



Secondary Index

October 2022



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- The Jasmin Capital Secondary Index's first edition was created with the purpose of providing an overview of the secondary market's main trends in terms of transaction types, volumes and pricing.
 - We have collected the answers of a diversified pool of investors involved in the secondary market. Our respondents are based in diverse geographies, with an important focus on Europe and North America.
 - The segments presented in this Index are:

- 1 . RESPONDENT PROFILE
- 2 . PRIMARY ALLOCATION
- 3 . SECONDARY ACTIVITY
- 4 . SECONDARY SELLER PROFILE
- 5 . SECONDARY BUYER PROFILE
- 6 . SECONDARY TRANSACTION PRICING AND VOLUME
- 7 . TO GO FURTHER



The secondaries deal volume reached record highs in 2021

Despite some of the remaining Covid uncertainties, the global secondary market rebounded strongly in 2021 **reaching \$130bn and surpassing previous highs**. As a reference 2019 volumes were estimated at around \$90bn while in 2020, only \$65bn of transactions were recorded due to the Covid crisis.

The Covid crisis, in most of the cases, did not slow the selling programs in 2021 as the **good market conditions in 2021** enable the sellers to catch-up with their initial 2020 and 2021 targets.

Buyout funds generated the largest secondary deal volumes in 2021

Indeed, buyout small-mid and large cap funds represented **75% of secondary transaction volume in 2021** as a percentage of the total volume. The quality, the volumes in the market and the buyer appetite for Buyout assets will continue to drive global secondary deal volumes.

In times of financial recession and uncertainty, Buyout portfolios will **provide stronger fundamentals and less perceived risk to investors**.

During crises, the PE world experiences shockwaves and transacted volumes tend to decline as buyers wait and take more time to select, analyze deals and deploy capital. This effect on volume and pricing should linger and affect 2022 on a global scale.

Large and mid-cap buyouts tend to have the highest pricing

Following market trends, some strategies tend to have higher prices than others. As a result, **Large and mid-cap have higher prices than other strategies such as Growth and VC**. Due to the current crisis, buyers are particularly risk averse which implies a strong impact on the VC market with regards to volume and pricing.

A negative trend for VC transactions

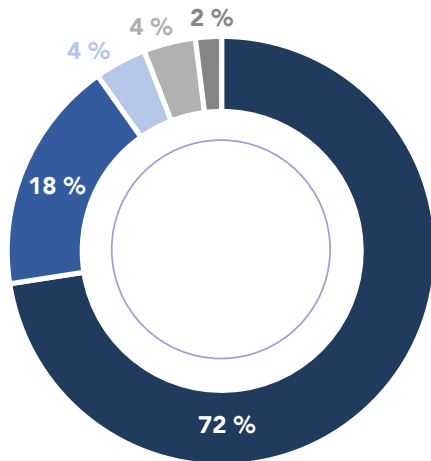
Since the beginning of 2022, we observe a strong **negative adjustment in VC valuations** which will certainly be reflected in the same way in the secondary market. VC funds are sold at 77% of the NAV compared to buy-out funds which are sold at 100%. In times of financial recession and uncertainty, VC portfolios will provide weaker fundamentals and more perceived risk to investors which will result in lower pricing.

The market should retrieve an approximate 50/50 split between GP led and LP stake deals

After a record year for GP led transactions (particularly Single Asset Volume), the type of transaction should stabilize at **around 50% for GP-leds and 50% for LP stakes**, when secondary buyers will compensate for their GP-led acquisitions with highly diversified, lower risk LP stakes portfolios.

