

# AXON PARTNERS Q1/2021 SECONDARY MARKET UPDATE

## AXON PARTNERS IN A NUTSHELL

**20+ years**  
track record in  
secondary advisory

**> €5bn / > 50**  
secondary  
transactions executed

Traditional secondary  
portfolio sales

GP-led continuation  
funds

Complex portfolio  
restructurings and  
whole fund  
liquidity solutions

Captive team  
spinouts and stapled  
transactions



## TYPICAL SELLER'S MOTIVATIONS

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

## CRISIS, WHAT CRISIS?

- Covid-19 induced market dislocation froze traditional LP secondary activity in H1 2020 as buyers and sellers awaited valuation clarity
- In contrast to the GFC large distressed sellers have not appeared
- Secondary fundraising continued unabated, nearing \$100bn in 2020
- The largest secondary funds now rival primary funds in size: in 2020 four of the 10 largest funds raised were secondary funds
- Secondary buyers diversified into non-traditional transaction types such as GP-leds, preferred solutions and NAV facilities
- Non-traditional secondaries accounted for 50% of 2020's estimated transaction volume of \$60bn
- Delayed exits fueled an explosion of continuation funds and restructurings in H2 2020
- Fully drawn funds utilized structured solutions in the form of NAV loans and preferred equity facilities to support portfolio companies both defensively and offensively
- Secondary buyers prioritized funds with "Covid winner" exposure (e.g. software & IT, healthcare, consumer staples) as extreme sectoral bifurcation emerged
- Favored sectors tended to price around par whilst other less robust industries traded in the 70s and 80s of NAV
- Traditional LPs showed increased interest in single asset secondaries/GP-led transactions mirroring the trend of greater co-investment demand

## SECONDARY MARKET IN FIGURES AND WHAT TO EXPECT IN 2021

- Dry powder is estimated at \$150bn (excluding leverage) and is likely to increase as new players continue to enter the market
- Many commentators anticipate record secondary market volumes in 2021 of above \$100bn with GP-leds possibly accounting for the majority
- Ca. 50% of LPs plan to participate in the secondary market in 2021 as a buyer, seller or both
- Ca. 50% of LPs expect to commit to a secondaries fund in 2021

## RECENT AXON SECONDARY TRANSACTIONS

PE Group  
NAV FACILITY  
Q2/2020

NAV facility to finance build-ups  
for a European buyout fund

Fund of Funds  
SINGLE ASSET SALE  
Q4/2020

Sale of a global infrastructure  
fund

Fund of Funds  
PORTFOLIO SALE  
Q1/2021

Portfolio of four European  
buyout funds

Fund of Funds  
PORTFOLIO SALE  
Q1/2021

Portfolio of 13 global buyout  
and growth capital funds

## HOW CAN AXON HELP?

- Complete focus 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
- A well-structured confidential auction process and seamless execution are key

AXON Partners LLP is authorised and regulated in the United Kingdom by the Financial Conduct Authority

Sources: PEI, Preqin, AXON analysis

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