Piece by Piece

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"**Only when the tide goes out do you discover who's been swimming naked.**" – Warren Buffett

Technology-focused investment firm Tiger Global Management has long been heralded as one of the industry's top private equity investors. Since launching its private equity fund in 2003, the firm has deployed capital into more than 1,000 companies across nine funds with $58 billion in assets under management (AUM), boasting over 130 exits along the way. However, despite the long track record, the firm has fallen on hard times lately.

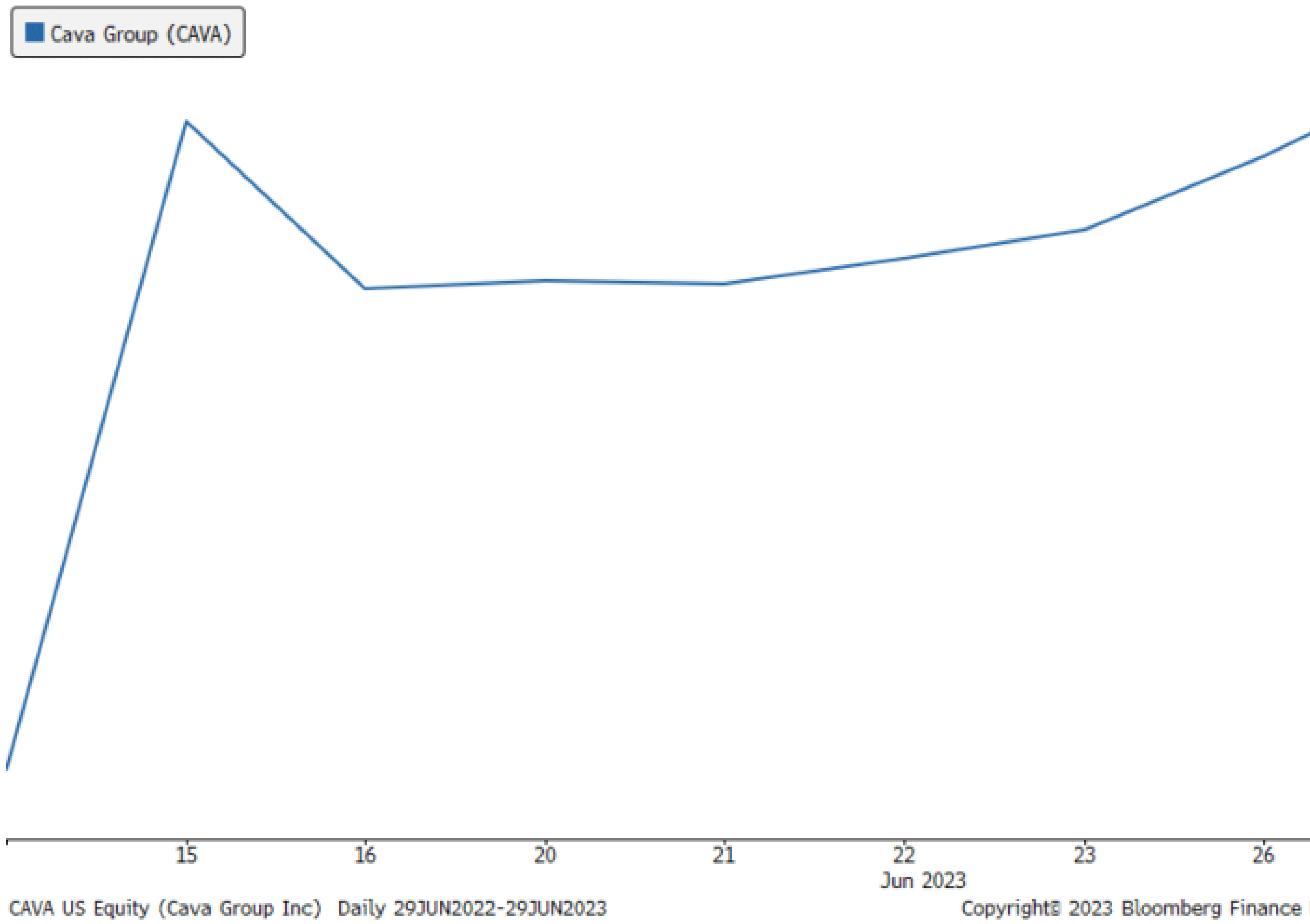
PitchBook recently reported that Tiger Global failed to find a lead buyer in a strip sale that packaged roughly 30 of its portfolio companies together. The failed liquidation attempt underscores the broader challenges that many late-stage private market investors are facing. Since M&A and public market exit activity has dried up, investors like Tiger Global have turned to secondary markets for liquidity. However, many late-stage investments that were made during the pandemic-era tech shopping spree resulted in sky high valuations – and now investors like Tiger Global are paying a steep price.

Following its failed strip sale, Tiger Global is now reportedly preparing to sell secondary stakes in individual companies, piece by piece. According to PitchBook, "Tiger Global has told select secondary investors they can bid on any private company in its portfolio." The fire sale has made Tiger Global's attempt to lure new investors that much more difficult, as The Financial Times reported that they've only secured $2 billion for a new fund targeting $6 billion after eight months of fundraising.

Tiger Global's predicament highlights two realities in today's private markets:

1. Many late-stage investors that leaned into the FOMO craze during the pandemic-era tech run got in over their skis and are struggling to find liquidity and attract new capital in today's market.
2. New opportunities are presenting themselves by the day to disciplined investors that kept dry powder on the sideline to invest in good companies at reasonable valuations.

As noted earlier this month, the tech-heavy Nasdaq has had an exceptional start to 2023, which has fueled hope that the US initial public offering (IPO) market will begin to make a resurgence. Cava's strong public market debut has certainly added fuel to that fire.



However, since private markets typically trail public markets, the late-stage market is likely to remain “whacked” (as TechCrunch recently put it) until the spigots open again. This should allow investors with ample dry powder a unique opportunity to pounce on late-stage deals.

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