2017 at a glance – Partners Group's business model and review of financial performance

Financials

Net profit reached a record of **CHF 752 million** in 2017; **dividend** of **CHF 19.00 per share** proposed.

Record bottom line in 2017

Client demand (EUR 13 billion raised), investment activities (USD 13 billion invested) and underlying portfolio realizations (USD 12 billion) in 2017 enabled us to generate strong financial results across the board. Revenues increased for the first time to over CHF 1 billion, attributable to an increase in revenues from management fees, high non-recurring income and continued solid performance fee development.

Revenues increased by 28% year on year to CHF 1'245 million and EBITDA by 37% year on year to CHF 825 million, resulting in a record bottom line of CHF 752 million, an increase of 35% over the same period.

The public market valued Partners Group at CHF 18 billion in market capitalization as of the end of 2017, making it one of the most valuable listed private markets investment manager globally.

Key financials

	2016	2017	Growth
AuM as of the end of the year (in EUR bn)	54.2	61.9	+14%
AuM as of the end of the year (in CHF bn)	58.1	72.5	+25%
Revenue margin[1,2]	1.74%	1.89%	
Attributable to management fee margin[1,3]	*70%*	*70%*	
Attributable to performance fee margin[1]	*30%*	*30%*	
Revenues (in CHF m)[2]	973	1'245	+28%
Management fees (in CHF m)[3]	*679*	*873*	*+29%*
Performance fees (in CHF m)	*294*	*372*	*+26%*
EBITDA margin	62%	66%	
EBITDA (in CHF m)	601	825	+37%
IFRS profit (in CHF m)	558	752	+35%

1 Based on average AuM (in CHF) calculated on a daily basis. **2** Revenues from management services, net, including other operating income and share of results of associates. **3** Management fees include recurring management fees and other revenues, net, other operating income and share of results of associates.

2017 at a glance – Partners Group's business model and review of financial performance

2017 highlights

AuM development drives management fees

Management fees increased by 29%. This disproportionate management fee growth versus the average AuM growth in CHF was mainly due to the successful closings of flagship programs during the period, which resulted in high late management fees and other income.

Performance fees remained solid

We increased our focus on portfolio exits in order to benefit from the attractive selling conditions and to capture outsized returns. Performance fee development therefore continued to be solid, with total performance fees amounting to CHF 372 million in 2017 (2016: CHF 294 million), representing 30% of total revenues (2016: 30%). This is the upper end of our communicated bandwidth of around 20-30% of total revenues in the longer term.

EBITDA margin (temporarily) expanded

The EBITDA margin temporarily increased to 66% (2016: 62%) and was mainly due to the strong increase in revenues deriving from management fees which outpaced the firm's hiring activities during the period. Based on our future growth potential we continue to significantly build out our investment platform and expect our EBITDA margin to revert to our target of ~60% in the mid term.

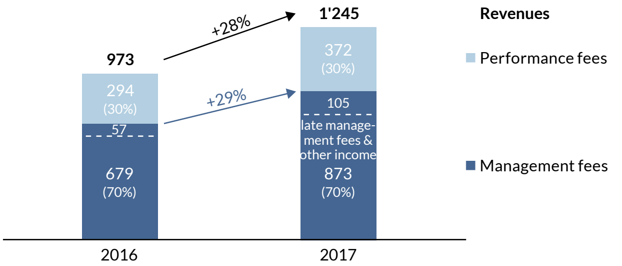
Revenue growth outpaces AuM growth due to higher late management fees and other income

In 2017, revenues rose to CHF 1'245 million (2016: CHF 973 million) and increased by 28%. Management fees increased by 29%, amounting to CHF 873 million (2016: CHF 679 million), growing faster than average AuM in CHF, which increased by 18%. This disproportionate growth was mainly due to the successful closings of flagship programs during the period, which resulted in higher late management fees and other income.[2] The latter nearly doubled compared to the previous year, amounting to CHF 105 million (2016: CHF 57 million).

