Secondaries Investor

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Secondaries Investor Law Firm Survey 2024: GP-leds boom as expectations for credit secondaries surge

The eighth edition of our law firm survey shows top law firms advising on a collective $827bn of transaction volume, a record high amid a booming secondaries market.

Legal advisers in the secondaries market were in high demand as the sector hit its second-biggest annual period last year.

In the Secondaries Investor Law Firm Survey 2024, legal advisers noted a surge in deal volume with a growing presence of secondaries activities in sectors beyond private equity, and a positive outlook for this year.

Kirkland & Ellis regained dominance with the highest deal volume of over $170 billion, followed by Ropes & Gray (over $150 billion) and Morgan, Lewis & Bockius ($98 billion). In the previous version of our law firm survey, Ropes & Gray topped the list with $146 billion in transaction volume, breaking Kirkland & Ellis' stronghold in the space.

Nineteen law firms took part in the survey this year. Respondents reported roughly $827 billion of transaction volume, a rise from the $754 billion reported by 19 firms in 2023 and nearly $600 billion by 17 firms the year before.

The survey does not paint a picture of the size of the secondaries market, as multiple law firms may work on various sides of a given secondaries deal and will each report their total deal volume attributed to the same deal. It does, however, shed light on the amount of work that law firms are advising on and the growth of the service providers who advise on secondaries processes.

Deal volume is defined as purchase price plus unfunded commitments. Please see here for the survey's full parameters. The reporting period covers November 2022 to October 2023.

Akin Gump Strauss Hauer & Feld advised on 55 secondaries deals, ammounting to more than $63 billion in transaction volume. Out of the 55 deals, 34 were LP-led portfolio sales and the rest were GP-led transactions. The firm's secondaries activities spanned industries such as aerospace, defence, consumer goods, healthcare, financial services, energy and technology.

According to Akin, last year was a buyer's market with a pronounced emphasis on the acquisition of quality assets. The LP-led space was particularly active as investors grappled with liquidity challenges. GP-led deals also became a key aspect of sponsors' strategies despite lingering investor scepticism towards continuation funds.

"With increased regulatory scrutiny on GP-led transactions, managing conflicts of interest is anticipated to become a central aspect of transaction structuring," Akin noted.

Davis Polk & Wardwell advised on 108 deals last year with a total transaction volume of approximately $68 billion. Eighty percent of the transaction volume was in GP-led deals. In terms of deal structure, the firm advised on 31 NAV loans deals, 12 preferred equity deals and 20 single-asset GP-led continuation vehicles.

Davis Polk noted an increasing breadth of market activity across transaction types, asset classes, price points and types of managers. GP-led secondaries gained significant traction among sponsors last year, it added.

"It feels like the markets are open for business and there is robust appetite to get deals done," the firm noted. "More than anything, market activity seems constrained only by available capital and talent bandwidth."

Debevoise & Plimpton advised on 248 secondaries deals, 53 percent of which were GP-led transactions. Total deal volume amounted to $24.1 billion, with more than 80 percent attributed to GP-led transactions. The company participated in 16 single-asset CVs, along with 36 NAV and hybrid facility transactions.

In the last reporting period, Debevoise advised HarbourVest as co-lead in a €1.63 billion CV run by Triton, which acquired four portfolio companies from Triton Fund IV. It also advised LGT Capital Partners as co-lead in an £840 million CV sponsored by Pollen Street Capital, which acquired Pollen's existing stakes in insurance and tech assets.

Dechert also mainly advised on GP-led deals, which accounted for 71 percent of its work by volume. Of its $12.7 billion deals across 21 transactions, 60 percent of transaction volume was in buyouts, with the rest evenly split between growth and credit.

The firm observed an increasing level of complexity in the GP-led market as more M&A deals were housed within a continuation fund structure. LP interests were often broken up into mosaic deals due to the increasing size of such transactions. Private credit secondaries gained a significant amount of traction, it noted.

"With a very significant amount of dry powder dedicated to private credit secondaries raised in 2023, we expect credit secondaries to show the greatest growth in 2024 versus GP-leds and LP-leds," the firm said.

