2020 at a glance – Financials

Financials

Financial stability of business confirmed; **management fees** up 1%; **EBIT margin at 62%.**

Our transformational investing strategy provided support to our portfolio in H1 and facilitated a rapid return to growth in H2. In H2, more favorable exit markets enabled the firm to realize several assets and performance fees recovered strongly to 27% of total revenues, up from 9% in H1. In H1, the firm had to postpone several divestments due to the weak exit environment caused by COVID-19.

Total revenues from performance fees therefore fell 44% to CHF 266 million, leading to total revenues decreasing 12% to CHF 1'412 million. Total revenues from management fees increased marginally by only 1% to CHF 1'146 million.

Our EBIT margin remained largely flat at 62%, confirming our disciplined approach to cost management. Profit decreased by 11% to CHF 805m, in line with revenues and driven by lower performance fees.

The Board proposes a dividend of CHF 27.50 per share (+8%) based on continued average AuM growth in CHF and a confident growth outlook across all business lines.

Key financials

	2019	2020	Growth
AuM as of the end of the period (in USD bn)	94.1	109.1	+16%
AuM as of the end of the period (in CHF bn)	91.1	96.4	+6%
Average AuM as of 31 December (in CHF bn)[1)]	**88.4**	**93.8**	**+6%**
Revenue margin[1),2)]	1.82%	1.51%	
Revenues (in CHF m)[2)]	**1'610**	**1'412**	**-12%**
Management fees (in CHF m)[3)]	*1'138*	*1'146*	+1%
In proportion of total revenues[3)]	71%	81%	
Performance fees (in CHF m)	*473*	*266*	-44%
In proportion of total revenues	*29%*	*19%*	
EBIT (in CHF m)	**1'008**	**875**	**-13%**
EBIT margin	62.6%	62.0%	
Profit (in CHF m)	**900**	**805**	**-11%**

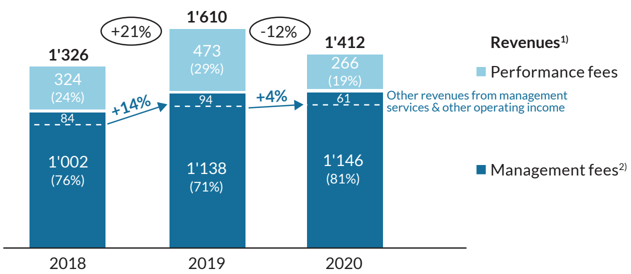
1) Based on average AuM, calculated on a daily basis.
2) Revenues from management services, net, including other operating income.
3) Management fees and other revenues, net, and other operating income.

2020 at a glance – Financials

Management fees stable, impacted by lower other operating income and the timing of fees levied on new funds raised

In 2020, our average AuM in CHF grew by 6%. Over the same period, management fees increased by 1%, amounting to CHF 1'146 million in 2020 (2019: CHF 1'138 million). The difference in growth can be explained by two factors. First, 95% of management fees generated in 2020 are recurring in nature. These recurring management fees increased by 4%, with the difference to average AuM growth in CHF (+6%) accounted for by the timing of fees levied on some new commitments, which will only contribute their full revenue potential from 2021. Second, other revenues from management services & other operating income decreased by 35% to CHF 61 million in 2020 (2019: CHF 94 million). The decrease stems predominately from lower other operating income earned for treasury management and short-term financing services. This was impacted by the reduced investment activity during Q2 and Q3 as a result of the market dislocation caused by COVID-19.

Revenue development
(in CHF m)

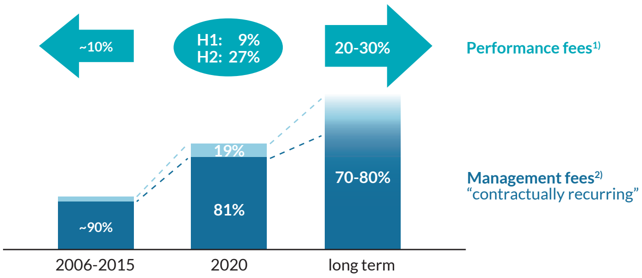


1) Revenues from management services, net, and other operating income.
2) Management fees and other revenues, net, and other operating income.

