

Greenhill

Contact: Stephen Sloan
Managing Director | Co-Head of Capital Advisory
Greenhill & Co., Inc.
(214) 871-5400

For Immediate Release

GREENHILL'S SECONDARY MARKET
ANALYSIS SHOWS PRICING REMAINS STRONG
AS DEMAND OUTWEIGHS SUPPLY

DALLAS, February 1, 2017 – Greenhill & Co., Inc.'s secondary advisory group, a leading advisor focused on the secondary market for alternative assets, has released its semi-annual secondary market pricing study for the second half of 2016. The study reveals that while global secondary volume of \$37 billion in 2016 was down modestly from \$40 billion in the prior year, it still represented the third largest year in secondary market history.

The modest decline in market volume was partially a function of smaller average deal size in 2016. Greenhill estimated that the average secondary transaction size in 2016 was \$180 million, compared to over \$200 million in 2015 and over \$300 million in 2014. This gradual year-over-year decline can be attributed to several factors, including: (i) fewer sizable (\$1 billion or greater) transactions being brought to the market, (ii) an increase in the number of tail-end transactions, which by their very nature include a greater number of funds but limited net asset value ("NAV"), and (iii) the continued evolution of the secondary market, which sellers have begun to access more frequently as a means of rebalancing their alternative asset portfolios as opposed to pursuing larger, one-time sales. "While global transaction volume on a dollar basis receded slightly in 2016, the actual number of deals that closed was greater than ever before," noted Stephen Sloan, a Managing Director of Greenhill and the Co-Head of Capital Advisory. "Market activity remains healthy and available dry powder is currently at historically high levels," added Sloan.

Secondary pricing in 2016 remained robust, with the average high bid across all strategies at 89% of NAV, compared to 90% of NAV in 2015. Buyout funds again priced higher than any other strategy, at 95% of NAV, which reflects a 100 basis point increase over the prior year. This modest improvement was largely driven by an increase in supply of more recent vintage funds (e.g., 2010-2015), many of which priced at or near par, and in some cases garnered double-digit premiums to NAV. With respect to the other strategies, real estate pricing declined marginally to 88% of NAV, while venture pricing rebounded from its three-year low in 2015 to 78% of NAV in 2016. Greenhill also noted a general improvement in the pricing environment as the year progressed. "Secondary activity at

the beginning of 2016 started slowly, largely due to volatility in the public equity and commodity markets and Brexit,” noted Chris Bonfield, a Managing Director of Greenhill. “However, as these conditions moderated and markets stabilized, buyer and seller behaviors returned to normal and secondary pricing clearly benefitted during the second half of the year,” added Bonfield.

The report also estimates there was \$9 billion of GP-led transaction volume in 2016, which constitutes the fastest growing segment of the secondary market. Many recent GP-led transactions shifted from complex restructurings towards more-straightforward fund-level tender offers, where there are fewer GP-LP conflicts. “We’ve learned a great deal over the last 24 months about what makes GP-led transactions successful; it will be important to apply these lessons going forward to ensure future transactions result in a win for both existing LPs and GPs,” noted Brian Mooney, a Managing Director of Greenhill.

To help institutional investors understand the development and state of the secondary market, in 2005 Cogent Partners, which was acquired by Greenhill in 2015, began providing insight into the pricing levels obtained in actual secondary transactions. In this latest release of the paper, Greenhill updates the pricing levels with an analysis based on the universe of funds that Greenhill marketed for clients during 2016.

The full report is available to institutional investors upon request on Greenhill’s website (www.greenhill.com).

Greenhill & Co., Inc. is a leading independent investment bank entirely focused on providing financial advice on significant mergers, acquisitions, restructurings, financings and capital raising to corporations, partnerships, institutions and governments globally. It acts for clients located throughout the world from its offices in New York, Chicago, Dallas, Frankfurt, Hong Kong, Houston, London, Melbourne, San Francisco, São Paulo, Stockholm, Sydney, Tokyo and Toronto.

Greenhill’s secondary advisory group is a leading advisor focused on the secondary market for alternative assets. The dedicated team delivers conflict-free and client-focused advice to the secondary market for fund investments and leverages Greenhill’s leading Mergers & Acquisitions and Financing Advisory & Restructuring practices, industry expertise and global relationships and resources. Since its inception in 2002, Greenhill’s secondary advisory team has advised on over \$170 billion in transactions.

###