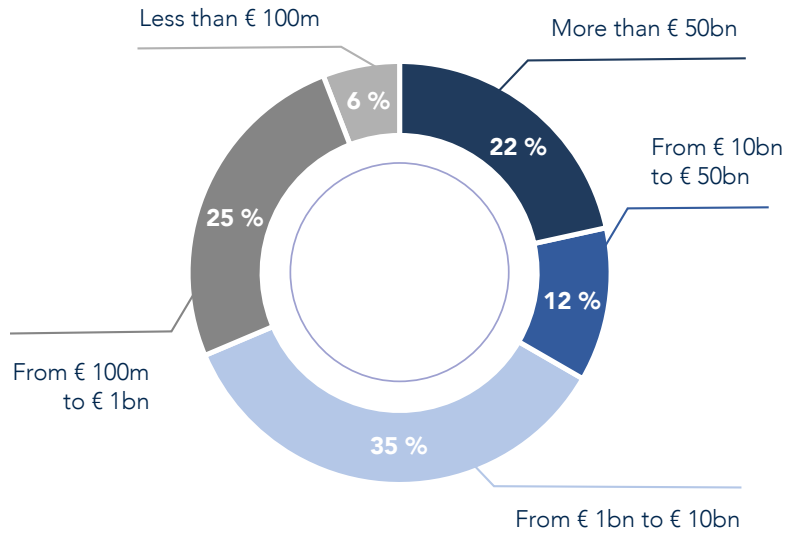
Respondent profile

Headquarter location

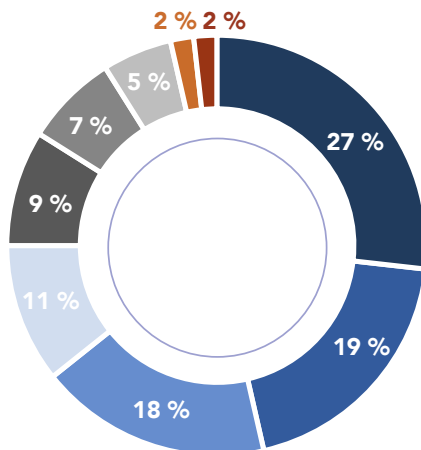


- Europe
- North America
- Africa
- Middle East
- Asia Pacific

Assets under Management



Type of organization



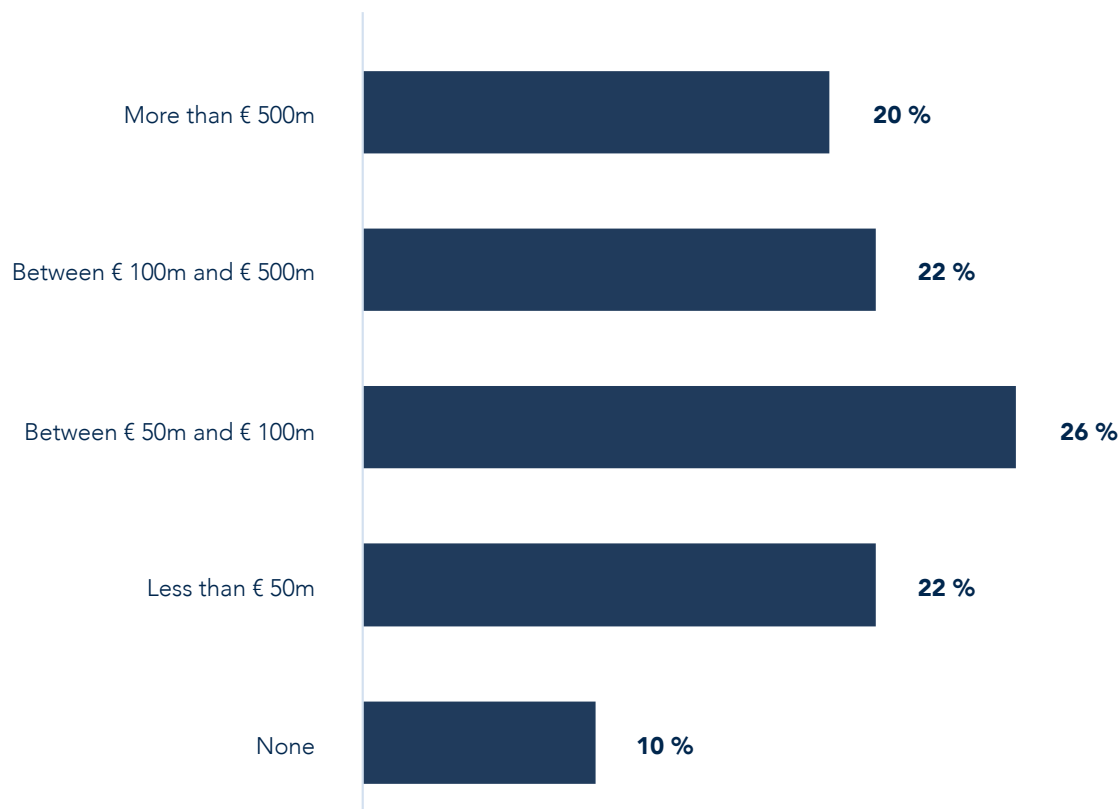
- Secondary fund
- Fund managers
- Funds of funds
- Pension fund
- Family office/Private trust
- Bank
- Insurance company
- Corporation
- Government-owned organization

Comments

- The large majority of the 95 respondents are headquartered in Europe (72%) followed by the North America (18%), and a few respondents are headquartered in Africa, Asia Pacific and the Middle East. As in PE, most of the secondary market players are concentrated around the major financial centers in the US, Europe and Asia.
- Three quarters of the respondents are Secondary funds, Bank/Asset managers and Funds of funds. In addition to Family offices, Insurance companies, Funds managers and Corporations these form the core types of buyers and sellers in secondaries.
- About a third of the respondents manage up to €1bn, a third between €1bn and €10bn, and another third has over €10bn in AUM. This reflects the broad size of players on the secondary market, ranging from specialist boutiques to platform asset managers.



