



# H1 2024 Secondary Market Review

Evercore Private Capital Advisory

July 2024

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# Introductory Remarks

## H1'24 Highlights

**\$72bn**  
Secondary  
Transaction Volume

**73%**  
Transaction Volume  
Growth (y-o-y)

**57% / 43%**  
LP-Led / GP-Led  
Volume

**55%**  
SACV of Total GP-  
Led Transactions

**\$189bn**  
Estimated Dry  
Powder

**\$144bn**  
NTM Fundraising  
Target

## Evercore PCA H1'24 Highlights

**#1**  
Market Share

**49**  
Transactions Closed

**81**  
Unique Investors  
in H1'24

**113**  
Evercore PCA  
Professionals

Secondary volumes and deal flow grew year on year in the first half of 2024 with strong momentum going into the second half.

The secondary market delivered strong results in H1'24 with estimated volumes exceeding \$70 billion, setting a new high for H1 secondary volume on record. A protracted dearth of liquidity from traditional avenues motivated investors to pursue innovative solutions to generate proceeds through the secondary market. The market experienced an explosive first half of 2024 in both the GP-led and LP-led market. Bid-ask spreads narrowed, and sellers capitalized on the opportunity to transact. In H1'24, new sellers and investors emerged, and we are proud of our team's efforts in bringing to market multiple first-time, landmark transactions. Our team has experienced all of this and our business continued to grow in H1'24, as innovation allowed us to drive successful outcomes for our clients.

The GP-led market witnessed a very active first half of 2024. Following from the previous year, investors focused their efforts on high quality, resilient assets. Clear and defensible valuations were appreciated by investors, and profitability was prized. Alignment of interests was key, as sponsors devised structures to meet complex objectives. Large cap GPs turned to multi-asset and selectively single-asset CVs to provide liquidity across their portfolios and reset holding period of strongest performing assets, while the trend of consistent adoption by mid-market firms continued, primarily utilizing single-asset and highly concentrated CVs. As interest rates remain high and M&A and IPO environment subdued, we expect sponsors to stay focused on delivering liquidity and providing win-win solutions for all stakeholders.

The LP-led market continued its momentum into the first half of the year, resulting in a record first half in our business. Liquidity pressure, along with attractive portfolio pricing environment in H1'24, has resulted in more LPs, both repeat and new sellers, coming to market at a higher frequency. Rising appetite for buyout, credit and infrastructure portfolios has been a catalyst for increasing prices. Moving into the second half, we expect pricing to remain strong, with the bid/ask spread continuing in its converging trend. We believe the continued development of the secondary market will lead to its increased acceptance by traditional LPs as a reliable source of liquidity, as LPs take a more active approach to portfolio management.

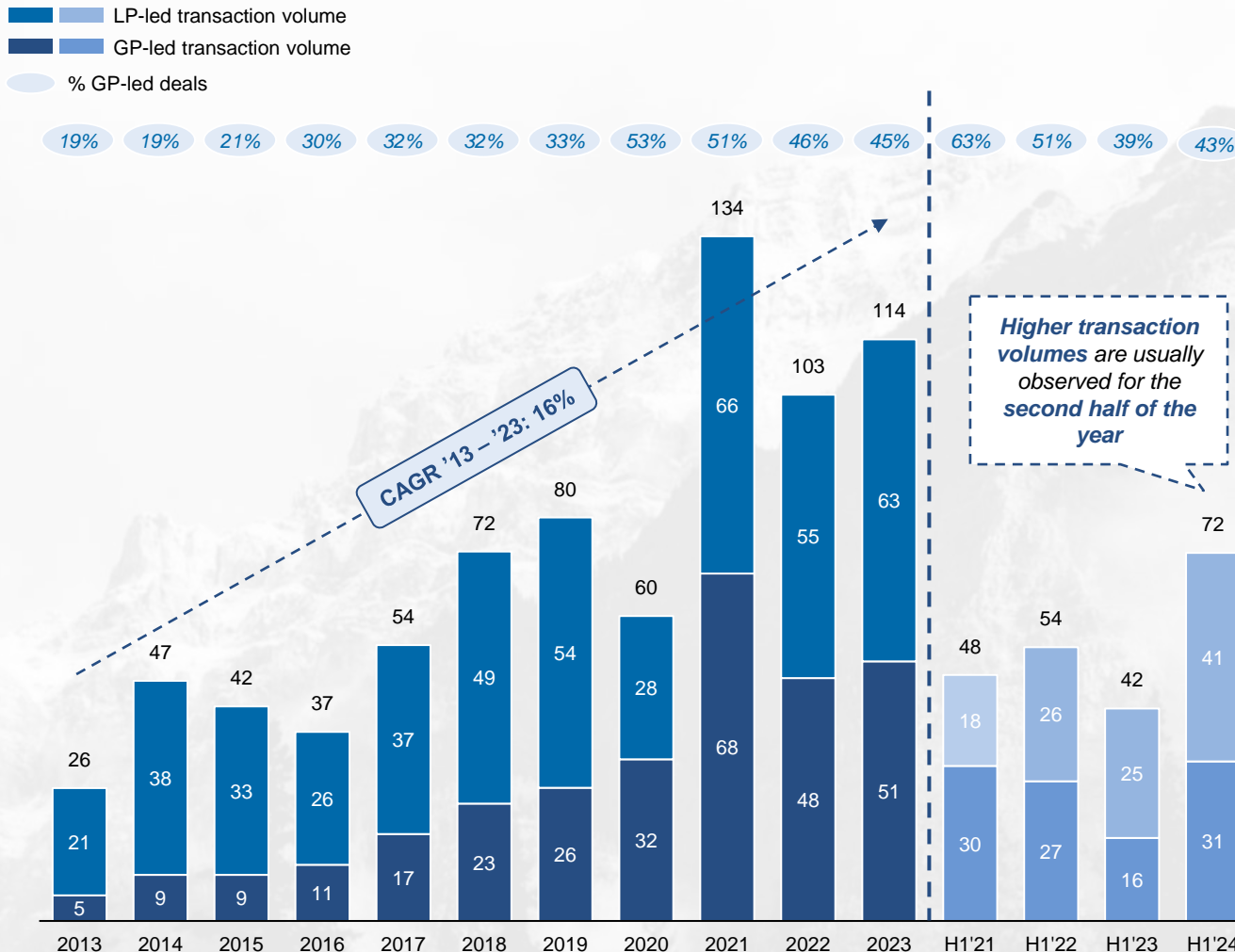
The team at Evercore is optimistic that this momentum will carry into the second half, and we envisage secondary market volumes to expand. M&A and IPO markets remain volatile in response to sticky inflation and a heightened interest rate environment. Robust fundraising activity has resulted in a better capitalized secondary market than ever before, with recent large fund closings representing significant increases relative to predecessor funds. New pools of capital have also emerged with investors raising dedicated GP-led / single-asset vehicles, '40 Act / evergreen funds, and new entrants from multi-strategy alternative investment firms raising secondary capital.

