



Partners Group

REALIZING POTENTIAL IN PRIVATE MARKETS

Press release

Baar-Zug, Switzerland, 13 September 2016

Partners Group reports strong H1 2016 financials and net profit of CHF 254 million

Highlights

- **USD 4.9 billion invested** in corporate, real estate and infrastructure assets in H1 2016 (H1 2015: USD 4.5 billion) on behalf of the firm's clients
- **EUR 4.6 billion in new commitments** from the firm's global client base across all private markets asset classes in H1 2016 (H1 2015: EUR 3.8 billion); full-year 2016 guidance for new client commitments reconfirmed as EUR 8-9 billion
- **Revenues** rose to CHF 453 million (H1 2015: CHF 287 million):
 - **Management fees** grew in line with average AuM and increased by 26% to CHF 322 million in H1 2016 (H1 2015: CHF 255 million)
 - **Performance fees** increased to CHF 131 million in H1 2016 (H1 2015: CHF 32 million) based on strong underlying value creation in more mature client portfolios and are anticipated to be comparably strong in H2 2016; in the long run, they are expected to constitute around 20% of revenues, assuming exit markets remain broadly supportive
- **EBITDA** increased in line with revenues to CHF 272 million (H1 2015: CHF 166 million); **EBITDA margin** increased to 60% (H1 2015: 58%)
- **IFRS net profit** increased to CHF 254 million (H1 2015: CHF 214 million), up 19%

Client demand well-diversified across regions and client types

The firm's global client demand in H1 2016 was well spread across all asset classes and continued to be highly diversified across regions, size and types of clients. Corporate and public pension funds continued to be the key contributors to the growth in assets under management (AuM), representing about half of the inflows. The remaining demand stemmed from other institutional investors, such as insurance companies, sovereign wealth funds and endowments, as well as from Partners Group's distribution partners.

Summary of financial figures

Key figures H1 2015 and H1 2016

(in CHF m)

	<u>H1 2015</u>	<u>H1 2016</u>	
Revenues ¹	287	453	+58%
Management fees ²	255	322	
Performance fees	32	131	
EBITDA	166	272	+64%
Financial result	70 ³	23	
IFRS net profit	214	254	+19%

¹ Revenues from management services, net, including other operating income and share of results of associates.

² Management fees include recurring management fees and other income, including late management fees.

³ Pearl Holding Limited generated a CHF 51 million gain in H1 2015 in the context of its successful conversion into a closed-ended structure, as requested by the program's investors.

Financials: revenue growth outpaces AuM growth as performance fees increase

In H1 2016, the total **average AuM** in EUR increased by 22% to EUR 47.6 billion (H1 2015: EUR 39.0 billion). **Management fees** grew in line with AuM and increased by 26%, amounting to CHF 322 million (H1 2015: CHF 255 million). **Performance fees** increased to CHF 131 million (H1 2015: CHF 32 million), leading to overall **revenues** of CHF 453 million (H1 2015: CHF 287 million).

Performance fees typically start to be earned six to nine years after an investment program commences its investment activities and once value creation in the portfolio has surpassed the program's performance hurdles. Several investment programs and mandates from a wide range of vintages experienced a shift in the timing of anticipated performance fee payments from 2010-2015 to 2016-2020, due to the longer asset holding periods caused by the financial crisis. While part of this performance fee potential was realized in H1 2016, Partners Group expects to continue to unlock further performance fee potential during the second half of the year and thus anticipates a comparably strong H2 2016. The actual development will, though, depend on the exit processes for underlying, globally diversified assets in which value has been created.

