Private Markets

Private Market Secondaries

H1 2025 Market Update

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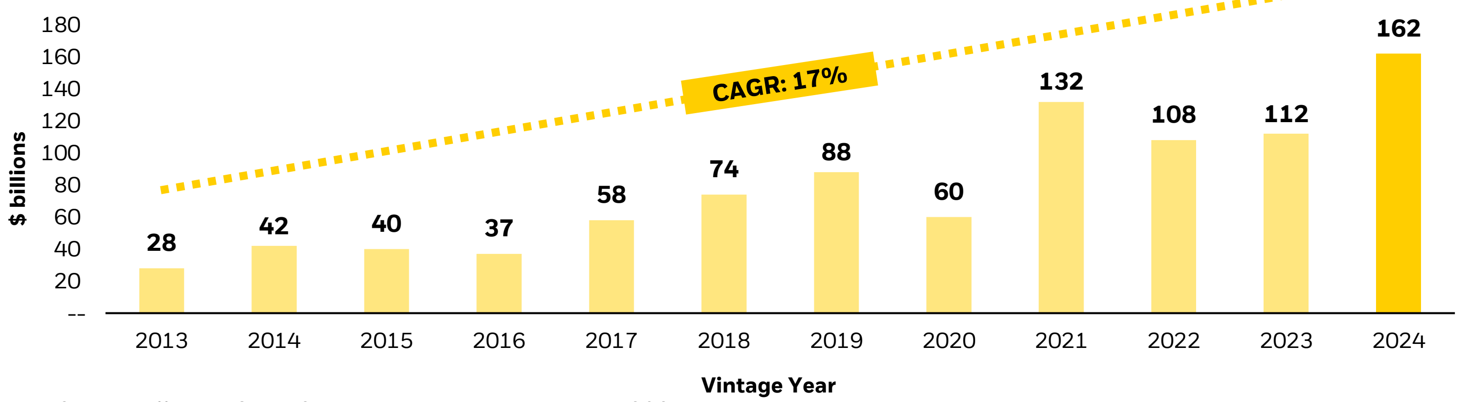
A new benchmark for growth

H1 2025 Market Update

Secondary market highlights

- **Closed transaction volume reaches new heights:** H2 2024 closed out another record-breaking year for transaction volume in the secondary market, with $162bn of closed transactions, surpassing the previous record of $132bn set in 2021.
- **Limited Partner (LP) led pricing drives unprecedented market expansion**: LP-led transactions grew by +45% year-over-year, as LPs capitalized on favorable market conditions by offering attractive portfolios to maximize pricing and transaction certainty, resulting in positive price movement across almost every asset class vertical.
- **Single-asset continuation vehicles continue to lead the General Partner (GP) led market:** Accounting for approximately 48% of the GP-led volume in 2024, single-asset continuation vehicles ("CVs") continue to be favored due to their asset quality, strong GP alignment, and sector-specific focus.
- **2025 market opportunity:** The robust momentum from 2024 has established a strong foundation for sustained growth in secondary deal-making. As new market participants adopt proactive portfolio management strategies, record-setting milestones are likely to continue.

Secondary market closed transaction volume



Source: Jefferies – Global Secondary Market Review, January 2025.

Continued adoption sets new milestones

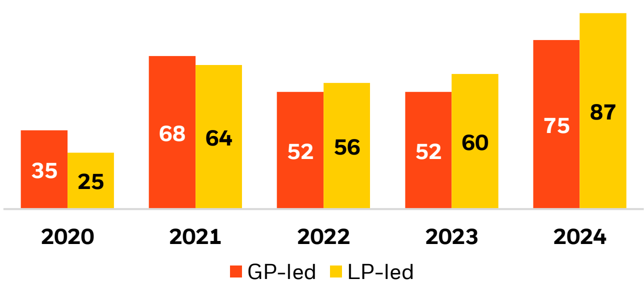
2024 eclipsed several exciting frontiers, including a record for the highest year of closed secondary transaction volume, amounting to $162bn across LP-led and GP-led transactions, representing +45% year-over-year (YoY) growth.[1]

Volumes this year were buoyed by solidifying themes that we've observed in previous quarters, including strong pricing for high-quality names, new market entrants, continued acceptance of the GP-led market, and larger transactions closing in the second half of the year.

The previous high watermark for closed secondary transaction volume came in 2021 with $132bn, which was partially driven by pent-up demand post COVID-19.[1]

We, and many other market participants, anticipate that this growth will continue in 2025 and even accelerate as the LP-led and GP-led markets continue their rapid adoption, bolstered by strong growth in adjacent categories, including growth/venture, credit, and infrastructure secondary markets.