The market continues to innovate to meet the growing needs of investors around the world. It is a riveting time for the secondary market, and we are excited to work with you to design bespoke liquidity solutions for you and your stakeholders. We appreciate you taking the time to read through our report. The Evercore team would be happy to address any questions and feedback that you may have and welcome the opportunity to discuss any of the topics in greater detail.

# H1'24 Secondary Market Transaction Volume

Highest H1 transaction volume ever observed, on track for a record breaking 2024, driven by the volume from LP-led transactions

Secondary market transaction volume over time (\$bn)



Key trends & market drivers

## LP-Led

### Record Volume on Pricing Uplift



Increasing number and frequency of LPs coming to market, bringing transaction volumes to a half-year record. Buyout pricing also increased to its highest level in over 2 years, with diversified portfolios being sold competitively again

### Influx of Dry Powder Supports Market



Record fundraising from large secondary buyers and new entrants set the stage for favorable market conditions. The additional influx of capital and ability to recycle distributions from '40 Act funds further support purchase prices

## GP-Led

### Consistent, Increasing Adoption of CVs



As acceptance of continuation funds continued to spread, the market has grown and we enter H2 with a very strong pipeline. Sponsors turn to CVs to provide liquidity across their portfolios and reset holding period of strongest performing assets

### Depth and Breadth of Investor Universe



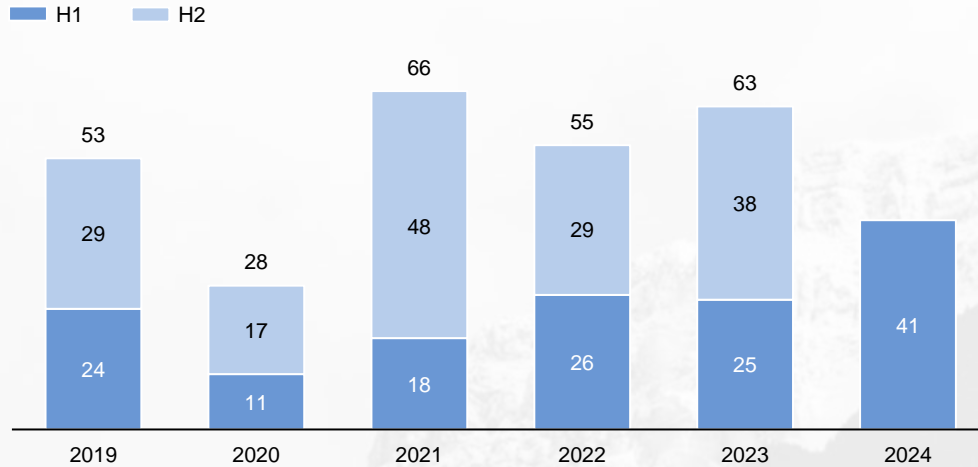
H1'24 witnessed a variety of new entrants into the GP-led market, driven by the strong pipeline of attractive opportunities. Trend of increased specialization continued across strategies and asset classes (e.g., Infrastructure and Credit), with dedicated vehicles being raised to address the growing opportunity set

# Deep Dive: LP-Led Market Overview

Record LP-led volume observed in H1'24, significantly ahead of H1'23. Strong momentum entering H2'24 as both repeat and new sellers enter market at a higher frequency

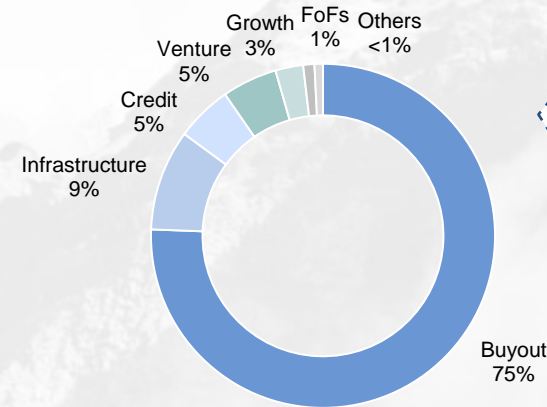
LP-led market accounted for 57% of total volume in H1'24

Transaction Volume Over Time (\$bn)



Buyout remains the most prevalent strategy

Split by Fund Strategy (% of Transaction Volume)