Planned primary allocation amounts for 2022



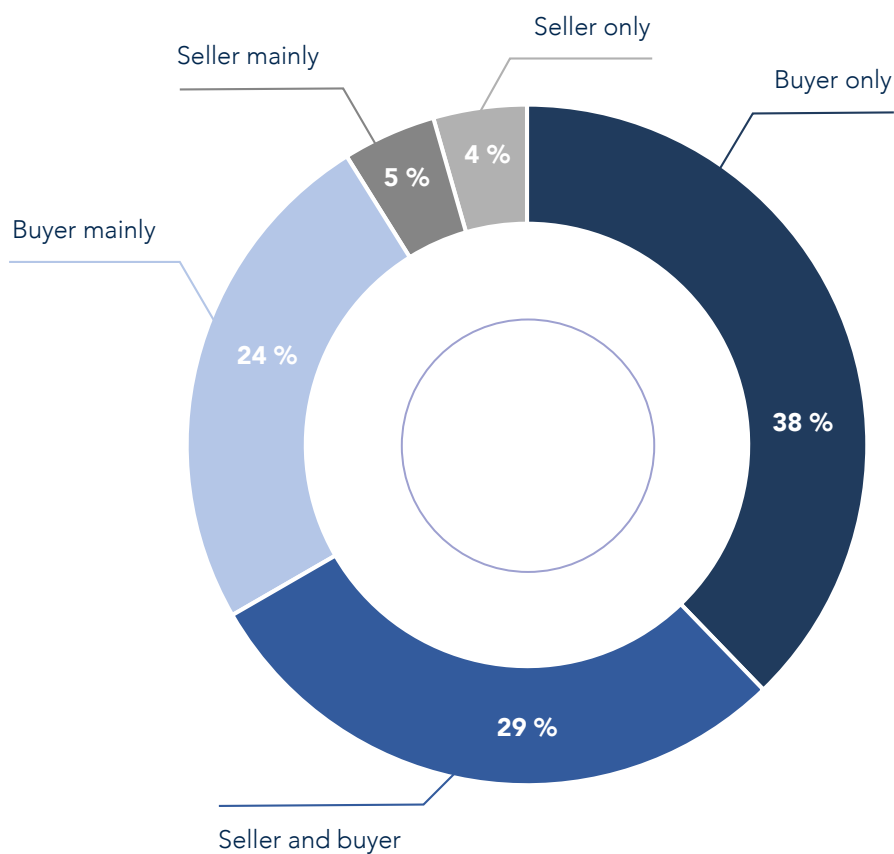
The spread in the results reflects the diversity of participants in the secondary segment of Private Equity.

This includes :

- Large investment players with substantial primary allocations which also developed secondary strategies
- Secondary pure player investors which do not typically invest in primaries except in very specific situations such as stapled transactions
- Secondary investors that have a primary / co-investment capacity.



Buyer and/or seller distribution



- A majority of the respondents are focused mostly on buying assets through the secondary market while 8% are rather on the sell side and 29% on both.
- This illustrates the dynamic offer and demand which is driving the market, boosting the secondary market's growth in terms of volume. This overall growth trend will be discussed in further details throughout this presentation.