Management fees will continue to be the main source of revenues

Given the anticipated growth in the firm's AuM, management fees are expected to make up around 70-80% of total revenues in a calendar year in the medium to long term, with the remainder of revenues stemming from performance fees, assuming a favorable market environment for exits.

Management fees are contractually recurring



1) Assuming that the market is favorable to exits, Partners Group expects to continue to generate significant performance fees from the underlying client portfolios due to the visibility that it has on the life cycles of its programs.
2) Management fees and other revenues, net, and other operating income.

Management fees represented 81% of total revenues in 2020 (2019: 71%) and will continue to dominate our firm's revenues in the years to come. Below are some characteristics of the management fees generated by our different offerings:

- **Closed-ended offerings:** management fees are recurring as they are based on long-term client contracts, often with an initial term of 10-12 years for closed-ended equity offerings and 5-7 years for closed-ended debt offerings. Such closed-ended offerings represented 36% of our total AuM as of the end of December 2020.
- **Mandates:** management fees from mandates stem from capital that is committed via long-term partnerships, which are often not limited to a specific contractual life and will continue for a perpetual term, unless new commitments are discontinued. Mandates represented 38% of our AuM as of the end of December 2020.
- **Evergreen programs:** management fees stem predominantly from investment programs with limited liquidity that have no contractual end and cater predominantly to high-net-worth individuals and smaller investors; they represented 26% of AuM as of the end of December 2020[3].

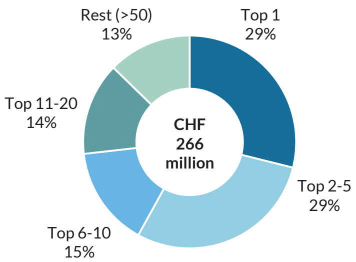
3 Gating provisions are a standard feature of these evergreen programs in order to protect remaining investors as well as performance; net redemptions in these investment programs are typically limited to 20-25% p.a. of the prevailing net asset value, depending on the investment strategy and content of the program. When deemed in the best interest of the investment program, stricter gating rules can be enforced for select share classes for a period of up to two years.

2020 at a glance – Financials

Performance fees impacted by weak exit environment in H1 but recovered strongly in H2

As a result of the market volatility and generally weak exit environment caused by COVID-19, we postponed a number of divestments that were originally tabled for H1 2020. In H2, the portfolio swiftly returned to growth and, as we realized several assets towards the end of the year due to more favorable exit markets, performance fees recovered strongly to 27% of total revenues in H2. Due to a low performance fee contribution in H1, performance fees for the full-year amounted to CHF 266 million (2019: CHF 473 million) and represented 19% of total revenues in 2020 (2019: 29%). This compares to our expected mid- to long-term range of 20-30% of total revenues, where we assume that exit markets are more supportive.

Performance fee contribution by investment programs & mandates in 2020



In total, about 70 investment programs and mandates with portfolios diversified across many vintage years contributed to performance fees in 2020. 2020 performance fees were driven by dozens of underlying direct assets and hundreds of portfolio assets. The asset that contributed the most represented 7% of the total performance fees in 2020. The investment program that contributed the most – a mature private equity evergreen program – represented 29% of the total performance fees in 2020.

Performance fee contribution by number of investment programs and mandates

In private markets, performance fees are designed to remunerate investment managers for the long-term value creation they generate for their clients. We follow a performance fee recognition approach, which sets high hurdles for reporting such fees and which minimizes the risk of a claw-back in case of a subsequent negative program development.