2 Late management fees and other income amounted to CHF 105 million in 2017 (2016: CHF 57 million), an increase of +85%. Late management fees occur in limited partnership structures, which typically have a contractual life of 10-12 years. At the very beginning of this contractual life, these structures go through a fundraising period of 12-24 months. All clients who commit to open investment programs during this period owe management fees for the entire lifetime of the fund, irrespective of when the commitment was made. This is based on the fact that the firm has already commenced investment management services for these programs from the day of their initiation. Clients who join an investment program at a later stage of the fundraising period are required to pay retrospectively for these previously delivered management services. Any management fee payments relating to prior accounting years are called late management fees. A period in which older programs complete fundraising is more likely to lead to higher late management fees in the same period.

Performance fees continued to remain at a solid level and amounted to CHF 372 million (2016: CHF 294 million).

Revenues
(in CHF m)

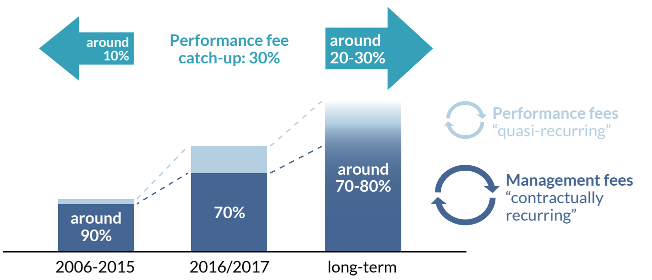


Note: revenues include management fees and performance fees. Management fees include recurring management fees and other revenues, net, other operating income and share of results of associates.

Management fees will continue to be the main source of revenues

Management fees will continue to dominate our firm's revenues in the years to come. Given the anticipated growth in the firm's AuM, management fees are expected to make up around 70-80% of total revenues and will be recurring based on long-term client contracts, with a typical term of 10-12 years for equity and 5-7 years for debt offerings.

Management fees are contractually recurring



Note: assuming that the market remains favorable to exits, Partnes Group expects to continue to generate significant performance fees from its underlying client portfolios due to the visibility that it has on the lifecycles of its programs; management fees include recurring management fees and other revenues, net, other operating income and share of results of associates.

We currently manage over 250 diverse investment programs and mandates at different stages of their lifecycle. Our established approach of launching investment programs and mandates to enable clients to capitalize on specific private markets investment opportunities at different points in the market cycle means that there will typically be several investment vehicles maturing at each stage of the cycle. Most of these vehicles entitle the firm to a performance fee, typically subject to pre-agreed return hurdles.

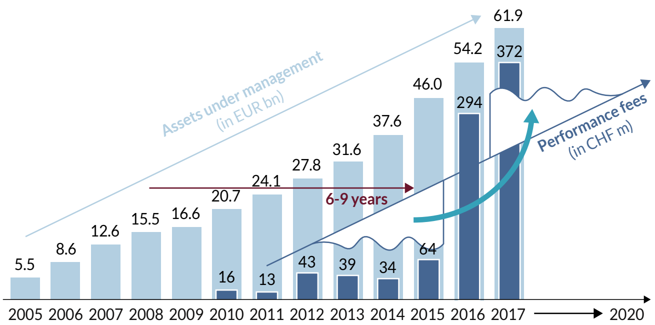
Due to this diversification, we anticipate that performance fees will be earned regularly from a wide range of vehicles going

2017 at a glance – Partners Group's business model and review of financial performance

forward, making them a "quasi-recurring" source of income, assuming market conditions remain broadly supportive.

In 2017, a large number of investment programs and mandates from a wide range of vintages paid out performance fees. For the years to come, we expect to continue to generate significant performance fees from underlying client portfolios. The expected bandwidth for performance fees as a proportion of total revenues remains at around 20-30%, assuming that the market remains favorable to exits.