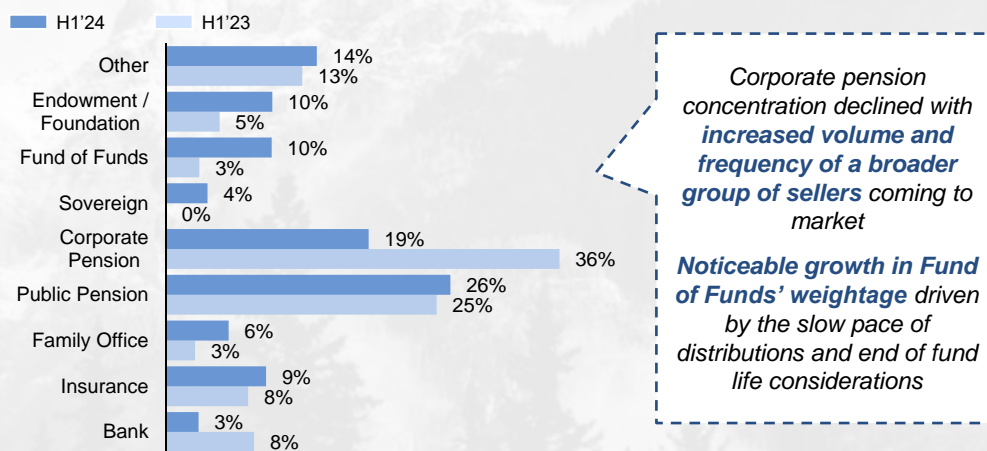


Within broader private equity, **VC and Growth** remains **subdued** due to valuation concerns, despite an improvement in public market tech indices

**Infrastructure and Credit** continues to represent a greater market share as buyers develop specialized strategies and dedicated pools of capital

Reversal in seller concentration as wider LP groups enter market

Split by Seller Type

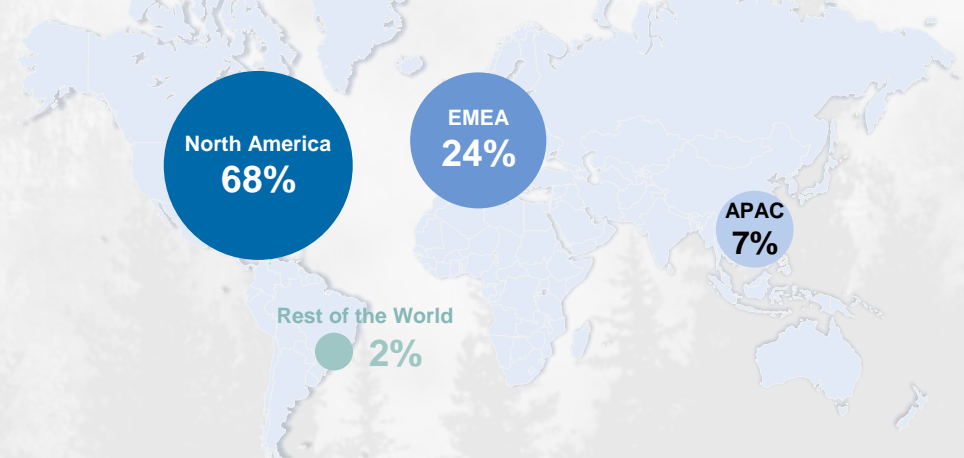


Corporate pension concentration declined with **increased volume and frequency of a broader group of sellers** coming to market

**Noticeable growth in Fund of Funds' weightage** driven by the slow pace of distributions and end of fund life considerations

North American LPs continue to be most active sellers

Split by Seller Geography

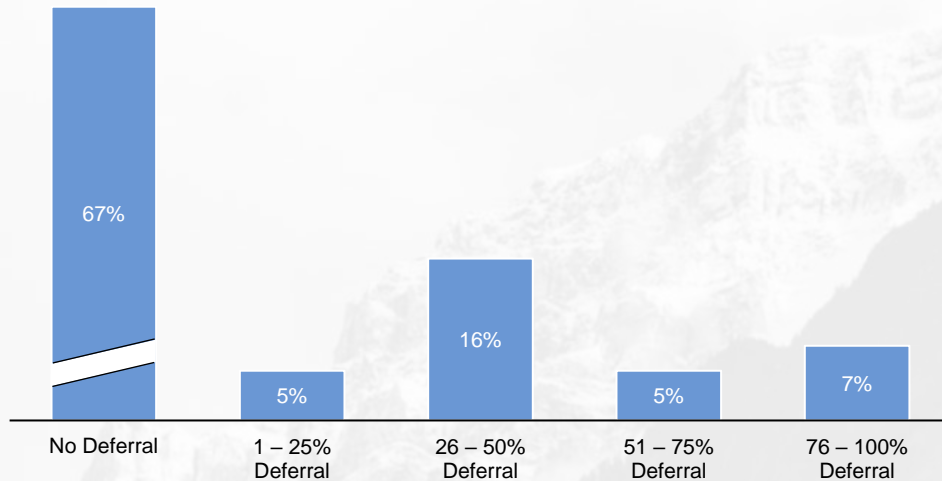


# Deep Dive: LP-Led Market Overview (Cont'd)

Favorable investor sentiment and LP willingness to accept fair, market-clearing prices lead bid/ask spreads to a converging trend

## Buyers increasingly utilized deferral structures in H1'24 transactions

Split by Deferred % of Purchase Price (% of Respondents)

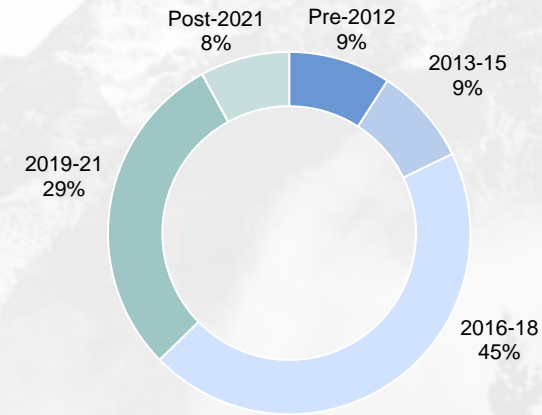


Deferrals allow buyers to **improve their IRR profiles** through what is effectively vendor financing and is a tool used by buyers to **increase their pricing in LP portfolio transactions**

**More sellers have sought deferred payments to improve price**, in light of better economics for these deferred payments following the rise in interest rates