GP-led and LP-led volume continues to grow



Source: Jefferies – Global Secondary Market Review, January 2025.

Source: 1 Jefferies – Global Secondary Market Review, January 2025. All dollar figures are in USD.

LP-led deals steal the show

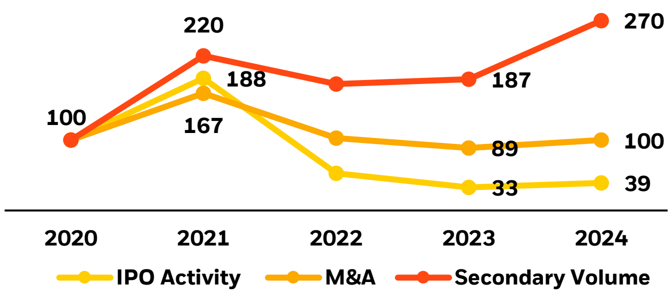
Sellers prioritize portfolio management in 2024

In 2024, LP-led transaction volume grew +45% YoY, closing the year at $87bn. LP-led transactions have historically represented more than 50% of the market, and this trend continued in 2024, with LP-led deals accounting for 54% of the market.[1] Many of the themes highlighted over the past several quarters remained relevant as the year concluded.

On the supply side, many LPs brought forward attractive portfolios to maximize pricing and transaction certainty, including a notable number of first-time LP-led sellers (40%).[1] Additionally, 2024 saw fewer sellers coming to market for pure liquidity-driven reasons compared to 2023 (33% vs. 44%) with considerably more sellers focused on portfolio management (51% vs. 38%).[2]

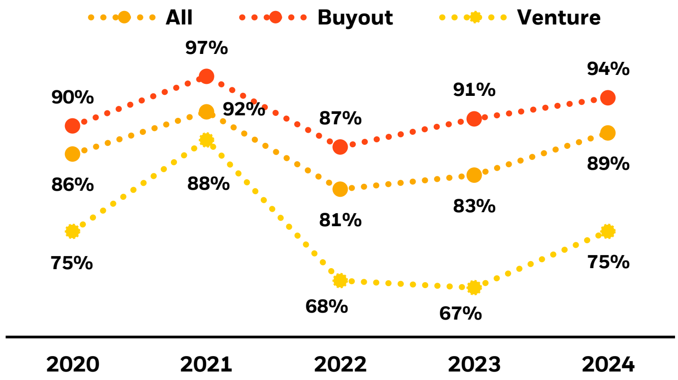
Another key trend was the decreasing age of funds sold, which has been a key lever for sellers to pull to improve pricing. In fact, 2024 saw the average fund age sold drop to a record low of 6.6 years.[1] In these cases, sellers often sought to monetize funds in the early innings of their value creation playbook, with many companies remaining and marked near cost, with potential for growth alongside improving capital markets over the next few years.

Deal volume by category (Indexed to 2020)[1,2]



One green-shoot to note across the LP-led universe is that there has been a gradual improvement in the ratio of capital calls to distributions. By the end of 2024, 50% of portfolios were either cash flow neutral or positive, compared to just 25% in H1 2023.[3] Capital market activities also showed modest growth in 2024. Strategic & sponsor-backed M&A increased +12% YoY, while IPO markets rose by +19% YoY, although both remain considerably below their 2021 peaks.[2] Continued momentum in these markets should support growing secondary market activity and increase the cash flow velocity of diversified portfolios.

LP-led market pricing (% of NAV)



Source: Jefferies – Global Secondary Market Review, January 2025.

On the demand side, we saw many of these themes translate into improved pricing dynamics across all strategies compared to 2023. For buyout portfolios, which made up 70% of LP-led volume, pricing increased to 94% of net asset value (NAV) (+300bps YoY). In the adjacent markets, credit portfolios saw a remarkable boost to 91% of NAV (+1400bps YoY) - and venture / growth portfolios ticked up to 75% of NAV (+700bps YoY).[1] Additionally, we continued to see active buyer utilization of structuring, such as deferrals, which helped improve seller outcomes - as 24% of investors used a deferral in a majority of their transactions, up from 6% in 2023.[2]

Venture landscape takes shape

As discussed above, despite positive pricing action in diversified venture/growth LP-led transactions, the average market price of 75% of NAV still trails that of Buyout portfolios by ~1900 bps (94%)[1]. While we anticipate this gap to remain, buyers will still achieve attractive discounts. Nevertheless, we expect pricing for venture/growth portfolio to improve as the IPO market strengthens, providing deal teams with more conviction in underwriting and greater visibility to potential liquidity. Currently, there is a general understanding in the market that venture/growth businesses may still be held at elevated levels – primarily due to the common valuation methodology of taking the most recent fundraising round, which for some businesses may have been in the 2020-'21 period. Looking ahead, we expect valuations to better align with current market conditions. Additionally, secondary investors are likely to become more adept at valuing venture/growth positions and factoring in complicated waterfalls. We believe this segment of the secondaries market represents a more permanent opportunity going forward as it solves structural challenges within the asset class.