Performance fee development

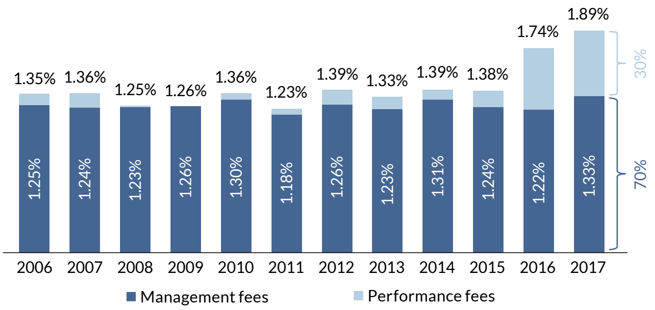


Note: assuming that the market remains favorable to exits, Partners Group expects to continue to generate significant performance fees from its underlying client portfolios.

Stable revenue margin on management fees; higher margins due to higher level of performance fees

The dominant part of our revenue base is still recurring and based on long-term contracts with our clients, providing highly visible cash flows. The increase in management fee margin was driven by higher late management fees and other income, amounting to 1.33% (2016: 1.22%). Performance fees lifted the total revenue margin to 1.89% (2016: 1.74%) during the same period.

Stable management fee margin



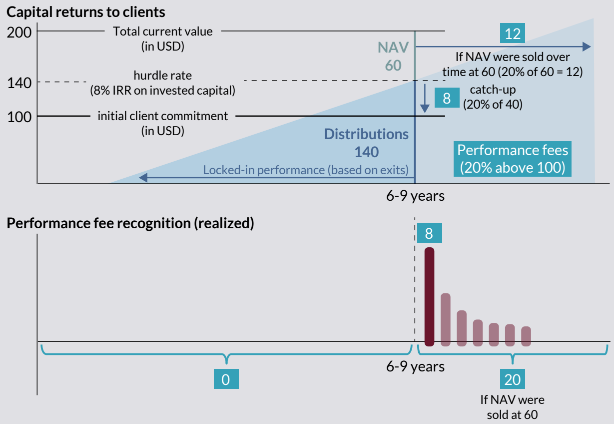
Note: management fees include recurring management fees and other revenues, net, other operating income and share of results of associates; based on average AuM (in CHF) calculated on a daily basis.

Performance fee mechanism

In private markets, performance fees are designed to remunerate investment managers for their long-term value creation results. They are a profit-sharing incentive for managers that outperform an agreed hurdle over the lifetime of an investment program. Performance fees are typically only charged once investments are realized and a pre-defined return hurdle has been exceeded. Because the value creation period lasts for several years, performance fees typically only start to be earned six to nine years after an investment program commences its investment activities, and only if these are successful.

The chart below shows the performance fee recognition model of a typical limited partnership program. It shows how distribution activities in client portfolios bring forward the maturity profile of an investment program and increase the likelihood that the required return hurdle is reached.

Performance fee recognition model



Note: performance fees of performance fee generating investment programs and mandates typically range between 10-20% over a hurdle of 6-8% IRR on invested capital, depending on the program and instruments. For illustrative purposes only.

This illustrative example assumes an initial client commitment of 100. After a couple of years the portfolio generates distributions to the client based on ongoing exit activities. After 6-9 years, there should be so many distributions (cumulated) to the client that the hurdle rate is reached (140). At this point in time, the investment manager catches up on past performance in excess of the initial client commitment ("catch-up" on 140-100 = 40 x 20% performance fees = 8).

2017 at a glance – Partners Group's business model and review of financial performance

Performance fee mechanism (continued)

The investment manager will share any additional distributions stemming from the sale of the remaining portfolio over time, according to a pre-defined performance-sharing mechanism with clients (80% to clients; 20% to the investment manager). It is assumed that the remaining NAV equals 60 and this entitles the investment manager to an additional performance fee of 12 (60 x 20%) should the portfolio be sold at the indicated value of 60.

In summary, due to the investment manager's long-term value creation, the initial client commitment of 100 has grown in value to 200, which entitles the investment manager to a performance fee of 20 (200 –100 = 100 value gain x 20% performance fees).