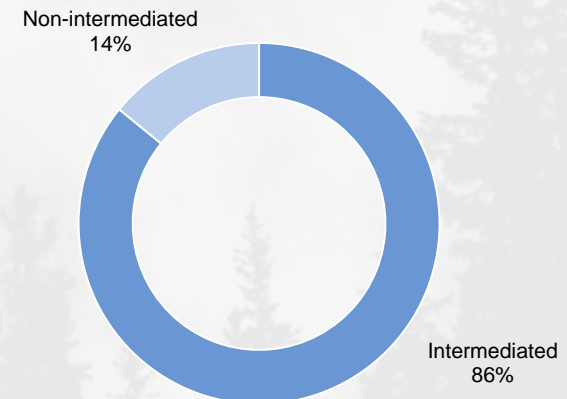
## Funds with near-term liquidity and upside potential most traded in H1'24

Split by Fund Vintage (% of Transaction Volume)



## Majority of LP transactions were intermediated

Split by Intermediation (% of Transaction Volume)

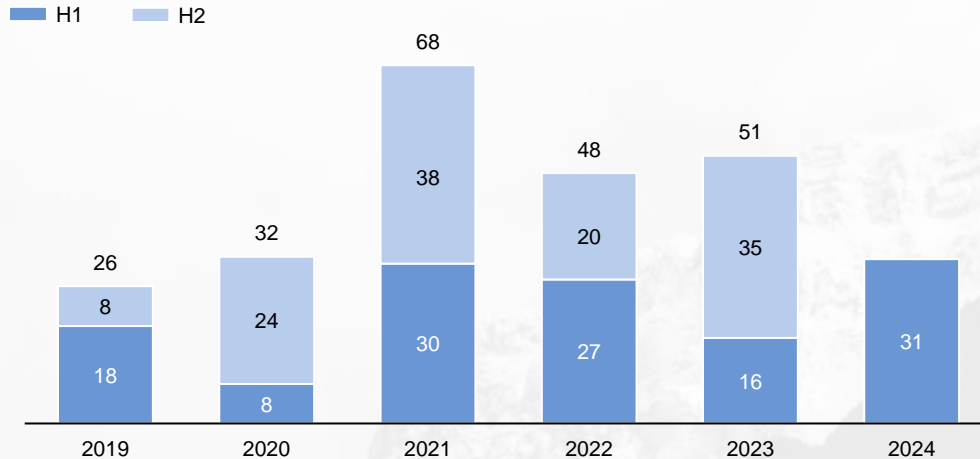


# Deep Dive: GP-Led Market

GP-led volume in H1'24 recovered to H1'21 levels, growing ~94% y-o-y. Strong momentum entering H2 is observed, supported by wider buyer interest, LPs' focus on distributions and quality assets coming to market

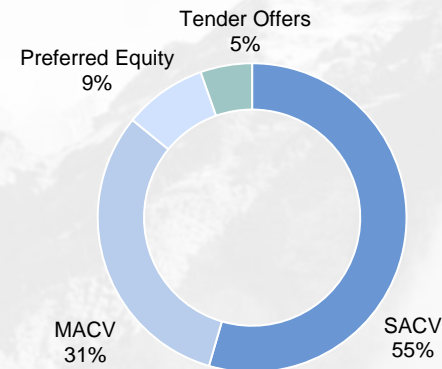
## GP-led market accounted for 43% of total volume in H1'24

Transaction Volume Over Time (\$bn)



## SACV surpassed MACV in transaction volume

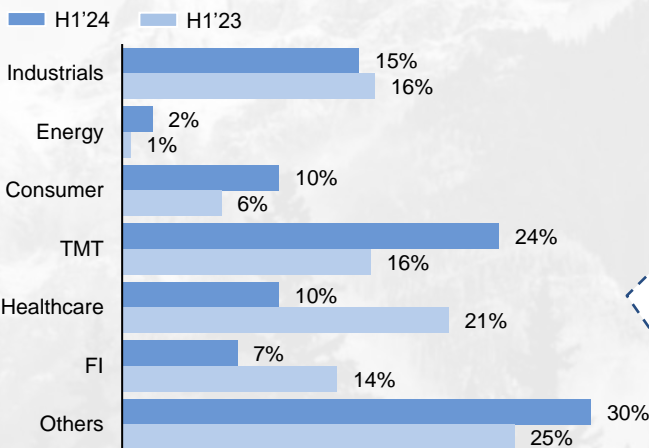
Split by Type of Transaction (% of Transaction Volume)



High volume of SACV transactions from the proliferation of **mid-market sponsors strategically utilizing highly concentrated CVs**. MACVs are still prevalent for large cap sponsors as a portfolio management solution, generating optional liquidity and resetting holding period of strongest performing assets. **Increased appetite for preferred equity to protect downside in an uncertain macro and business environment**

## Rebound in Consumer and TMT, as other sectors remain favorable

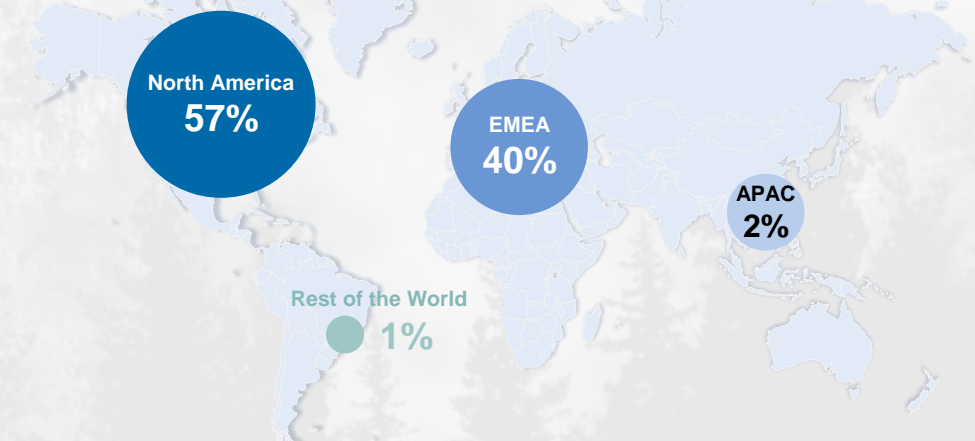
Split by Underlying Companies' Sectors



H1'24 volume doubled y-o-y, overweight the **Consumer and TMT sectors**. While concentration in **Healthcare and FI** decreased to 17% from 35% in H1'23 amidst the broader rebound, **interest in these sectors remained strong in absolute terms**

