



# Partners Group

REALIZING POTENTIAL IN PRIVATE MARKETS

## Press release

Baar-Zug, Switzerland, 10 September 2019

Partners Group reports H1 2019 financials: strong increase in revenues from management fees in conjunction with lower performance fees result in moderate EBIT growth

### *Summary H1 2019*

- **USD 6.9 billion invested** across all private markets asset classes (H1 2018: USD 7.7 billion) on behalf of the firm's clients
- **Gross client inflows of EUR 7.4 billion** (H1 2018: EUR 6.2 billion) across regions and size and type of client; expected range of EUR 13-16 billion in gross client demand for 2019 reconfirmed
- **Management fees** increased by 14% to CHF 552 million (H1 2018: CHF 484 million), in line with average AuM growth of 16%
- **Performance fees** decreased to CHF 130 million (H1 2018: CHF 175 million), representing 19% of total revenues, around the lower end of the firm's communicated full-year guidance of 20-30%
- **Total revenues** increased by 4% to CHF 682 million (H1 2018: CHF 659 million); the strong build-out of the platform resulted in total personnel expenses increasing at a higher rate (+6%) than revenues
- **EBIT** increased by 1% to CHF 432 million (H1 2018: CHF 429 million); the firm's **EBIT margin** stands at 63% (H1 2018: 65%)
- The **financial result**, driven by solid investment performance across the firm's programs, continued to support profit development and amounted to CHF 23 million (H1 2018: CHF 17 million)
- **Profit** increased by 1% to CHF 397 million (H1 2018: CHF 394 million), in line with EBIT

H1 2019 was a solid start to the year for Partners Group, supported by sustained demand across all regions from clients, who entrusted the firm with EUR 7.4 billion in new commitments. Despite lower investment volumes in the market in the first half of the year, Partners Group succeeded in

investing USD 6.9 billion on behalf of its clients and demonstrated its continued ability to transact on attractive businesses and assets across all private markets asset classes.

David Layton, Partner and Co-Chief Executive Officer, Partners Group, states: *"Assets that are considered more 'defensive' because they offer cash flow security come at a significant premium in the current market environment. Barring another decade of multiple expansion and falling rates, the expected returns for these assets are likely to be mediocre at best. We therefore focus on building out cash flows and establishing resilient assets through active value creation and strong governance; we remain convinced that this is the only way to achieve sustainable, long-term growth today."*

#### *Summary of key financial figures (in CHF million)*

	<u>H1 2018</u>	<u>H1 2019</u>	
Revenues <sup>1</sup>	659	682	+4%
<i>Management fees</i> <sup>2</sup>	484	552	
<i>Performance fees</i>	175	130	
Personnel expenses	-189	-201	
<b>EBIT</b>	<b>429</b>	<b>432</b>	<b>+ 1%</b>
Financial result	17	23	
<b>Profit</b>	<b>394</b>	<b>397</b>	<b>+ 1%</b>

<sup>1</sup> Revenues include management fees and performance fees.

<sup>2</sup> Management fees include recurring management fees and other revenues, net, and other operating income.

#### *Financials in H1 2019*

**Revenues** increased by 4% year-on-year to CHF 682 million (H1 2018: CHF 659 million). The management fee margin remained stable in H1 2019, amounting to 1.28% (full-year 2018: 1.29%). Performance fees brought the total revenue margin to 1.55% (full-year 2018: 1.71%) during the same period.

**Management fees**<sup>1</sup> increased by 14%, amounting to CHF 552 million (H1 2018: CHF 484 million), in line with average AuM growth of 16%.<sup>2</sup> The growth was also supported by late management fees and other income,<sup>3</sup> which increased by 49% to CHF 51 million (H1 2018: CHF 34 million).

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<sup>1</sup> Management fees include recurring management fees and other revenues, net, and other operating income.

<sup>2</sup> Based on average AuM of CHF 86 billion in H1 2019 (H1 2018: CHF 74 billion), calculated on a daily basis.

<sup>3</sup> Other income includes income earned for fundraising and investment services, treasury management and short-term financing services. Late management fees and other income no longer include advisory services on select assets. Due to their recurring nature, the income stemming from such services is recognized in recurring management fees and amounted to CHF 9 million in H1 2019 (H1 2018: CHF 9 million).

Management fees will continue to be the main source of revenue for Partners Group, constituting an expected share of around 70-80% of revenues in the longer term (H1 2019: 81%).

**Performance fees** decreased to CHF 130 million in H1 2019 (H1 2018: CHF 175 million), partially affected by uncertainty and a pick-up in volatility in financial markets at the beginning of the year. These circumstances led the firm to postpone select divestment decisions and, ultimately, resulted in a lower number of realizations. As a result, performance fees represented 19% of total revenues (H1 2018: 27%) and were around the lower end of the firm's communicated full-year guidance of 20-30% of total revenues.

