

AXON PARTNERS 2021 SECONDARY MARKET SUMMER UPDATE

AXON PARTNERS IN A NUTSHELL

20+ years
track record in
secondary advisory

> €5bn / > 50
secondary
transactions executed

Traditional secondary
portfolio sales

**Single-asset and
tail-end portfolio
sales**

Complex **portfolio
restructurings** and
whole fund
liquidity solutions

**GP-led continuation
funds**



TYPICAL SELLER'S MOTIVATIONS

- Proactive portfolio management
- Winding down older vehicles
- Disposal of non-core relationships
- Locking in returns
- Reducing admin. burden
- Regulatory constraints

THE SECONDARY MARKET IS BACK AND IN FULL SWING

- The increasing vaccination rollout across the world seems to fight not only the virus but also its accompanying economic uncertainty. NAVs, along with the stock markets, have had a strong rebound in the last twelve months
- The secondary market has come back remarkably quickly and H2 2020 volumes suggest that the secondary transaction pace was already close to its pre-crisis level. AXON anticipates record secondary market volumes in 2021 of above \$100bn
- Secondary buyers diversified into non-traditional transaction types such as GP-leds, preferred solutions and NAV facilities – they accounted for 50% of 2020's estimated transaction volume of \$60bn
- Secondary players also moved into new asset classes such as private credit, private infrastructure and private real estate. The secondary market in private credit assets is still a niche but is growing at a strong CAGR of 45% and is projected at approximately \$11bn in 2020
- Dry powder is estimated at \$150bn (excluding leverage) and is likely to increase as new players continue to enter the market. Currently, there are approximately 70 secondary funds raising capital globally
- Several well-known private equity firms have recently entered the secondary market or are exploring adding secondaries investment units: Ares with the acquisition of Landmark, CVC, BlackRock and TPG with newly formed teams. This trend will drive competition further
- As a result, the secondary market benefits from hungry buyers leading to high competition, strong pricing and low discounts even in perceived less attractive sale processes
- On the sellers' side, the slowdown in distributions and delayed portfolio management exercises have started to act as a catalyst on the sale of traditional LP stakes

RECENT AXON SECONDARY TRANSACTIONS

Fund of Funds PORTFOLIO SALE Q1/2021

Portfolio of 13 global buyout and growth capital funds

Pension Fund PORTFOLIO SALE Q2/2021

Portfolio of six global fund of funds & a co-investment fund

Fund of Funds PORTFOLIO SALE Q2/2021

Portfolio of 66 global buyout, venture and mezzanine funds

Fund of Funds SINGLE ASSET SALE Q2/2021

Sale of one European mid-market buyout fund

AXON OBSERVATIONS FROM OUR CURRENT TRANSACTION ENVIRONMENT

- Secondary buyers want to deploy capital and are willing to pay high prices:
 - o Attractive portfolios are valued at par or even at a premium
 - o Even for tail-end portfolios low double digits discounts are achievable
- Currently, we undoubtedly live in a seller's market

HOW CAN AXON HELP?

Each situation is different and has its own complexity, therefore:

- AXON entirely focuses on the client's objectives and the portfolio to be disposed of
- AXON helps design the best solution for each situation
- AXON performs a free initial assessment of marketability and price
- AXON will execute a well-structured and seamless auction process with a hands-on approach & efficient timing

Please do not hesitate to contact us to discuss your specific situation

Sources: PEI, Preqin, AXON analysis

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