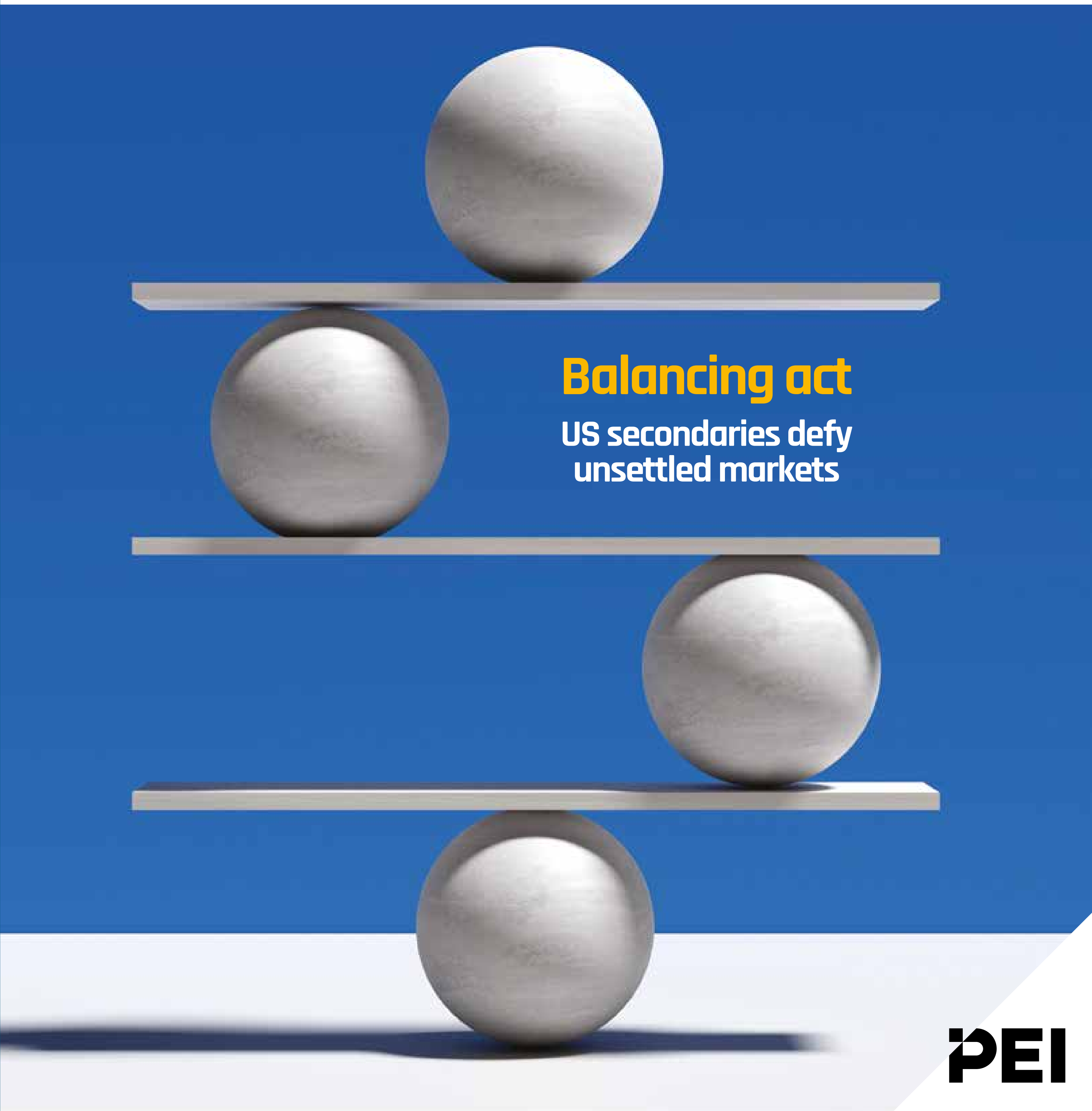
Buyouts

Secondaries

June 2025 • buyoutsinsider.com



The Power of Prime

Delivering distinctive liquidity solutions across the spectrum of the private equity industry

Prime

Prime is a division of one of the largest global asset managers.

Partner of choice, providing full suite of capital solutions to many of the world's leading private equity GPs.

Utilizing our resources and preferred relationships with GPs to seek to deliver compelling risk adjusted returns for our limited partners.

W Capital Partners

Scale and Experience in GP Solutions Secondaries

Prime and W Capital bring together one of the largest global asset managers with a GP Solutions secondary pioneer.

Our broad GP Solutions strategy combines direct secondaries and GP-led continuation fund structures for both mid-life and end-of-life situations.

Our strategy is designed to enable GPs to generage liquidity, improve fund performance, and continue holding and growing their best assets longer.

$879B
AUM of AXA IM

c.$40B
AUM of PRIME

140+
Dedicated team members

20+ years
Average years of experience

500+
Fund investments in 150+ GPs

6
Cities across North America, EMEA and Asia

7
Complimentary private asset strategies

KEYNOTE INTERVIEW

The secondary blueprint for sponsors

Continuation vehicles remain useful in end-of-life scenarios, but for mid-life investments, direct secondaries may be a more effective solution, say W Capital's Todd Miller and David Wachter

SPONSOR
W CAPITAL PARTNERS

Q Direct secondaries saw faster growth than continuation vehicles in 2024. What are these transactions, and where do they fit in the GP-led landscape?