DLA Piper advised on 236 deals with a total of $22 billion in transaction volume. Private equity made up half of the deal counts, followed by infrastructure (20 percent), credit (15 percent), venture (10 percent) and real estate (5 percent). The firm reported the highest number of single-asset deals by number at 55.

"We expect 2024 to be a very busy year and are expecting to see significant growth in credit and real estate secondaries," DLA Piper noted.

Fried Frank advised on 92 deals last year, achieving a total transaction volume of $34.6 billion. Sixty percent of deals it worked on were GP-led transactions both in volume and deal counts. The firm also advised on 32 NAV loan and preferred equity deals with a combined volume of $17.4 billion.

The firm noted increasing innovation in the secondaries market in places where the bid-ask spreads persist.

"Parties are finding creative ways to structure transactions, including with deferrals and earnouts, as well as with alternative transaction types such as NAV loans or preferred equity financings," Fried Frank said.

Gibson, Dunn & Crutcher primarily advised on GP-led deals, which accounted for 83 percent of its $11.37 billion transaction volume across 31 deals. Over three quarters of the secondaries deals it worked on were in private equity, followed by real estate/infrastructure (19 percent) and venture capital (4 percent).

The firm noted that GP-led transactions have been increasingly adopted by managers across asset classes.

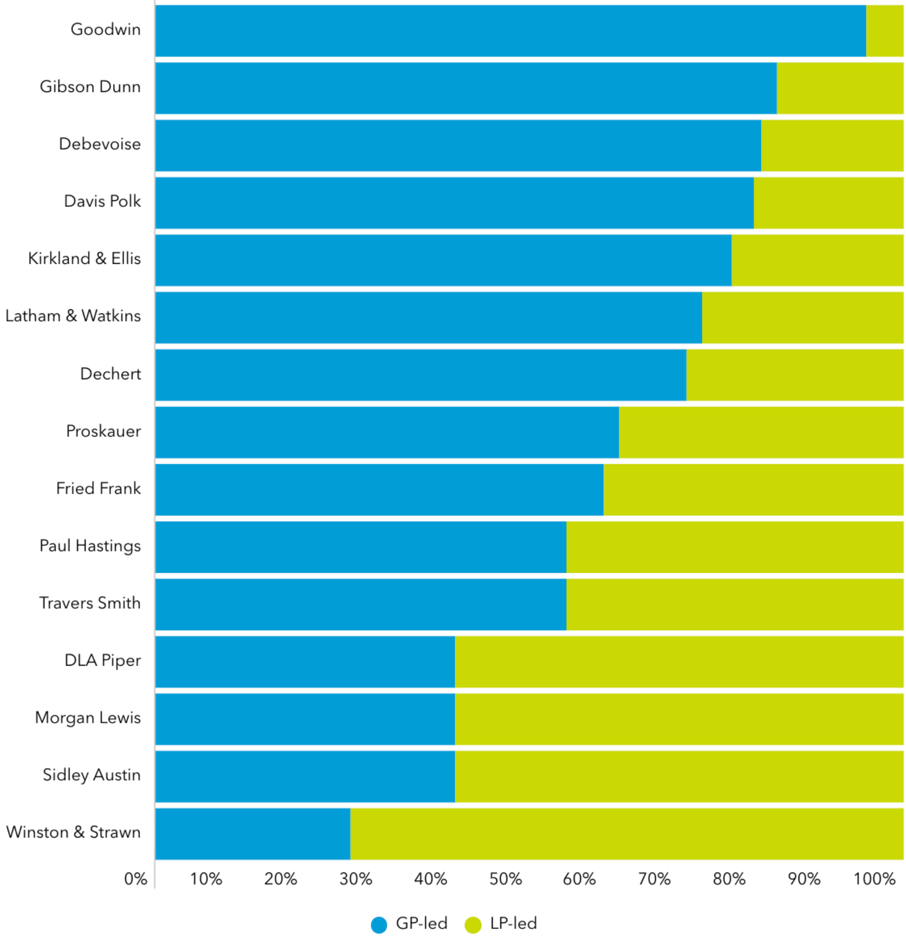
"In GP-leds, we saw a significant increase in transactions in the real asset (including energy) space, particularly in the Q4 2023, which we believe demonstrates the further adoption of GP-leds across additional asset classes," the firm said. "NAV loans were also much more prevalent in 2023."