## North America remained the most dominant geography by volume

Split by Underlying Companies' Geography

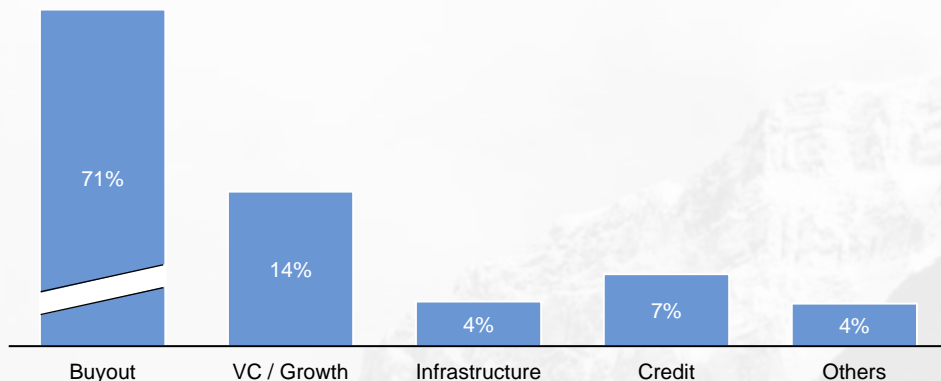


# Deep Dive: GP-Led Market (Cont'd)

Evolving GP-led landscape as participants navigate uncertain macroeconomics amid a flurry of secondary market activity

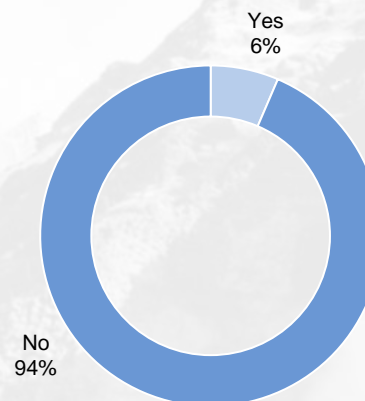
## Buyout remains the dominant strategy

Split by Strategy (% of Transaction Volume)



## Subdued use of third-party leverage in a high-rate environment

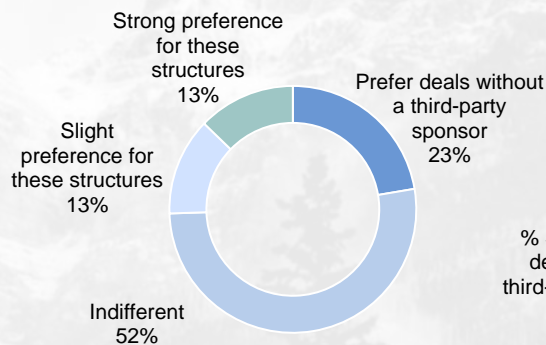
Split by Use of Third-Party Leverage (% of Respondents)



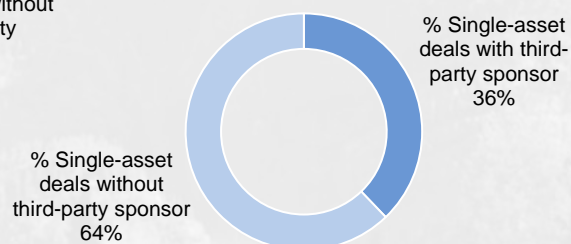
Given the **persistent high-interest rate environment and challenging credit markets**, only 6% of respondents reported using third-party leverage in secondary transactions

## Increased acceptance of third-party sponsors

Buyer Perception of Third-Party Sponsor

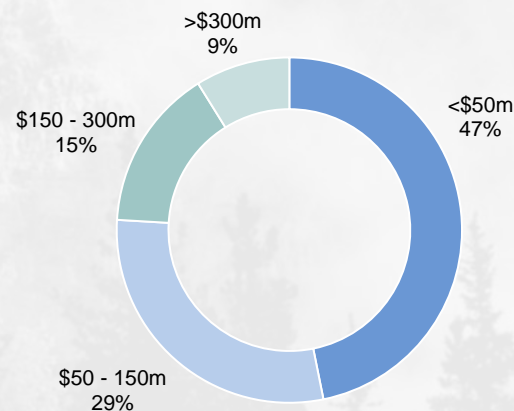


Deals Closed Involving Third-Party Sponsor



## Larger buyer universe for SACV transactions

Split by Maximum SACV Check Size (% of Respondents)



Buyers' SACV check sizes converged to the **\$50-150m range**, in response to: 1) an **attractive and expanding opportunity set from mid-market sponsors** bringing their best assets to market; and 2) a **larger pool of buyers participating**, featuring more small to medium sized groups