EBITDA margin temporarily up; ~60% target EBITDA margin confirmed

In 2017, EBITDA increased by 37% year on year, amounting to CHF 825 million (2016: CHF 601 million). The EBITDA margin increased to 66% (2016: 62%), temporarily above the firm's long-term target EBITDA margin of ~60% for newly generated management fees (assuming stable foreign exchange rates), as well as for performance fees on existing and new AuM.

The temporary margin expansion was mainly due to the strong increase in revenues deriving from management fees, which outpaced the firm's hiring activities during the period. While revenues increased by 28% in 2017, total personnel expenses – the main driver of our expenses – increased by 13%, in line with the growth in the total number of professionals.

Revenues grew more than costs (in CHF m)

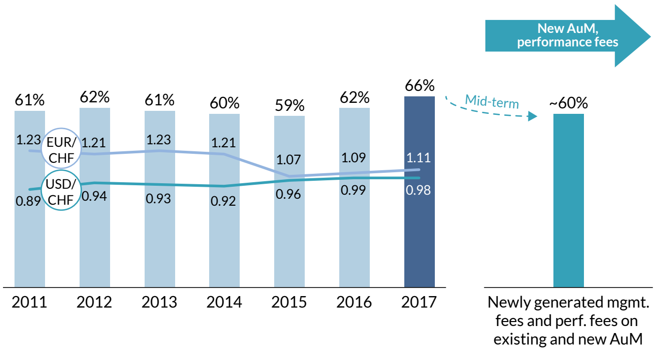
	2016		2017
Revenues	973	+28%	1'245
Total costs, of which	-372	+13%	-420
Personnel expenses	-318	+13%	-359
Operating expenses	-55	+10%	-60
EBITDA	601	+37%	825
EBITDA margin	*62%*	*+4%-points*	*66%*

Note: revenues include management fees and performance fees. Management fees include recurring management fees and other revenues, net, other operating income and share of results of associates.

We are further committed to sustainably investing in the build-out of our investment platform and hiring professionals in order to systematically increase our capacity to generate and pursue attractive investment opportunities in line with the growing allocations of our clients.

The allocation of revenues stemming from performance fees to our professionals through our long-term compensation programs was in line with our target EBITDA margin. We allocated ~40% of performance fees to the team, ~60% remained with the firm and its shareholders.

EBITDA margin development and outlook



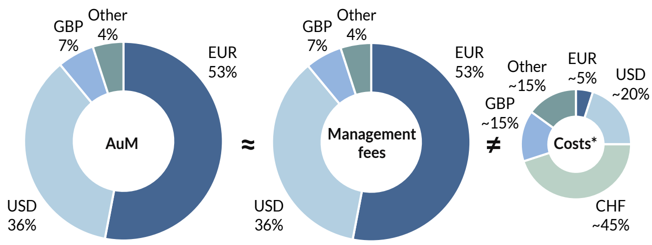
Note: foreign exchange rates in daily averages in respective years.

Continued diversification of AuM, revenues and cost base anticipated

Despite growing our business internationally and consequently diversifying our sources of income, our revenues still primarily derive from EUR- and USD-denominated investment programs and mandates. Fluctuations in these currencies against the CHF can affect the absolute amount of revenues and costs. In 2017, the modest strengthening of the EUR against the CHF positively affected revenues.

Our team has grown at a higher rate outside Switzerland in recent years based on our continuously increasing investment opportunities around the world. This slowly diversifies our cost base further and reduces our cost base in CHF in relative terms over time. As a result, the foreign exchange impact on the EBITDA margin deriving from a CHF-denominated cost base contrasted with EUR/USD-denominated revenues is expected to be reduced even further.

Currency exposure in 2017



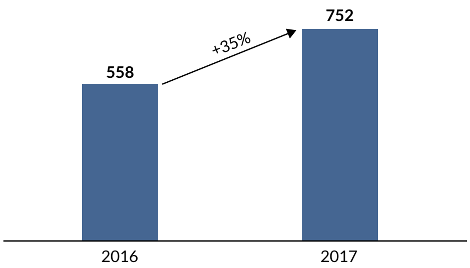
*Includes personnel expenses and other operating expenses.
Note: all figures are based on estimates and the currency denomination of underlying programs; revenues include revenues from management services, net, other operating income and share of results of associates.