Goodwin predominantly advised on GP-led deals, which made up 95 percent of its transaction volume and 74 percent of its deal count. The firm worked on around 60 deals with a total volume of $17.7 billion. The majority of deals that Goodwin advised on were in the private equity (52.4 percent) and real estate (40.1 percent) sectors.

Kirkland & Ellis topped this year's

GP-LED DEALS DOMINATE IN VOLUME

Though only four firms advised primarily on LP-led deals in 2023, it was a slight increase from the year before



*Does not include work on transfer matters

Note: Akin Gump, Ropes & Gray, Simmons & Simmons and Simpson Thacher did not provide their deal-type split survey with $170.2 billion in transaction volume across 272 deals. About 77 percent of the deal volume was in GP-led transactions. The vast majority of deals were in private equity, with the rest spanning across credit, infrastructure and energy, venture capital, and real estate.

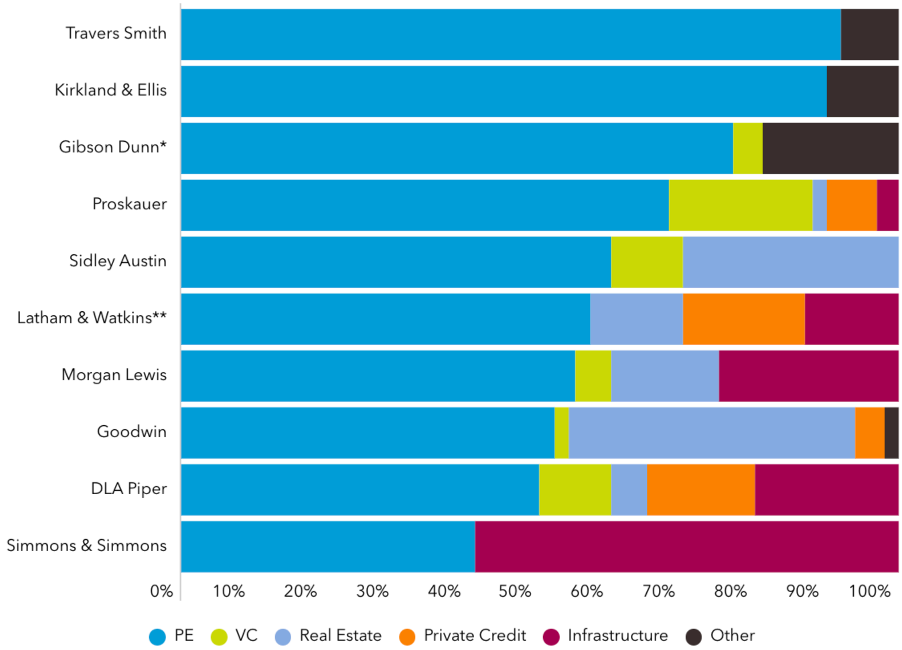
The firm also reported 33 single-asset CV transactions worth $24.8 billion, 34 preferred equity deals worth $3.7 billion and 51 NAV loan deals worth $11.6 billion.

For GP-led deals, Kirkland said it took an average of five months from launch to close, noting that the definition of launching a deal differs across clients on the buyside and the GP-side.

Latham & Watkins predominantly advised on GP-led deals. It worked on a total of 63 LP-led and GP-led transactions worth nearly $14 billion. By deal count, 57 percent of transactions it worked on were in private equity, followed by credit (17.5 percent), real estate (12.7 percent) and infrastructure (12.7 percent).

In terms of strategy, the firm advised on 12 single-asset CVs worth $2.76 billion, two preferred equity deals worth $678 million and 20 NAV loan facilities worth $2.84 billion.

Private equity remains the dominant asset class for secondaries deals, though real estate and infrastructure are maturing



* Real estate and infrastructure made up a combined 19 percent in the "Other" category

** Based on deal count

Only includes firms that provided asset class breakdown by percentage.

Morgan, Lewis & Bockius reported the highest number of deals advised, with 420. LP portfolios sales accounted for 60 percent of its $98 billion in total transaction volume. In terms of sectors, 55 percent of its deal volume was in private equity, followed by 25 percent in infrastructure, 15 percent in real estate and 5 percent in venture.