Source: 1 Jefferies – Global Secondary Market Review, January 2025. 2. Lazard 2024 Secondary Market Report. 3. PJT Park Hill Secondary Investor Roadmap Series, FY 2024. All dollar figures are in USD.

GP-led deals show mass adoption

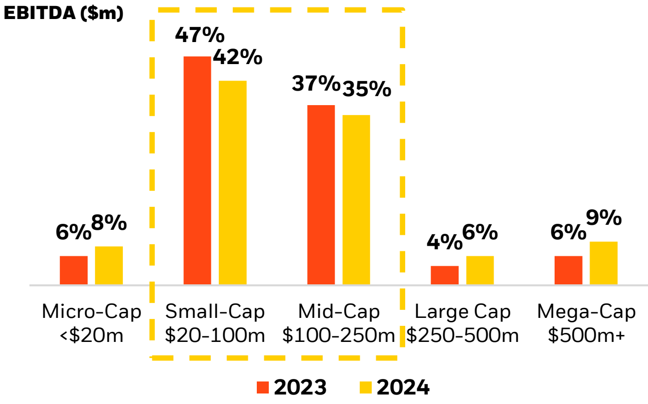
Buyers prioritize quality in an ever-expanding market

The GP-led market mirrored the robust growth seen in the LP-led market, reaching a record $75bn of transaction volume, which represents +44% YoY growth. This new high was driven by several factors, including continued sponsor adoption, the entry of new market participants, improving capital markets, and the continued rise of evergreen vehicles. Furthermore, CVs accounted for 13% of sponsor-backed exit volume, another new high, compared to 12% in 2023 and 5% in 2021, the previous record year for GP-led transaction volume.[1]

Single assets maintain prevalence

Within the GP-led space, single-asset continuation vehicles maintained their market strength, making up 48% of total GP-led volume, up from 39% in 2023. Buyers have favored these transactions due to their high-quality assets, strong GP alignment, and sector concentration.[2] Single asset transactions were balanced across key sectors, with notable strength in technology, healthcare, and business services - technology transactions experienced the largest YoY growth, from 12% to 19% of single-asset deals.[2] From a pricing perspective, single-asset transactions have exhibited considerable strength, with around ~87% of total single-asset transactions pricing at or above 90% of NAV and approximately 56% pricing at or above par. Strong pricing at or above par signals buyer confidence in GP valuations and go-forward asset performance, while also indicating growing competitive dynamics among buyers. In slight contrast, multi-asset transactions have been priced more conservatively, with only ~71% of transactions pricing at or above 90% of NAV (vs. ~87% in single-assets), though this was a considerable improvement from ~59% in 2023.[2]

CV Volume by Company Size (% Volume)



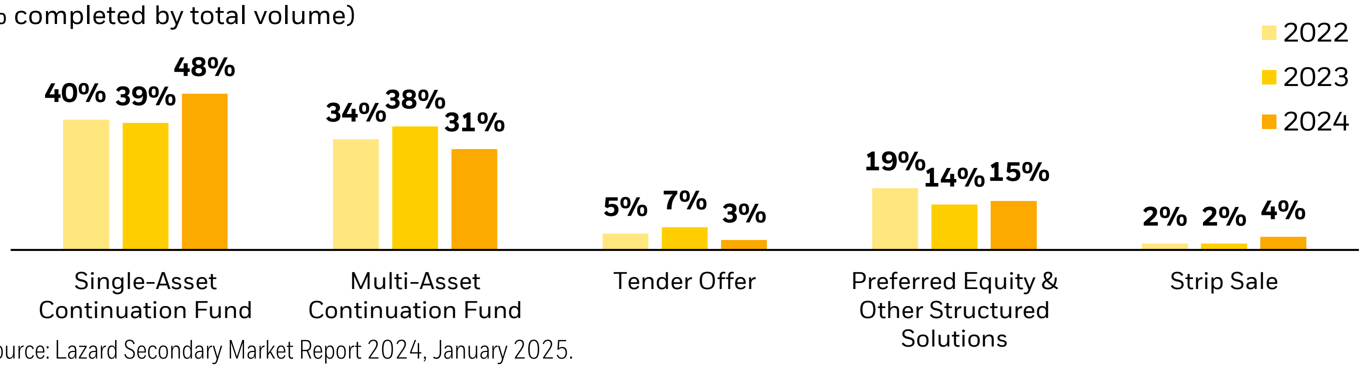
Source: Morgan Stanley Continuation Fund Market Review: FY 2024.