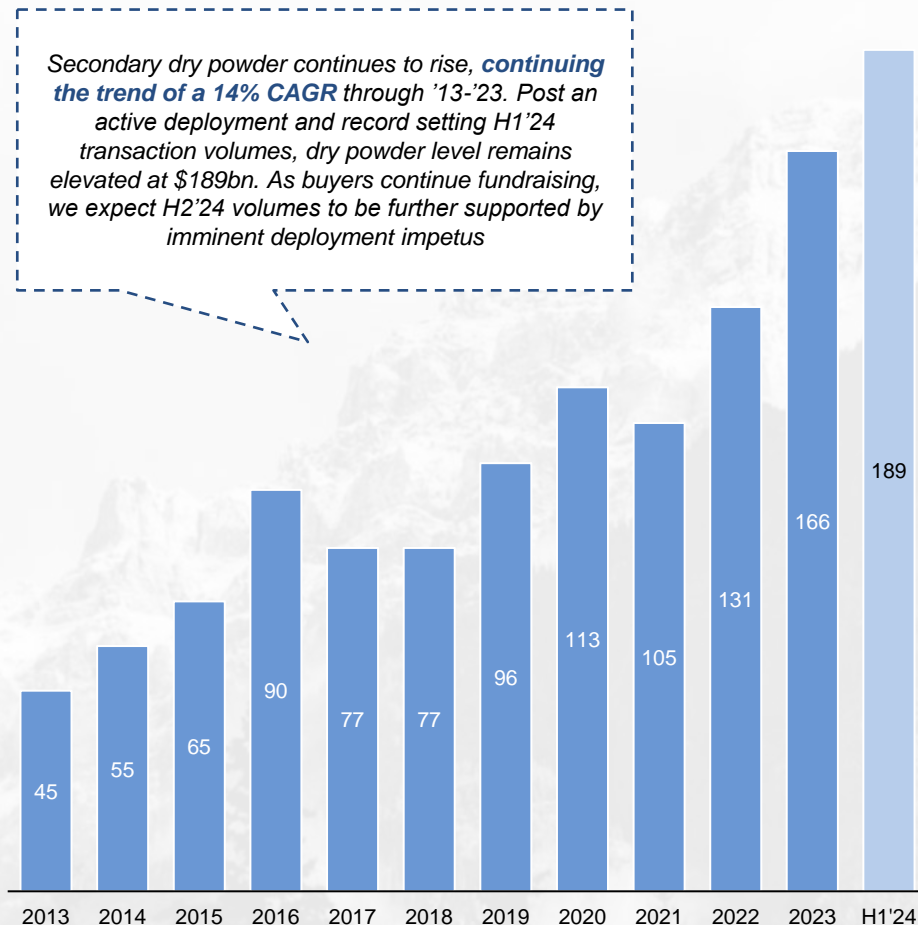


# Secondary Dry Powder Availability

Dry powder continues to grow with the proliferation of new capital as buyers continue to broaden their investment scope

## Dry powder reached record levels despite an active H1'24

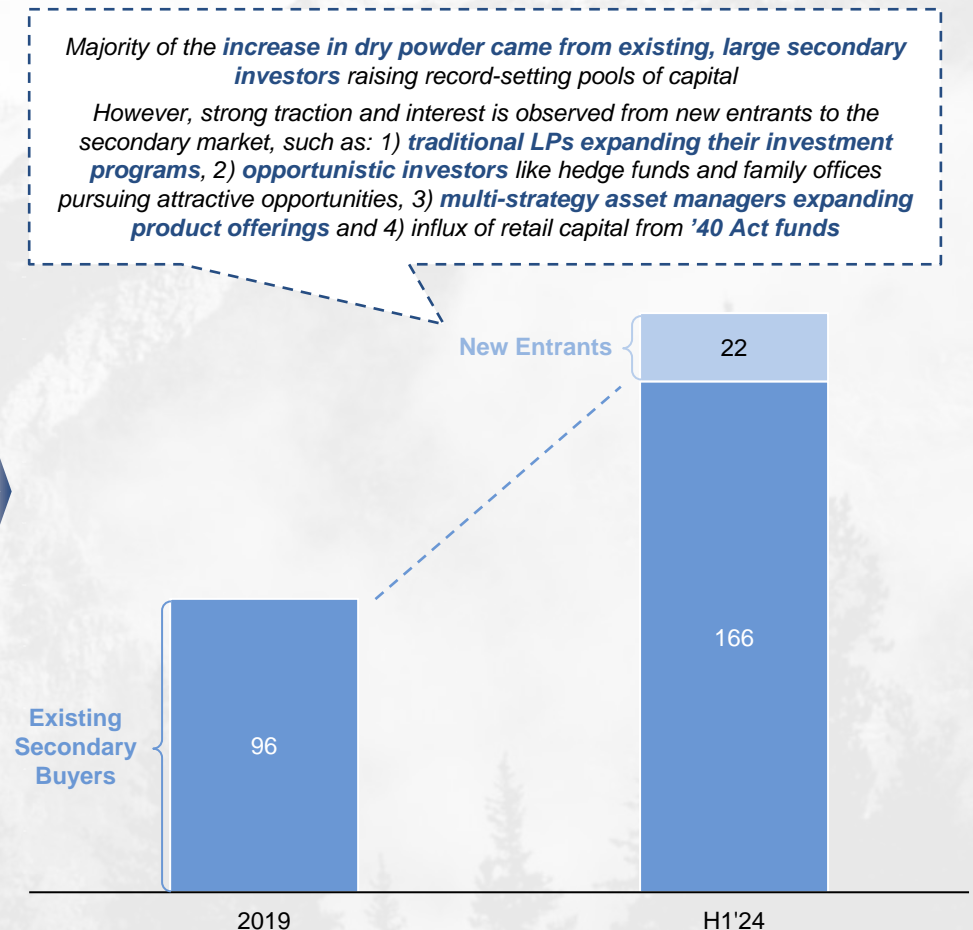
Dry Powder Over Time (\$bn)



Secondary dry powder continues to rise, **continuing the trend of a 14% CAGR** through '13-'23. Post an active deployment and record setting H1'24 transaction volumes, dry powder level remains elevated at \$189bn. As buyers continue fundraising, we expect H2'24 volumes to be further supported by imminent deployment impetus

## Increased secondary dry powder from existing buyers and new entrants

Increase in Dry Powder (\$bn)