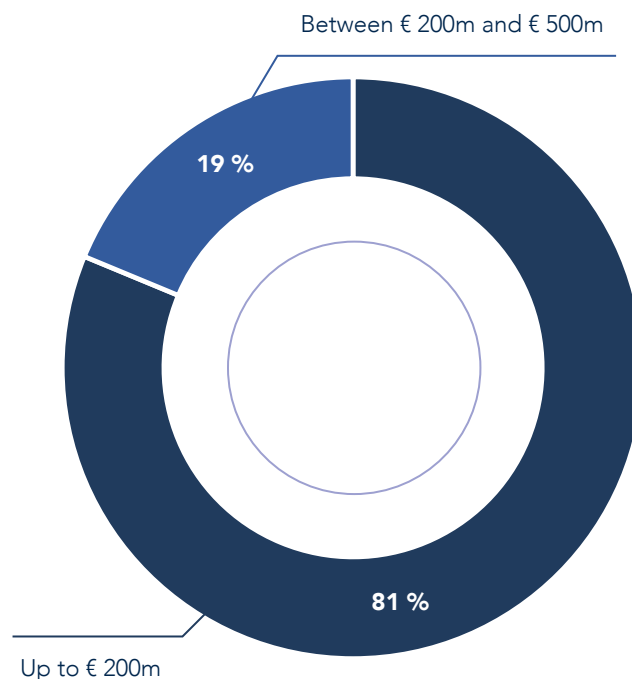


Secondary seller profile

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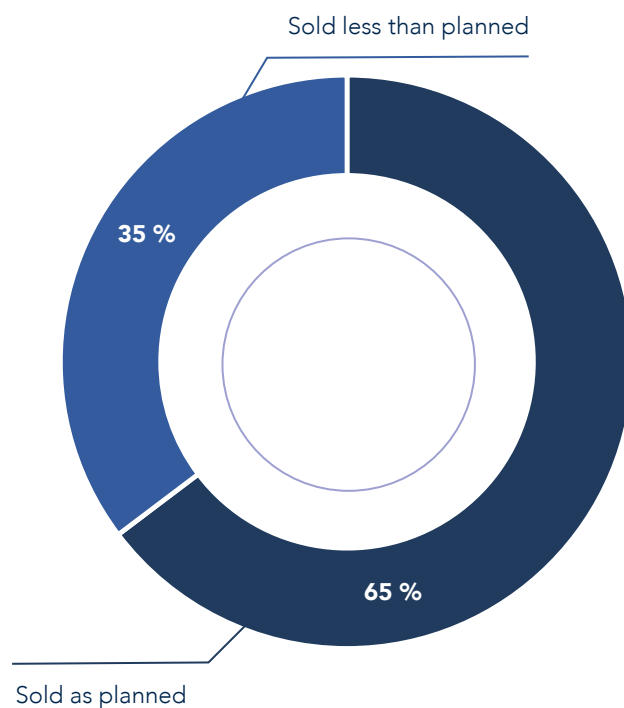
Volume of sales on the secondary market in 2021

- Most investors that answered the questionnaire registered secondary sales volumes that were under €200m in 2021.
- The global secondaries market rebounded strongly in 2021 reaching \$130bn and surpassing previous highs. As a reference 2019 volumes were estimated at around \$90bn (in strong increase compared to 2018) while in 2020, only \$65bn of transactions were recorded due to the Covid crisis.



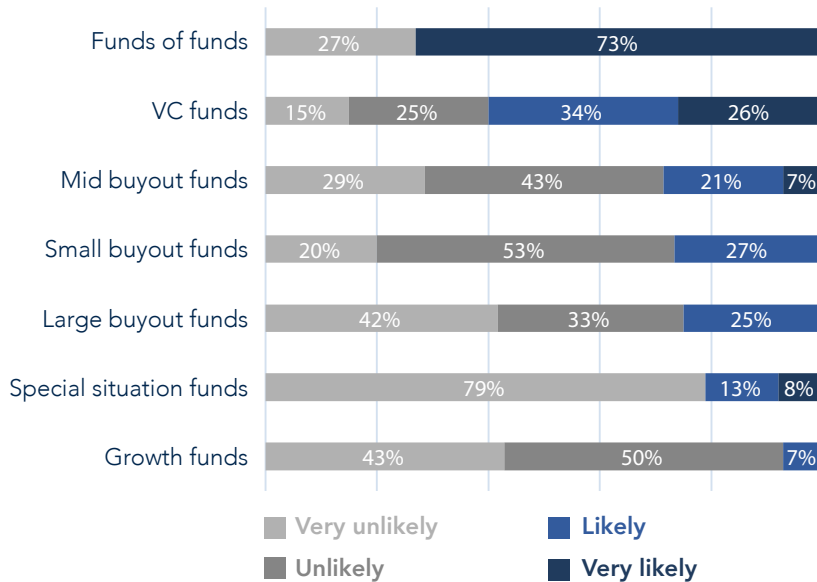
Covid impact and volumes sold

- The Covid crisis did not slow down the selling programs in 2021 for two thirds of the respondents. Going a little bit further in the analysis, the good market conditions in 2021 enable the sellers to catch-up with their initial 2020 and 2021 targets, hence the very strong pace of transactions.
- Despite its effects on the secondaries market, the flexibility and relevance of secondary transactions were particularly highlighted during these uncertain times with the development of multi/single asset continuation funds, and stakes cleanups among others.