André Frei, Partner and Co-Chief Executive Officer, Partners Group, states: *"We currently manage over 200 diverse investment programs and mandates at different stages of their life cycle. Our established relative value approach allows us to capitalize on specific private markets investment opportunities at different points in the market cycle for our clients, who remain the principal beneficiaries of the returns generated. As our investment capacity grows, this implies that the number of investment programs at each stage of their life cycle should also increase. For this reason, we anticipate that performance fees will be paid more regularly going forward from a diversified range of vehicles, making them a quasi-recurring source of income for the firm that should grow in line with*

AuM in the long run. Assuming market conditions remain broadly supportive, performance fees are expected to represent around 20% of total revenues in the future."

Despite the increase in performance fees, management fees derived from long-term client contracts will continue to dominate Partners Group's revenue streams in the years to come. Given the anticipated growth in the firm's AuM, management fees are expected to make up around 80% of total revenues in the long term.

Partners Group's **EBITDA margin** increased to 60% in H1 2016 (H1 2015: 58%); **EBITDA** increased to CHF 272 million in H1 2016 (H1 2015: CHF 166 million). The firm continues to manage its EBITDA margin in a disciplined manner and reconfirms its ~60% target EBITDA margin for newly generated management fees (assuming stable foreign exchange rates), as well as for performance fees on existing and new AuM. In order to align long-term employee compensation with investment results for clients and the firm's overall financial success, Partners Group allocates ~40% of performance fees earned from investments to the firm's professionals through its compensation programs.

Partners Group typically invests into its investment programs alongside its clients (around 1% of client commitments); the performance of these investments substantially contributed to a **financial result** of CHF 23 million in H1 2016 (H1 2015: CHF 19 million, excluding the CHF 51 million conversion gain from the Pearl investment program). In summary, the firm's **IFRS net profit** increased by 19% in H1 2016, standing at CHF 254 million (H1 2015: CHF 214 million).

Outlook

A continued solid pipeline of investment opportunities allowed Partners Group in July to narrow its guidance for the anticipated bandwidth of new gross client commitments for the full-year 2016 to EUR 8-9 billion, which constitutes the upper end of the previous full-year 2016 guidance of EUR 7-9 billion. The firm's full-year estimates of tail-down effects from the more mature Partners Group programs and potential redemptions from liquid and semi-liquid programs have not changed and amount to EUR -2.5 to -3.5 billion.

Christoph Rubeli, Partner and Co-Chief Executive Officer, Partners Group, concludes: *"We see institutional investors globally continuing to increase their allocations to asset classes with superior return profiles, such as private markets, in this low-yield environment. We are committed to building out our platform globally to accommodate this growth in client demand; this year we opened offices in Denver and Manila and we are currently building out our teams in both places. On the investment side, prices remain elevated across private markets and selectivity and a focus on quality remain key to our investment process. In the current environment, we place increased emphasis on the stability of valuations in the companies and assets we invest in, as well as on the potential for value creation."*

Key dates 2017

12 January 2017	Announcement of AuM as of 31 December 2016
21 March 2017	Annual results and report as of 31 December 2016
10 May 2017	Shareholder AGM
13 July 2017	Announcement of AuM as of 30 June 2017
12 September 2017	Interim results and report as of 30 June 2017

Conference call and interim report H1 2016

Partners Group's senior management will hold a conference call today at 9am CET. Dial-in details can be obtained by using the contact details below.

The firm's interim report as of 30 June 2016 was published today at 7am CET and is available for download at www.partnersgroup.com/financialreports.

About Partners Group

Partners Group is a global private markets investment management firm with over EUR 49 billion (USD 55 billion) in investment programs under management in private equity, private real estate, private infrastructure and private debt. The firm manages a broad range of customized portfolios for an international clientele of institutional investors. Partners Group is headquartered in Zug, Switzerland and has offices in San Francisco, Denver, Houston, New York, São Paulo, London, Guernsey, Paris, Luxembourg, Milan, Munich, Dubai, Mumbai, Singapore, Manila, Shanghai, Seoul, Tokyo and Sydney. The firm employs over 850 people and is listed on the SIX Swiss Exchange (symbol: PGHN) with a major ownership by its partners and employees.

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