Sponsor(ed) Growth

The adoption of GP-led deals by the sponsor community remained strong in 2024. As GP-led volume has grown, many lower- & middle-market GPs – those managing funds under $2bn – have sought to bring their highest quality assets to market. These vehicles have enabled smaller GPs to accelerate their AUM growth, often raising CVs that are the same size as or multiples larger than their latest flagship fund size. In 2024, 55% of continuation funds launched or closed by GPs with flagship funds under $2bn were equivalent to 50% or more of their latest flagship size, with 25% seeking amounts the same size or larger.[2] Additionally, from a portfolio construction perspective, small- and mid-cap companies have constituted the majority of CV volume over recent years. The micro-cap segment, defined as companies with EBITDA below $20m, has also grown, increasing from 6% to 8% of the market YoY.[3] We continue to see attractive opportunities in mid-market GP-led deals, as Sponsors appreciate the opportunity to continue holding onto their most prized assets while supporting their next phase of growth.

Capital deployment by transaction type

(% completed by total volume)



Source: Lazard Secondary Market Report 2024, January 2025.

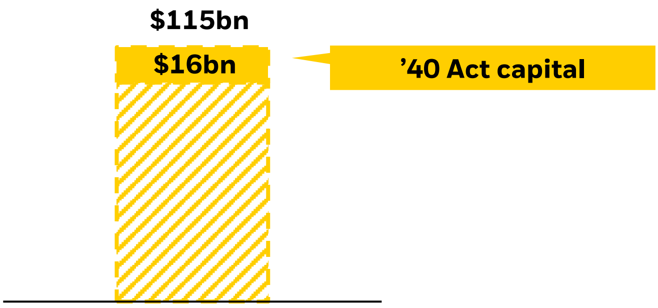
Source: 1 Jefferies – Global Secondary Market Review, January 2025. 2. Lazard 2024 Secondary Market Report. 3. Morgan Stanley PCA – FY 2024 Continuation Fund Market Review (February 2025). All dollar figures are in USD.

On the rise in 2025

Semi-Liquid: A Solidifying Capital Base

As alluded to in prior editions, the influx of retail capital, primarily through semi-liquid vehicles, whether ’40 Act, European Long-Term Investment Fund (ELTIF), Long-Term Assets Fund (LTAF), or other structures, has introduced a new and influential source of capital on the buy side, reshaping how transactions are marketed and ultimately transacted upon.

Semi-liquid buyers prioritize transactions for several key reasons, including minimal unfunded needs, strong visibility into near-term distributions, and quick closing timelines. While these vehicles historically focused on LP-led portfolios, often tail-end in nature, they have increasingly embraced GP-led transactions. Within GP-led deals, there has been a slight preference for multi-asset (26% of transactions) over single-asset (20%), due to the value placed on diverse cash flow profiles.[1]



Source: 1 Evercore Full Year 2024 Secondary Market Survey Result

In 2024, semi-liquid vehicles accounted for nearly one-third of total fundraising, underscoring their growing importance in private market secondaries.[2] For secondary buyers, these vehicles offer lead investors the opportunity to increase their potential check size, though visibility can be limited until later in processes. Additionally, they enable syndicate investors to consistently deploy capital regardless of flagship fundraising status.

Despite these positive forces and the continued opportunity in the space, the semi-liquid market remains relatively concentrated, with the top 10 buyers controlling 87% of available capital.[2] As market participants scale and refine distribution models, we expect this landscape to continue to evolve, paving the way for greater competition and innovation.

Looking Ahead in 2025

The strong momentum from 2024 has set the stage for continued growth in deal-making across the secondaries landscape. Dry powder closed the year at $216bn, equating to only 1.3 years of capital deployment, highlighting the persistent supply-demand imbalance we have come to be familiar with in the secondaries market.

From a buyer's perspective, while easing monetary policy and early signs of exit activity are encouraging, these green-shoots may be offset by slower top-line growth, geopolitical volatility, supply chain complexities, and a restrictive IPO market. In an ever-evolving market, scale, transaction certainty and the ability to utilize data and technology will remain highly valued.

From a seller's perspective, while portfolio management remains the primary cause of sales, liquidity needs persist across the board. Records are likely to continue to be set as larger and more diversified portfolios come to market. Further, adjacent verticals, including venture / growth, credit, and infrastructure, are also expected to gain momentum due to favorable pricing dynamics in recent quarters.

Want to know more?

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Source: 1 PJT Park Hill Secondary Investor Roadmap Series FY 2024. 2. Jefferies – Global Secondary Market Review, January 2025. All dollar figures are in USD.

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