2017 at a glance – Partners Group's business model and review of financial performance

Value creation in client portfolios drives financial result

We typically invest into our own investment programs alongside our clients (around 1% of the program's size). The positive performance of these investments was the main contributor to the financial result of CHF 36 million in 2017 (2016: CHF 38 million). In summary, the firm's IFRS profit increased by 35% year on year to stand at CHF 752 million (2016: CHF 558 million).

IFRS profit development
(in CHF m)



Net liquidity of CHF 1.3 billion; successful bond issuance of CHF 300 million in 2017

Partners Group's balance sheet remains strong. After a dividend payment of CHF 397 million in May 2017, we hold a current net liquidity position of CHF 1.3 billion as of 31 December 2017. The net liquidity position comprises cash & cash equivalents and short-term working capital facilities for investment programs provided by the firm, net of borrowings.

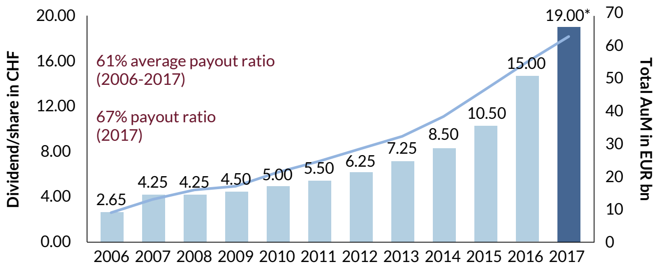
In 2017, we successfully issued Partners Group's first corporate bond, raising CHF 300 million through a fixed-rate senior unsecured CHF-denominated issue. The bond was issued with a seven-year term and a coupon of 0.15% and matures on 7 June 2024. The bond enables us to optimize the management of our liquidity for, in particular, short-term financing needs arising from the provision of treasury management services for clients. These services allow for efficient use of capital within a number of our investment programs by bridging capital drawdowns and distributions where beneficial for clients.

Proposed dividend increase of 27% to CHF 19.00 per share

Based on the solid development of the business in all asset classes and regions, the operating result and confidence in the sustainability of the firm's growth, Partners Group's Board of Directors proposes a dividend of CHF 19.00 per share (2017: CHF 15.00 per share) to its shareholders at the Annual General Meeting on 9 May 2018. This represents a dividend increase of 27%.

The total proposed dividend distribution of CHF 507 million corresponds to a 67% payout ratio of the IFRS profit and represents a dividend yield of 2.8% based on the share price of CHF 668 as of 31 December 2017.

Dividend payments since IPO



*As per proposal to be submitted to the 2018 Annual General Meeting of shareholders to be held on 9 May 2018.
Note: assets under management exclude discontinued public alternative investment activities and divested affiliated companies.

Financial outlook

We are moving confidently into 2018 and see solid demand for our new programs and mandates from clients across the globe.

- We expect **management fees** to continue to grow alongside AuM. While we are about to launch several new initiatives in 2018 (no flagship offerings), we expect lower late management fees and other income than in the previous year.
- We expect **performance fees** to remain within the expected bandwidth of around 20-30% as a proportion of total revenues, assuming that the market remains favorable to exits.
- We expect **personnel expenses** to increase broadly in line with AuM and management fees as we continue to sustainably invest in the build-out of our investment platform and hiring of dedicated professionals. Performance-related compensation will continue to depend on performance fee development.
- We expect our current **EBITDA margin** to slowly revert to our ~60% target margin in the mid term due to our efforts to build out our investment platform.
- Our **balance sheet** remains solid. With CHF 2.0 billion in shareholders' equity and CHF 1.3 billion net liquidity, we feel well-equipped to realize the potential of private markets in different economic environments.