Secondaries Investor Advisory Survey 2021: Advisors fight back from pandemic pause

Presenting the results of our exclusive survey of advisors' deal activity last year based on transaction volume, GP-led/LP sale split and more.

By Rod James - 4 hours ago Deals

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Last year was a strange period for the secondaries market. After a lively first quarter, the market shut down in the second quarter as the pandemic took hold, only to spring back into life in the second half of the year.

What looked like a washout year for intermediaries ended up, in many cases, exceeding expectations, as results from the *Secondaries Investor Advisory Survey 2021* show.

One big winner from last year was Evercore. The investment bank executed 47 transactions worth $21.4 billion during 2020. This is a 16.3 percent jump on 2019, when it worked on $18.4 billion of deals.

As well as advising on several large GP-led deals that closed in the second half of last year, including a $1.25 billion process centred on Clearlake Capital portfolio company Ivanti, Evercore advised on $1.8 billion of preferred equity transactions, which spiked in popularity as uncertainty around valuations prevented other types of deal from getting done.

"The expectation of when [GPs] can sell some of these underlying companies is being pushed out maybe 12 or 24 months," Evercore senior managing director Nigel Dawn told *Secondaries Investor* in a September podcast. “As a result, there is an additional need for capital either to defend companies that have been impacted or to go on the offence in terms of new opportunities that did not exist before covid.”

A notable feature of this year’s survey is the number of respondents who worked only on GP-led deals. Rede Partners advised on five transactions worth just over $1 billion, all in private equity and all GP-leds. In the wake of the crisis the London-headquartered advisor also embraced NAV-based lending, arranging $667 million-worth of transactions.

Clients looked to these facilities to enhance the distributions-to-paid-in and internal rate of return of their funds, and to enable them to hold onto assets for longer, according to head of transactions Magnus Goodlad.

“In any market, these benefits would be potentially significant prizes – but the current less certain and more volatile environment renders them all the more valuable,” Goodlad said.

Another firm to focus purely on GP-led deals was Flow Advisors, formed in 2018 by former Evercore managing director Nicolas Lanel. The two-person shop, which focuses on European small-and-mid-market deals, advised on two transactions worth €350 million. A majority of that was accounted for by a dual-asset restructuring in which HarbourVest Partners backed a process focused on two food businesses managed by Madrid-headquartered Portobello Capital.

For three respondents, 2020 was their first full year of operation. Secondary advisory and placement firm Ely Place, led by former Campbell Lutyens executive Daniel Roddick, closed four GP-led deals worth €150 million in total. Venture capital accounted for half that figure, with private credit, which accounted for 25 percent, set to play a significant role in the firm’s strategy.

The maturing private credit market, its expansion into new areas such as venture debt, real estate lending, asset-backed credit and distressed strategies, and growth in the number of LPs looking to build dedicated private debt teams are among the factors driving the market, Roddick told *Secondaries Investor* in February.

Tradition is also new to the scene, having brought across some members from the secondaries advisory team from Duff & Phelps in September. In the fourth quarter of last year the firm advised on $580 million of deals, 40 percent of which involved special situations funds. That team is particularly interested in restructuring private equity funds negatively affected by the pandemic.

"Given the volatility in the market, we were surprised by the lack of pressure on LPs to sell positions and conversely how quickly the GPs embraced the secondary market, especially on the single asset side," said Tradition's head of private markets Dan Nolan.

Co-founded by former PJT Partners executive Pablo Caló, GP-led-focused Fairview Capital Group closed three transactions in its first full year of operation. The deals were all in private equity and were worth $575 million, including a single-asset deal worth $100 million and a $75 million preferred equity deal.

Credit Suisse's work in 2020 leaned heavily towards GP-led secondaries, with single-asset deals accounting for the largest share in the survey by percentage. It advised on $5.78 billion of deals in 2020, $3.35 billion of which was in single-asset transactions. Fully 83 percent of its total deal volume was in private equity, with infrastructure, real estate and hedge funds also represented.

"We were pleasantly surprised at how quickly and strongly secondary investors decided to lean in to the opportunities arising in the market – a marked contrast to the last financial crisis when it took 18-24 months for investors to regain confidence," said Jonathan Abecassis, a director in Credit Suisse's private fund group.

"Much of the market remembers well the missed opportunities back then and many have proven this time that they didn't want to miss out."

PJT Partners carried out the most single-asset deals by volume, executing $3.8 billion out of total deal volume of $10 billion. The firm's work was equally split between GP-led deals and LP transactions, with the sale of a $2.5 billion portfolio by Canada Pension Plan Investment Board among the only bumper portfolio sales of 2020.

"The market is heavily focused on the private equity industry today," said partner David Perdue. "But more and more money is going into real estate, infrastructure, venture capital and private credit – only a very small part of those markets has really started to transact."

Zug-headquartered AXON Partners worked on five deals worth $374 million. More than 80 percent of its deals were LP portfolios, higher than any other respondents. AXON also dabbled in debt, arranging one NAV-based facility worth $72 million.

London's Elm Capital advised on $770 million of volume across nine transactions, with a roughly 40/60 split between LP and GP-led deals. Infrastructure accounted for 32 percent of its deals by volume, driven by a deal that involved a consortium of French institutional investors backing the acquisition of a portfolio of 19 French wind projects.

Elm has seen a "marked pick-up" in discussions about tail-end portfolio sales in 2021, said managing partner Etienne Deshormes. They fell out of favour last year as investors targeted funds with large amounts of uncalled capital with sufficient duration to be able to work through pandemic-related challenges.

Deal volume in the survey was defined as purchase price plus unfunded commitments for transactions that closed between January and December, and data was submitted by advisors. NAV from rolling LPs was not included in deal totals.

Firms including Lazard, Campbell Lutyens, Greenhill, Jefferies, Citi and UBS either declined to participate in the survey or did not return requests for comment.

Stay tuned for the Secondaries Investor Law Firm Survey 2020 next week.

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