Secondary seller profile

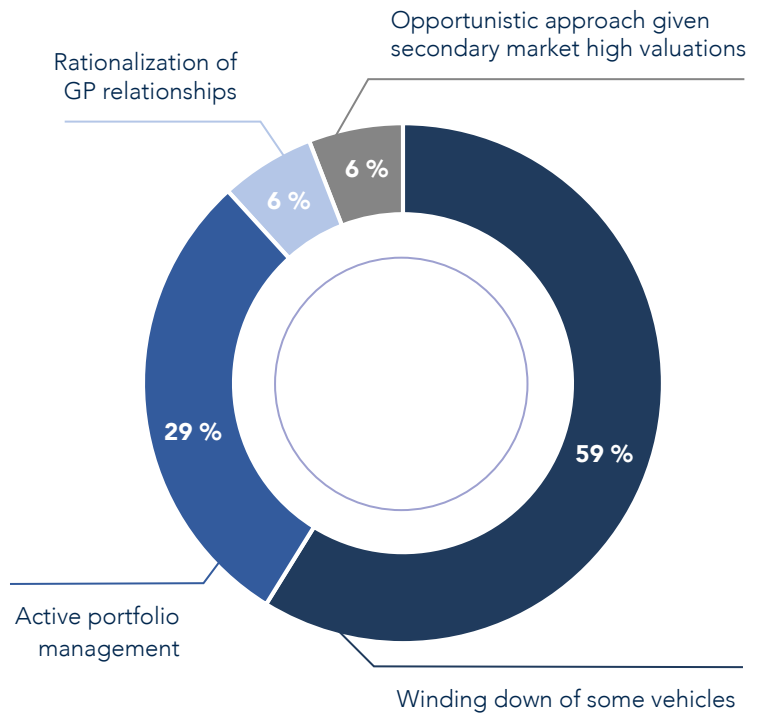
Breakdown of seller intentions during the next 12 months



- Funds of funds and VC funds' stakes are among the main reason for a seller to come to the market. With respect to the funds of funds, this follows the current trend where LPs historically investing in these strategies are now shifting to investing directly with the underlying managers. As a result, the old funds of funds vintage are not core anymore and sold.
- LPs willing to adjust dynamically their portfolios are looking to crystallize the good performance on their VC commitments. However, since beginning of 2022 we observe a strong negative adjustment in VC valuations, which will certainly be reflected in the same way in the secondary valuations.

Reasons of sales in 2021

- Winding down vehicles will persist on the secondary market as a relevant sale rationale, giving an accelerated liquidity window and reallocation ease for sellers.
- With the democratization of secondaries, LPs use this exit type to actively manage their portfolios. Selling PE stakes in a secondary process allows LPs to rebalance their portfolio by crystallizing a performance and using the achieved cash to reallocate to different strategies for instance.