Todd Miller: Both direct secondaries and CVs fall under the broader umbrella of what we call GP solutions. A direct secondary deal involves a firm like W Capital investing directly onto the cap table of an underlying portfolio company, typically through a minority recap or the purchase of a minority stake from a control sponsor seeking partial liquidity. These deals allow the control sponsors to generate liquidity, validate valuations and retain control of the business and exit timing. They also allow the control sponsor to partner with an investor who is comfortable with the prospect of a shorter duration investment.

Direct secondary solutions can also provide liquidity to existing minority investors, support add-on M&A or purchase rollover equity from former control sponsors. In contrast, CVs are typically used at the end of a fund's life to extend the hold of a compelling asset.

Ultimately, both approaches unlock liquidity for well performing assets. The rapid growth of both direct secondaries and CVs highlights the importance of offering a diverse set of liquidity solutions. Sponsors are becoming increasingly strategic in selecting the right structure for each situation, which has driven significant growth across GP-led secondaries.

Q What's fueling the growing demand for GP-led solutions?

David Wachter: The data speaks volumes. Illiquidity is not a new problem, but it's a growing problem. When we started W Capital, there were roughly 5,000 private equity-backed companies, now there are more than 29,000. Annual exit volume has only grown modestly, from 1,000 to about 1,500, meaning the asset-to-exit overhang has expanded from five years to nearly 20.

At the same time, distributions have slowed dramatically. Funds that once reached a 1x DPI in seven years are now sitting at just 0.1x DPI by year five. IPOs and traditional M&A exits simply can't keep pace. The result is a much more persistent and structural need for liquidity, which direct secondaries and other GP-led solutions are helping address.

Q When should sponsors think about using a CV versus other GP-led solutions?

TM: CVs are an excellent tool when you have a duration mismatch, typically toward the end of the fund's life. But when you are working with a well performing asset in years three to five, a direct secondary or minority recap is often a better fit.

We are increasingly hearing LPs voice concerns about CVs being used in mid-life situations where duration isn't the true constraint. In those cases, direct share sales or minority recaps tend to be the cleaner and more aligned option. Put simply: for mid-life assets, consider direct secondaries and minority recaps; for end-of-fund life scenarios with real duration constraints, CVs might be the better fit.

Q Will demand for GP secondaries solutions falter when more traditional exit routes rebound?

TM: I don't think so. Secondary liquidity has become a permanent part of the private equity toolkit. The traditional private equity model of simply holding an investment for five years and then selling has evolved. Sponsors are seeking interim liquidity and duration flexibility during holding periods, and the secondaries market facilitates that. Sponsors are using these tools not just in down markets but strategically across all cycles to actively manage liquidity, optimize fund returns and retain high-performing assets. We're also seeing firms build in-house capital markets teams and liquidity committees to lead these efforts. That's a clear sign this trend is structural rather than temporary.

Q We have seen a number of new entrants to the GP solutions space. What are your views on current competitive dynamics?

DW: There is no doubt the category is attracting attention, including from traditional buyout firms and LP secondaries platforms. But even with this increased activity, the market remains undercapitalized relative to demand. In 2023, GP-led secondaries (direct secondaries and CVs) totaled $90 billion according to Evercore Full Year 2024 Secondary Market survey results. In 2024, that number rose to $133 billion, with minority recaps and direct secondaries growth outpacing CVs. That growth creates room for both new entrants and continued innovation.

Q How are managers differentiating themselves in this increasingly crowded market?

DW: We are seeing continued specialization. Some managers focus on LP secondaries, others combine LP and GP-led deals. There are also buyout funds that have entered the CV space.

At W Capital, our focus has always been on capital solutions aligned with the GP. Whether that's a direct secondary, minority recap, structured equity, or a CV, firms can differentiate themselves through access, structuring expertise, and flexibility in matching the right solution to the situation.

TM: We're also seeing the market, especially in secondaries, move toward working with partners who can act as turn-key providers. Our recent partnership significantly strengthens the ability of firms like ours to provide sponsors a single point of contact for their diverse liquidity and capital needs.

Q Given that this is such an undercapitalized market, what are the advantages that it offers for both institutional and private wealth investors?

DW: The secondaries market, especially GP solutions, offers a compelling return profile for investors. These transactions typically feature lower entry risk, reduced volatility, earlier cash-flows, and low loss ratios. That combination makes them highly attractive for both institutional investors seeking downside protection and private wealth investors looking for more efficient exposure to private equity.

Q How do you expect the GP solutions market to evolve?

DW: We believe we're still in the early stages of its development. The private equity industry has grown so large that traditional exit paths, IPOs and M&A, simply can't meet the liquidity needs of today's market. Sponsors need greater flexibility around both timing and capital, and a robust secondaries market is critical to making that possible. GP solutions will be an essential part of the industry's long-term infrastructure.

TM: I completely agree. The traditional PE firms that excel going forward won't just be great investors, they'll be proactive managers of liquidity. As more sponsors embrace secondaries as a strategic tool, the GP solutions space will continue to grow. The private equity buy-and-hold model has evolved. Interim liquidity planning is now a fundamental part of long-term value creation. ■

David Wacher is the founding partner and CEO, and Todd Miller is a partner at W Capital Partners, a specialist in GP solutions secondaries