Majority of the **increase in dry powder came from existing, large secondary investors** raising record-setting pools of capital

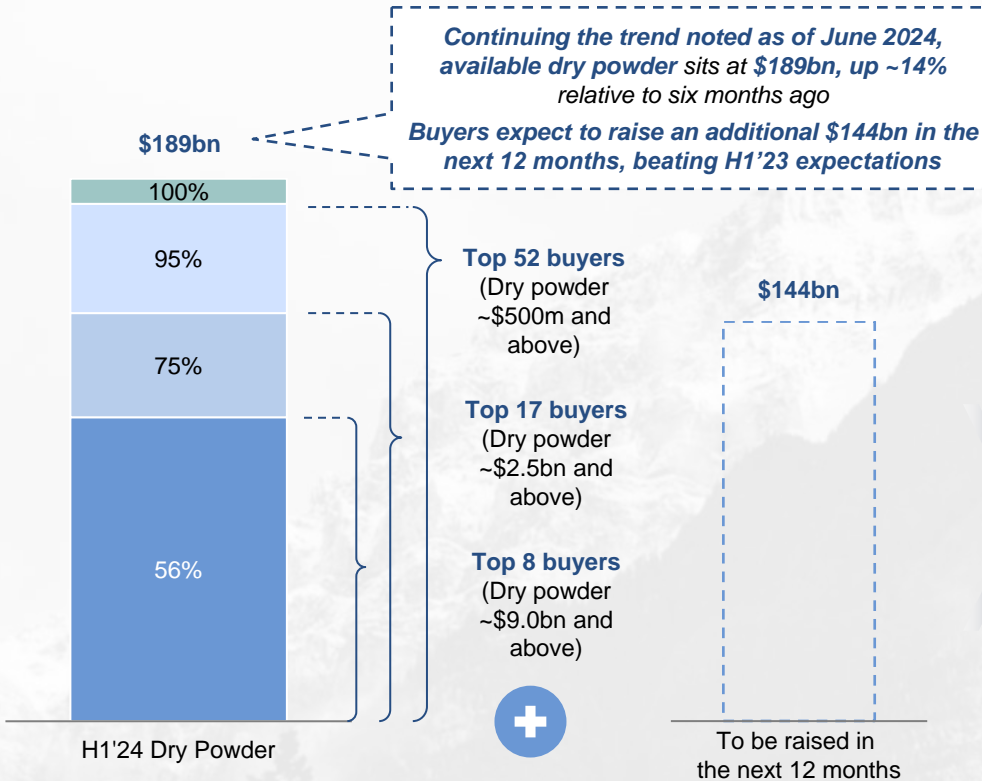
However, strong traction and interest is observed from new entrants to the secondary market, such as: 1) **traditional LPs expanding their investment programs**, 2) **opportunistic investors** like hedge funds and family offices pursuing attractive opportunities, 3) **multi-strategy asset managers expanding product offerings** and 4) **influx of retail capital from '40 Act funds**

# Secondary Dry Powder Availability

Significant capital remains available for deployment going into H2'24, with ongoing fundraising plans

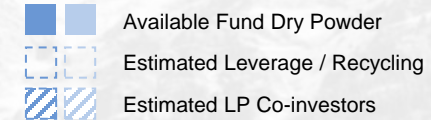
After active deployment in H1'24, dry powder sits at \$189bn...

Fund Dry Powder and Expected NTM Fundraise as of June 2024



... and overhang provides sufficient capacity for a strong H2'24

Capital Overhang (\$bn)

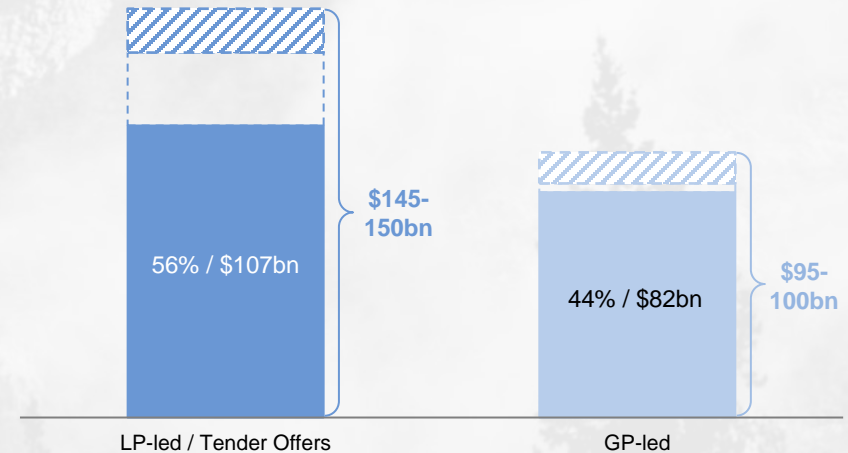


2023 Transaction Volume: **\$63bn**

Capital Overhang Multiple: **~2.4x**

2023 Transaction Volume: **\$51bn**

Capital Overhang Multiple: **~1.9x**



Multiple buyers announced **record-setting closings in H1'24**, underpinning all-time high levels of available capital, in absolute terms

Fundraising plans further indicate support for secondary transactions in coming years, with an **increasing number of strategy dedicated vehicles being planned**

Of the capital available for GP-led deals, **\$11bn of dry powder comes from dedicated GP-led vehicles**, which are a new phenomenon

In addition, secondary buyers **plan to raise an additional \$20bn for vehicles dedicated to GP-led deals**