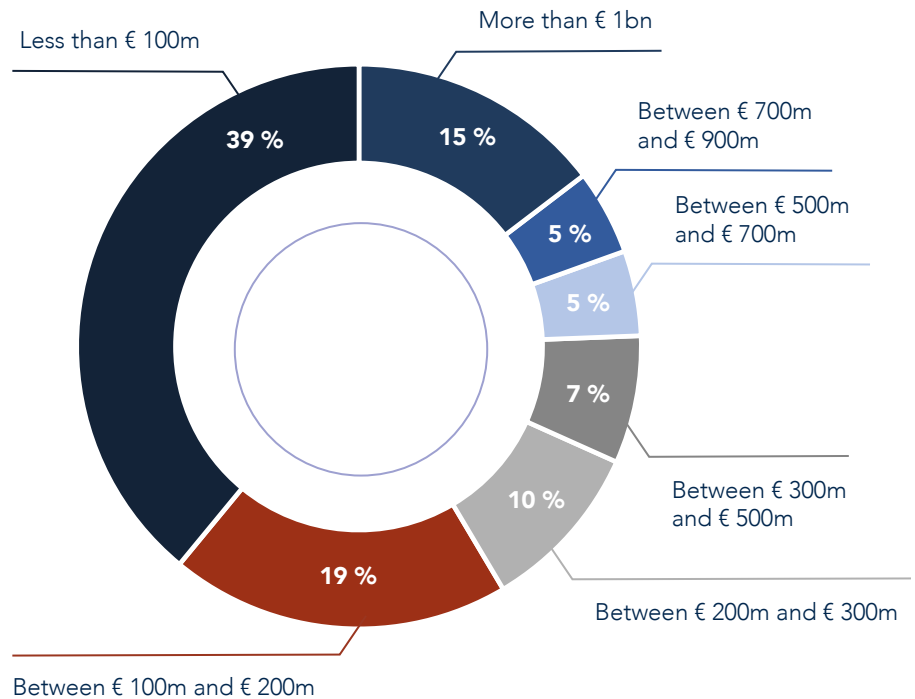


Secondary buyer profile

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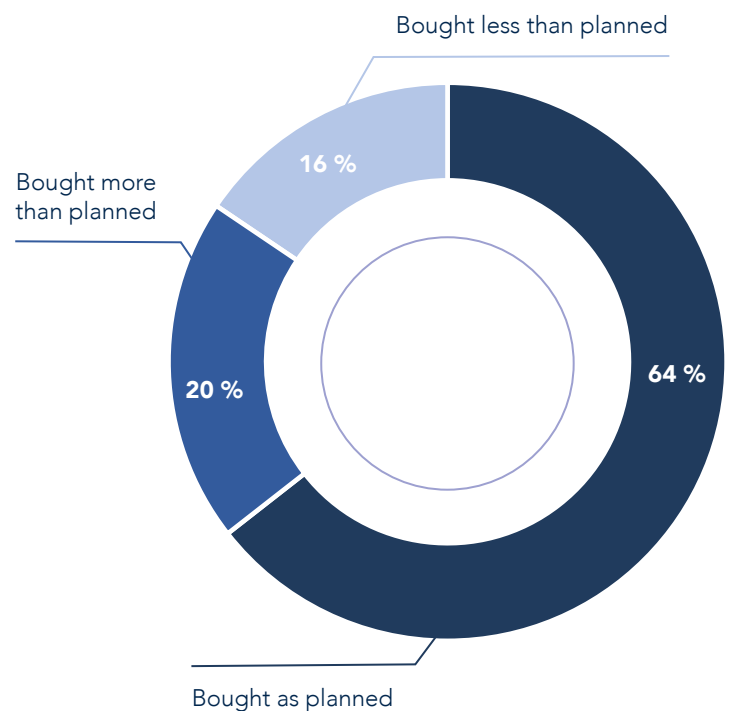
Volumes bought on the secondary market in 2021

- The secondaries deal volume reached record highs in 2021 despite some of the remaining Covid uncertainties. Some of the backlog from 2020 helped in this but mainly, buyers and sellers have continued using the secondaries market to achieve performance and liquidity.



2021 deployment VS expectations

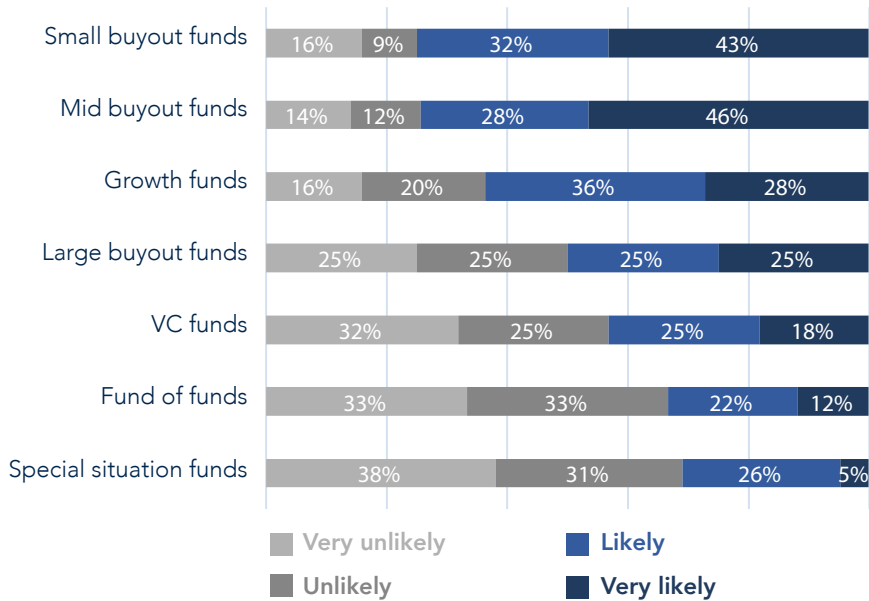
- Two thirds of the respondents bought secondaries as planned in 2021.
- This further highlights the relevance on one hand, and the width of secondary transaction options on the other. Secondaries will continue to be regarded as an attractive risk adjusted investment with early exit horizons and diversification options.