Paul Hastings advised on 24 deals worth an aggregate of $12 billion. The firm skewed towards GP-led transactions, with 55 percent of its transactions focusing on this deal type and the remainder going to sales of LP fund stakes. All GP-led deals it worked on were in private equity, while 10 percent of its LP-led deals were in private credit and the rest in PE.

The firm also noted that buyers had the upper hand in the secondaries market as investors were challenged by liquidity concerns.

"On GP led deals, the shift we saw from 2021 to 2022 from a seller's market to a buyer's market was cemented in 2023, and we expect this to remain the case for 2024," Paul Hastings said.

Proskauer was the runner-up in the number of deals advised, reporting 410 transactions worth $62 billion. LP-led deals made up 38 percent of its deal volume and the rest were GP-led transactions.

In terms of sectors, 68 percent of its deals were in private equity, followed by venture capital (20 percent), private credit (7 percent), infrastructure (3 percent) and real estate (2 percent). The firm advised on 25 single-asset CVs worth $10.5 billion, 10 preferred equity deals worth $2 billion, and 20 NAV loan facilities worth $8.3 billion.

Proskauer said it took GP-led deals an average of four months from launch to signing and six months from launch to close. Large single-asset deals and syndications may require an additional one to three months, the firm noted.

Ropes & Gray ranked second place in transaction volume this year, reporting around $150 billion across 380 deals. The firm was involved in a wide range of transactions, including GP-led fund recapitalisations, preferred equity deals, single-asset recapitalisations, secondaries purchases and sales, NAV financings and more.

The firm said it was unable to track the percentage split of LP-led and GP-led transaction volume in 2023, citing a surge in secondaries deals it worked on. Its main clients include AlpInvest Partners, Coller Capital, Hamilton Lane, HarbourVest Partners, New 2nd Capital and Partners Group.

Ropes & Gray advised on a large

number of single-asset CV deals in 2023 representing both lead buyers and sponsors running CV processes, the firm noted.

Sidley Austin advised on five LP-led deals and seven GP-led deals last year with a total transaction volume of nearly $4 billion. Sixty percent of the deal volume was contributed by LP portfolio sales. The firm closed two single-asset CV deals with an aggregate value of $304 billion.

In terms of sectors, 60 percent of its secondaries deal volume was generated by private equity, followed by real estate (30 percent) and venture capital (10 percent).

Simmons & Simmons advised on five secondaries deals with a combined volume of $1.53 billion in 2023. Four out of the five transactions were LP portfolio sales. Nearly 60 percent of its secondaries deal volume was generated by infrastructure deals, with the rest generated by PE transactions. The firm said it expects deal volume to "increase significantly in 2024".

Simpson Thacher & Bartlett advised on 79 secondaries deals last year with a combined transaction volume of $47.8 billion. Though GP-led transactions accounted for a significant majority of its deal volume, the firm advised on a greater number of LP-led transactions.

The firm worked on a variety of GP-led deals, including 22 single-asset CVs worth $28 billion and 18 preferred equity/NAV loan transactions worth over $6.7 billion.

"With respect to GP-leds, we anticipate a continued shift towards multi-asset deals as well as an increase in NAV/asset-based financing being used for both the transaction (if multi-asset) and the continuation fund," said Lauren King, co-head of the fund transactions practice at the firm. "With respect to LP portfolio transactions, we expect the continued reliance on deferred purchase price mechanics as well as a continued increase in mosaic transactions."

Travers Smith advised on 31 secondaries transactions worth $10.1 billion last year, with 45 percent of deal volume attributed to LP-leds. More than 90 percent of secondaries deals it worked on were in private equity. The firm closed two single-asset CV deals with a combined value of $1.2 billion.

Winston & Strawn advised on $4.16 billion across 101 deals. About three quarters of its deal volume were generated by LP-led transactions and the rest were by GP-led deals. The firm closed 25 single-asset deals with a combined volume of just over $1 billion and two preferred equity deals valued at $50 million.

"It is encouraging to see the secondaries market continue to expand and evolve and to show resiliency through every economic cycle," said Brad Mandel, a partner at Winston & Strawn. "Even with all the capital flowing into the space, there are still many new entrants and investors who are just now being educated on the opportunity."