KEYNOTE INTERVIEW

Single-asset deals take centre stage

Single-asset continuation vehicles have reached a tipping point as a widely used portfolio management tool for sponsors, argue Lexington Partners' Christophe Browne and Jeffrey Bloom

Q Single-asset continuation vehicle deals have taken off in recent years. How big is this market?

Christophe Browne: The single-asset continuation vehicle (SACV) market has been the fastest-growing segment of the overall PE secondaries market over the past six years. Since the emergence of this technology in 2018-19, annual SACV transaction volume has grown by more than six times, with over $30 billion of deals closed in 2024.

Despite this growth, we believe that the SACV market remains a significantly undercapitalised segment in private equity. Over the past year, we have seen around 120 SACV deals brought to market, collectively representing more than $80 billion in value. If we compare this to the reported $30 billion-plus of deals that were completed in 2024, this suggests there remains significant pent-up demand among GPs.

SPONSOR
LEXINGTON PARTNERS

Q What's driving all this deal volume?

CB: The primary driver of growing SACV volumes has been the mainstream adoption of these transactions among high-quality PE sponsors. Almost every GP in private equity is considering whether these vehicles can be applied to their portfolio. Ultimately, we believe this is going to become a routine part of annual portfolio reviews, as GPs identify one or two high-quality companies they do not want to sell to another PE fund. Plus, SACVs provide an opportunity to 'double down' on certain companies where GPs see clear paths to continued value creation. These deals are really just substituting a portion of sponsor-to-sponsor exits, which we believe will continue to be an essential channel to drive realisations.

We have also seen a growing acceptance of CV transactions on the LP side, helped by ILPA guidelines on how to execute fair, transparent and LP-friendly transactions, and institutional investors making changes to their charters to incorporate CVs.

Q How sustainable is the growth of this market, and are these deals here to stay?

CB: We believe the SACV market has hit an inflexion point as a permanent asset class in private equity, but it is still in the early stages of a long-term, sustainable growth trend. Our analysis suggests that if each top quartile GP were to launch just one SACV transaction per year, this would generate approximately $50 billion of annual opportunities. We believe increased demand from GPs, together with more dedicated capital for CVs, portends a period of sustained growth here.

In addition, SACV volumes have already proved to be resilient in various macroeconomic conditions. More than $30 billion of SACVs were completed in both 2021 and 2024, two completely different environments in terms of interest rates, liquidity, M&A and IPO activity.

Q Why do GPs choose to pursue SACV deals?

CB: GPs are using the SACV market to reinvest in and support portfolio companies, management teams and situations which have demonstrated strong performance and have a clear plan for growth and/or acquisitions.

In most cases, these companies have outperformed their base case business plans over four or five years, and in the normal cadence of a PE life cycle would be good candidates to sell and drive liquidity for the original fund. But GPs are recognising that it is hard to replicate a great company platform and a strong relationship with management. So, instead of selling, they are utilising SACVs to secure another five years for the opportunity to create additional value in a proven business.

We now have more than 20 years of data on sponsor-to-sponsor exits, showing that many companies have thrived during multiple periods of PE ownership. With SACVs, GPs now have a means to potentially capture additional upside from their strongly performing assets.

Q What makes a good candidate for one of these transactions?

CB: GPs look for high-quality, resilient businesses with a leading position in growing and non-cyclical end markets. The ideal candidate would be a company with a proven business model that is highly cash-generative and that also has an identified and actionable near-term value creation plan that requires more time and/or capital to execute.

Beyond that, GPs also want to continue to back a quality management team with a track record of delivering results. And finally, they want a company that has multiple options to exit for the next phase of ownership.

Q What do GPs look for from new investors into these deals, and how is the buyer universe evolving in response to the growth of the market?

Jeffrey Bloom: These transactions are incredibly important for sponsors. They want certainty of execution and an experienced, trusted counterparty to support the growth of the asset.

In 2024, almost 70 percent of sponsors that launched a single-asset CV deal were doing so for the first time. They expect to see lead investors with dedicated teams, dedicated pools of capital and platforms with the experience to help them execute these transactions in the right way.

The market talks about alignment for buyers, but sponsors also want to feel properly aligned with their lead investors. Scale and execution certainty are first-order priorities, but so are familiarity, trust and experience.

Q What do buyers want in terms of alignment with underlying sponsors?

JB: Alignment in SACV transactions takes many forms. Full sponsor rollover of existing commitments and crystallised carry is entry-level. Buyers are also looking for organic demand among sponsors to invest incremental capital into these deals. It is not uncommon to see all-in GP commitments of more than 10 percent of the SACV, highlighting sponsor conviction in the go-forward value creation plan.

Another form of alignment comes via the positive selection bias of sponsors being incentivised to select their best assets for SACVs. Not only do GPs have considerable sums of their own capital in these deals, but they are also keenly aware of the importance of delivering successful outcomes for CV investors, as that will affect their ability to sponsor future CV transactions.

Q Finally, what do you see as the future of the SACV syndication market?

JB: The reason we have a healthy syndication market is because of the considerable supply-and-demand imbalance that currently exists in the SACV market. As that changes, we believe we're going to see the syndication market increasingly displaced and relegated to large-cap SACV transactions.

After all, sponsors are keen to be efficient with their resources, to keep information confidential, and to get these transactions completed in a timely fashion. The syndication market stresses each of these considerations, and sponsors have a strong preference for transacting with one large lead buyer that can deliver execution certainty.

For all these reasons, we believe syndicate investors are increasingly going to have a harder time accessing the very best opportunities in the market. ■

Christophe Browne and Jeffrey Bloom are partners on the secondary team at Lexington Partners, leading the firm's strategy for single-asset continuation vehicles