Secondary buyer profile

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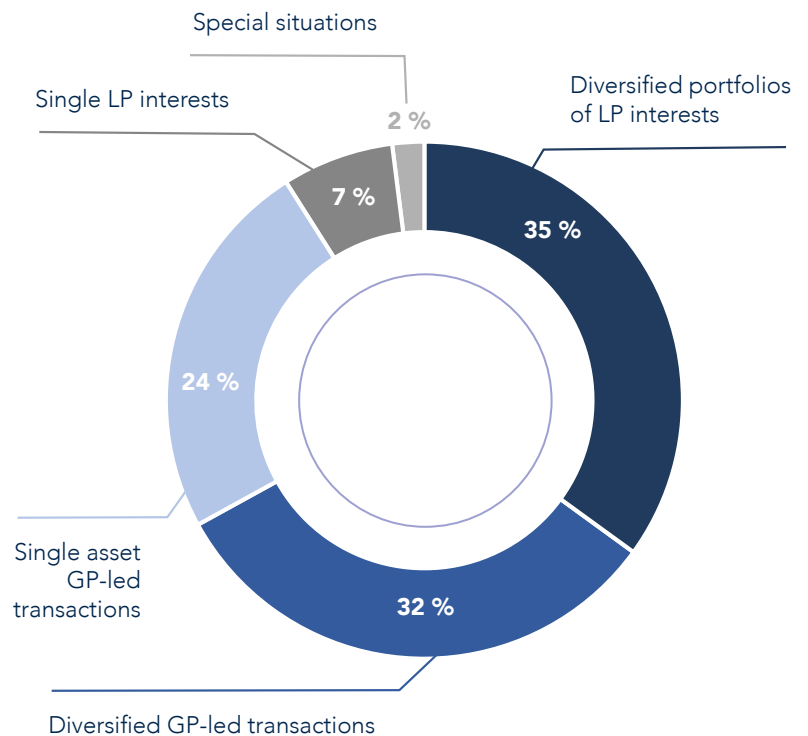
Breakdown of buyer intentions during the next 12 months



- Buyout assets will surely continue to drive buyer appetite thanks to their attractive risk return profile. This is a major part of the secondaries market and drives the overall quality of secondary portfolios on the market.
- With current market downturns, high quality buyout portfolios will be highly sought after and priced accordingly.

Secondary process types pursued

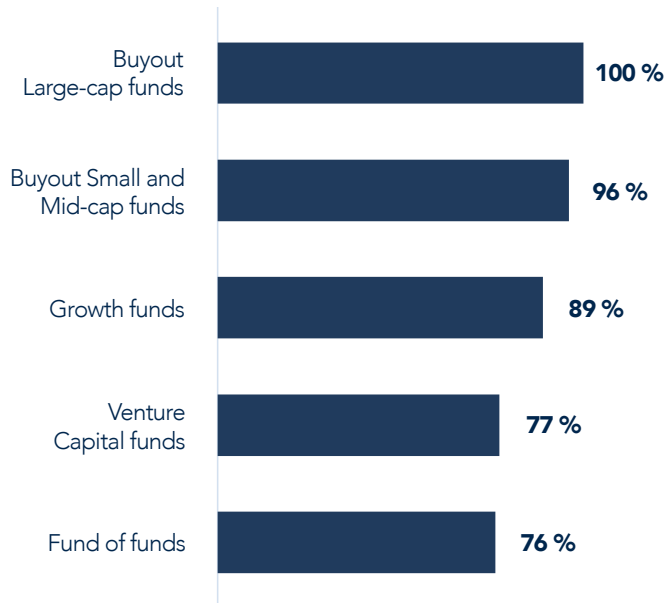
- During recent years, the majority of the volume in secondaries has shifted in favor of GP-led continuation vehicles (Single asset and diversified portfolios).
- This change in balance should stabilize at around 50% for GP-leds and 50% for LP stakes, when secondary buyers will compensate for their GP-led acquisitions with highly diversified, lower risk LP stakes portfolios.



Secondary transaction pricing



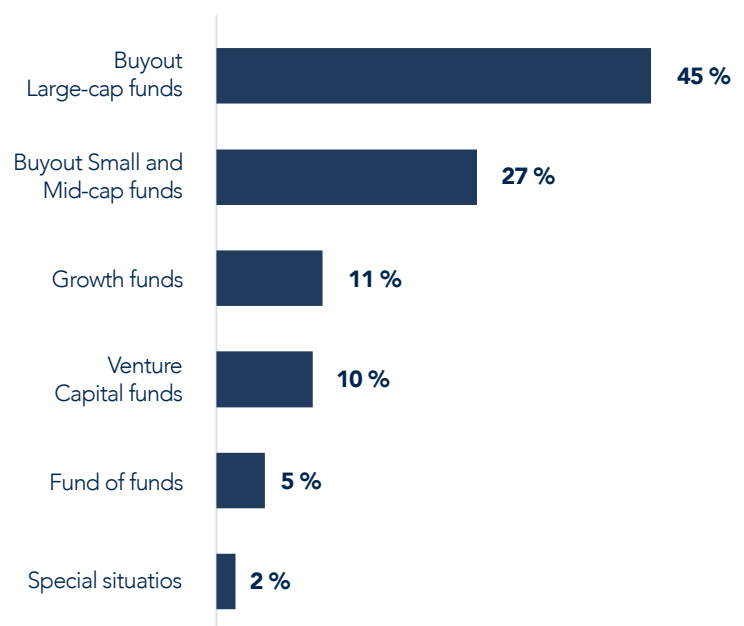
Transaction pricing for secondaries in 2021 (pricing as a % of last known NAV)