André Frei, Partner and Co-Chief Executive Officer, Partners Group, comments: *"We continue to observe the structural trend of increasing allocations to private markets by institutional investors and are pleased to see that this translated into solid underlying growth in our business. Based on the continued robust performance of our investment programs, we expect performance fees to contribute meaningfully to our revenues in 2019 and to revert to the communicated full-year range of 20-30% of total revenues, assuming that the market remains favorable to exits."*

With the publication of its H1 2019 financials, the firm has changed its primary key performance indicator from EBITDA to EBIT as this will better reflect operating performance going forward.<sup>4</sup> The strong build-out of teams across the entire organization over the last twelve months resulted in total personnel expenses increasing at a higher rate (+6%) than revenues (+4%). The increase in total personnel expenses was mitigated by the fact that other (performance fee-related) personnel expenses<sup>5</sup> decreased in line with the development of overall performance fees during the same period. As a result, **EBIT** increased by 1%, amounting to CHF 432 million (H1 2018: CHF 429 million), and the **EBIT margin** slightly decreased to 63% (H1 2018: 65%). Partners Group will continue to steer the firm towards a **target EBIT margin of ~60%** for newly generated management fees (assuming foreign exchange rates remain stable), as well as for performance fees on new and existing AuM.

The **financial result** amounted to CHF 23 million (H1 2018: CHF 17 million). Partners Group invests into its investment programs alongside clients (typically around 1% of the program's size). The value creation and performance generated on these investments were the largest contributors to the financial result and amounted to CHF 33 million (H1 2018: CHF 28 million). However, this positive contribution was partially offset by a negative foreign exchange result. In

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<sup>4</sup>The application of IFRS 16 Leases as of 1 January 2019 resulted in the recognition of right-of-use assets and lease liabilities on the balance sheet. As a result, a lessee recognizes depreciation expenses of the right-of-use assets, whereas, before IFRS 16 became effective, leasing expenses were included in other operating expenses. This change in accounting policy supported the development of the firm's EBITDA with a CHF 6 million contribution, resulting in a total EBITDA of CHF 447 million in H1 2019 (H1 2018: CHF 437 million), an increase of 2%. Following the adoption of IFRS 16 Leases, EBIT represents a more suitable measure of operating performance than EBITDA.

<sup>5</sup> Partners Group allocates ~40% of revenues stemming from performance fees to its teams through its long-term incentive programs and/or bonus payments. The remainder (~60%) is allocated to the firm and its shareholders.

combination with higher corporate taxes, this led the firm's **profit** to increase by 1% year-on-year to CHF 397 million (H1 2018: CHF 394 million), in line with EBIT.

### *Outlook for the full-year 2019*

Based on Partners Group's strong track record of investment performance and client service excellence, the firm reconfirms its expectation for 2019 client demand. For the full-year 2019, Partners Group expects gross client demand of EUR 13-16 billion across all asset classes, regions and types of investor as well as EUR -6.5 to -7.5 billion in tail-down effects from the more mature Partners Group programs, including potential redemptions from semi-liquid programs. Fundraising will be spread across a variety of solutions spanning all private markets asset classes, including flagship programs, customized mandates and the firm's extensive range of innovative semi-liquid offerings.

### *Press conference and Interim Report*

Partners Group's senior management will hold a press conference to discuss the semi-annual results today at 9.00am London time (10am CET) at the London Stock Exchange, 10 Paternoster Row, London. Dial-in details for the conference can be obtained using the contact details below.

The Interim Report as of 30 June 2019 was published today at 7.00am CET and is available for download at [www.partnersgroup.com/financialreports](http://www.partnersgroup.com/financialreports).

### *Key dates 2020*

16 January 2020	Announcement of AuM as of 31 December 2019
17 March 2020	Annual results and Annual Report as of 31 December 2019
13 May 2020	Annual General Meeting of shareholders
9 July 2020	AuM announcement as of 30 June 2020
8 September 2020	Interim results and Interim Report as of 30 June 2020

### **About Partners Group**

Partners Group is a global private markets investment management firm with EUR 80 billion (USD 91 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 Denver, Houston, Toronto, New York, São Paulo, London, Guernsey, Paris, Luxembourg, Milan, Munich, Dubai, Mumbai, Singapore, Manila, Shanghai, Seoul, Tokyo and Sydney. The firm employs over 1,300 people and is listed on the SIX Swiss Exchange (symbol: PGHN) with a major ownership by its partners and employees.

**Investor relations contact**

Philip Sauer

Phone: +41 41 784 66 60

Email: [philip.sauer@partnersgroup.com](mailto:philip.sauer@partnersgroup.com)

**Media relations contact**

Jenny Blinch

Phone: +44 207 575 2571

Email: [jenny.blinch@partnersgroup.com](mailto:jenny.blinch@partnersgroup.com)

[www.partnersgroup.com](http://www.partnersgroup.com)