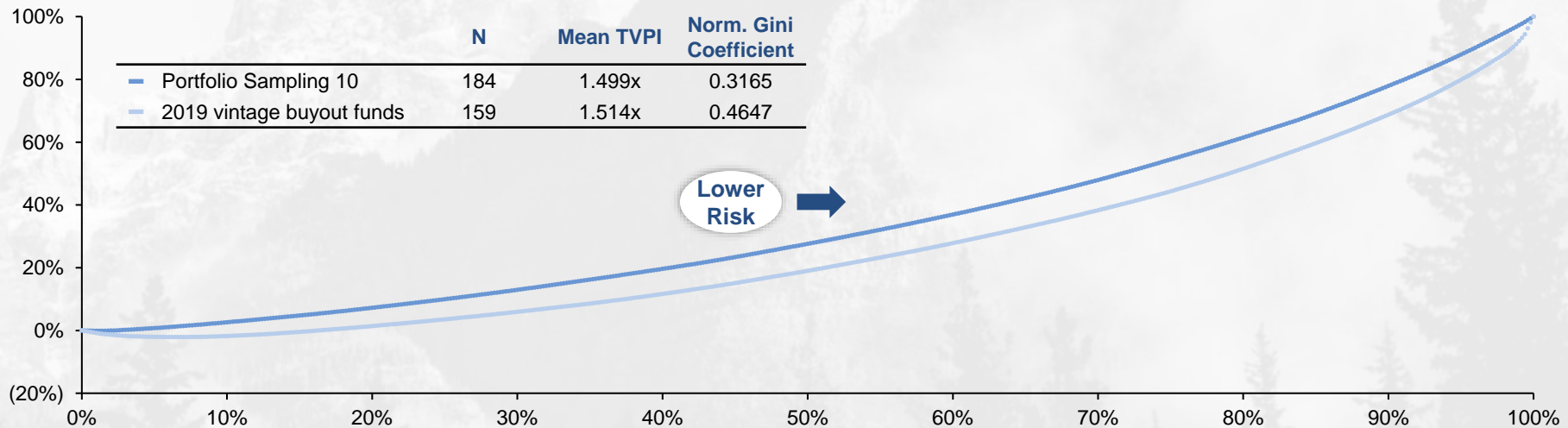
# HEC Continuation Fund Performance Study

HEC, in partnership with Evercore, recently conducted an independent study of Continuation Funds to assess how this fast-growing asset class is performing relative to the broader private equity market

## Key highlights

- The study focused specifically on 2018-2022 vintages as this is the period during which the CV market evolved into an exit alternative for GPs' top performing assets
- HEC compared simulated baskets of 10 SACVs picked between 2019-2023 vintages to 2019 vintage buyout funds
- While still early days, the results suggest that **SACVs perform largely in line with buyout funds but with lower return dispersion**
- This is in line with the thesis underpinning the CV asset class – a positive selection bias of good performers that GPs wish to “buy again” for another investment cycle

SACV TVPI dispersion versus Buyout<sup>1,2</sup>



Sources: HEC "Continuation Funds" Performance and Determinants White Paper, March 2024; Bain Global Private Equity Report 2024; Hamilton Lane 2024 Market Overview; Cambridge Associates; Preqin

1. The curves capture what percentage y of returns is attributable to the percentage x of funds, ordered from lowest to highest performance. Subcategories where returns are uniform would have a curve close to the 45° diagonal

2. Single-asset GP-led metrics shown are net of fees, expenses and carry. Buyout represents co-investment buyout deals occurring in each respective vintage year

# Methodology & Key Definitions

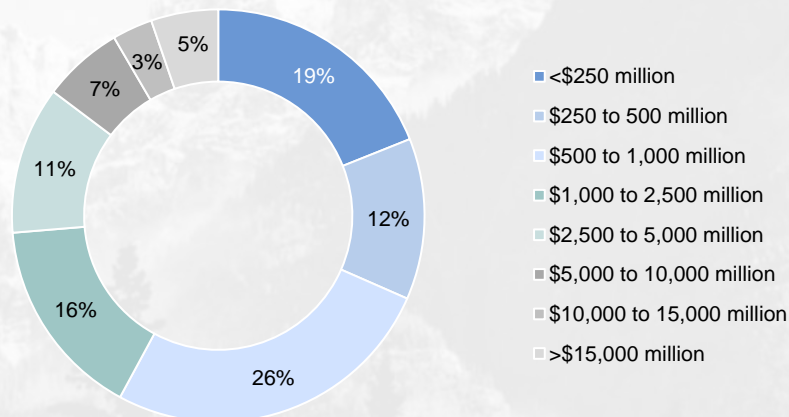
The Evercore Private Capital Advisory Team would like to sincerely thank respondents for record-breaking participation and continued partnership

## Evercore PCA survey methodology

- The data and insights that are laid out in this presentation are derived directly from responses received and Evercore PCA's proprietary market leading information database
- References to prior data, unless indicated otherwise, were sourced from prior editions of Evercore PCA's Secondary Market Survey

## Survey participants range from small-cap investors to market leaders

Breakdown of Participants by Current Secondary Investment Vehicle Size



## Key definitions & acronyms

- **APAC** – Asia Pacific
- **Capital Overhang Multiple** – Total Capital Available (dry powder at end of H1'24) / 2023 transaction volume
- **EMEA** – Europe, Middle East and Africa
- **FI** – Financial Institutions
- **GP-Led Transactions** – Include Single-Asset Continuation Funds, Multi-Asset Continuation Funds, GP-Led Preferred Equity and Tender Offers
- **LP-Led Pricing** – % of Reference Date NAV, based on Evercore database
- **LP-Led Transactions** – LP Portfolio Sales and LP Portfolio Preferred Equity
- **MACV** – Multi-Asset Continuation Vehicle
- **SACV** – Single-Asset Continuation Vehicle
- **TMT** – Technology, Media and Telecommunications
- **Transaction Volume** – Measured by purchase price + unfunded commitments
- **TVPI** – Total Value to Paid-In

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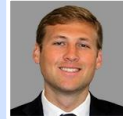
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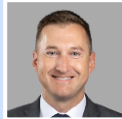
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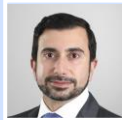
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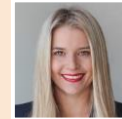
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