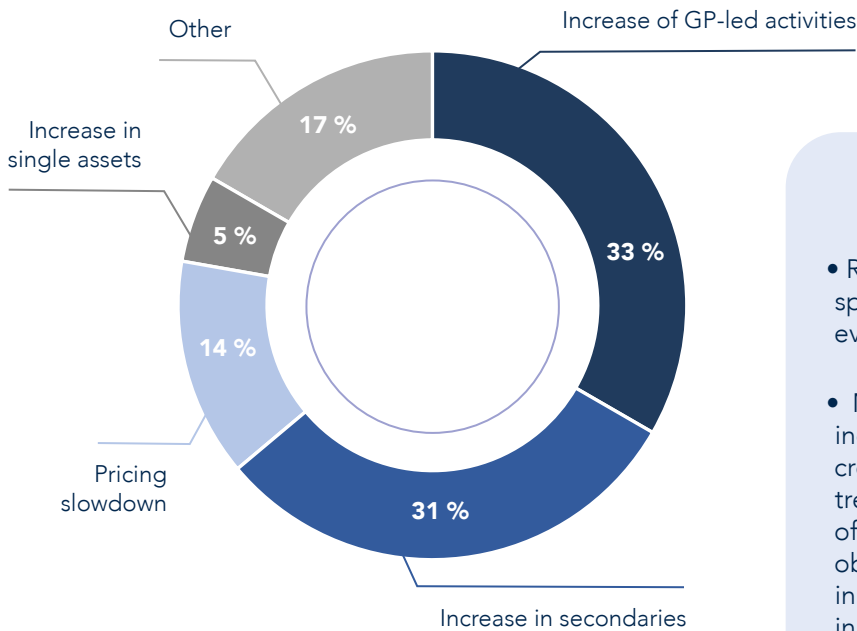
- The overall ranking of pricing by strategy in these findings follows global market trends in that Large and Mid cap buyout funds tend to have the highest pricing, ranging between slight discount and slight premium, and generally at higher prices than what can be observed for other strategies such as Growth or VC.
- In terms of what can be expected in the coming times when buyers are particularly risk averse, buyers will likely be searching for high quality diversified buyout portfolios to contrast with recent dealings and to focus on companies with strong fundamentals.
- This implies a strong impact on the VC market with regards to volume and pricing. The standard deviation between high and medium quality secondary processes should widen, translating the need for quality and lower risk.

Secondary volume in 2021 (as a percentage of the total volume)

- Buyout funds generated the largest secondary deal volumes in 2021 which is equally in line with market realities.
- The quality, the volumes in the market and the buyer appetite for Buyout assets will continue to drive global secondary deal volumes.
- In times of financial recession and uncertainty, Buyout portfolios will provide stronger fundamentals and less perceived risk to investors. This will translate to the secondary market in terms of valuation on VC portfolios and secondary buyer appetite for cash generating companies.
- Furthermore, the current international tensions and the implications on the worldwide economy also have impacts on the performance and valuation of assets in which PE players are invested. During crises, the PE world experiences shockwaves and transacted volumes tend to decline as buyers wait and take more time to select, analyze deals and deploy capital.
- This creates a situation of delay during which buyers and sellers are waiting for the next quarter valuations to measure the extent of potential devaluation on portfolios. This effect on volume and pricing should linger and affect 2022 on a global scale.



What kind of evolutions do you foresee in the short/mid-term?



Findings

- Recent changes in the secondary market have spiked speculation about the short/mid-term evolutions which could come to pass.
- Many respondents either bet on a general increase in secondaries, or specifically an increase in GP-led activities, in line with market trends observed in the recent years. Because of very specific market conditions in 2021 we observed more than 50% in GP-leds versus 30% in 2019. We expect a stabilization around 50% in the coming years.
- The secondary market has offered attractive valuations so far, sometimes providing significantly better outcomes than through classical exits such as M&A. However 14% of the respondents seem to think this pricing trend should at least stabilize if not decline depending on strategies.
- Single asset secondaries have also generated strong interest, 5% of the participants think this should pursue. We are expecting single line continuation vehicle processes to generalize in the next 2 to 5 years to become an alternative route to M&A processes and IPOs.

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