 Buy-Side Acquisition Financing


KLAR PARTNERS
 has invested in
hallo,
 a portfolio company of
VORTEX CAPITAL PARTNERS
 Sell-Side Staple Financing


Bubbles Bidco SpA
ACQUA & SAPONE
 majority owned by
HTG
 has refinanced its existing debt with a
€440,000,000 term loan and a
€55,000,000 revolving credit facility provided by a group of banks
 Refinancing


Legal digital
 has raised capital from
andera **SOCIETE GENERALE**
BNP PARIBAS **ECL**
 Capital Raise


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