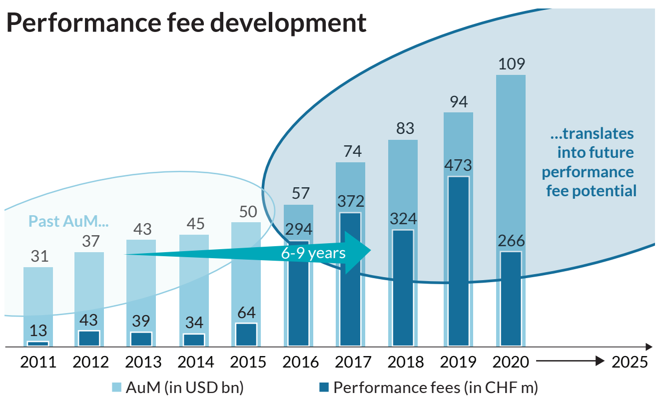
In closed-ended investment programs, performance fees are typically charged only once investments are realized and a pre-defined return hurdle has been exceeded. Unrealized investments are subject to very significant discounts (-50%) which are applied to stress-test whether the hurdle rate will still be reached despite these hypothetical mark-downs. The performance fee recognition methodology is explained in detail in the appendix on pages 26 and 27.

Strong current portfolio composition re-confirms mid- to long-term performance fee outlook

Our mid- to long-term performance fee outlook is unchanged and remains within a range of 20-30% of total revenues, assuming market conditions and the exit environment remain broadly supportive. We base our assumption on the strong performance potential and diversification of our current portfolio. We therefore expect our performance fee potential to grow roughly in line with AuM.

In 2020, we managed around 300 diversified investment programs and mandates at different stages of their lifecycle and anticipate that performance fees will be earned regularly from this wide range of investment vehicles going forward, making them a "quasi-recurring" source of income in the mid- to long-term.

Performance fee development



Note: assuming that the market is favorable to exits, Partners Group expects to continue to generate significant performance fees from the underlying client portfolios due to the visibility that it has on the life cycles of its programs.

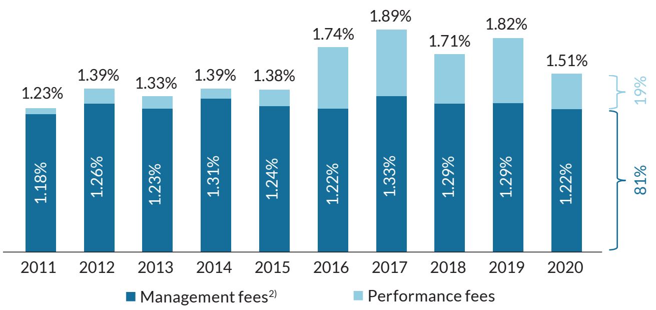
2020 at a glance – Financials

Continued stable revenue margin on management fees

A substantial part of our revenue base is recurring and based on long-term contracts with our clients, providing highly visible cash flows. Our management fee margin has been stable since our IPO and ranged between 1.18% and 1.33%.

In 2020, the management fee margin decreased marginally, mainly due to lower other operating income (CHF -33 million compared to previous year) as a result of the weaker investment environment, amounting to 1.22% (2019: 1.29%). Total revenue margin decreased due to the overall lower performance fees in 2020 and amounted to 1.51% (2019: 1.82%).

Revenue margin development[1)]



1) Calculated as revenues divided by average assets under management, calculated on a daily basis.
2) Management fees and other revenues, net, and other operating income.

Balancing cost discipline with making the right investments for future growth

Personnel expenses represent the largest costs for the firm. In 2018 and 2019, we intensified the build-out of our teams across the entire organization to increase our investment capacity and to support major business, corporate and organizational initiatives to drive future growth. The firm grew its FTEs by 42% from 1'025 FTEs in the beginning of 2018 to 1'452 FTEs at the end of 2019.

Throughout 2020, we prioritized business continuity and the onboarding of recent joiners over the hiring of new employees. As a result, hiring efforts temporarily slowed and resulted in a 5% FTE growth for the twelve-month period ended 31 December 2020[4], largely in line with the development of average AuM in CHF (+6%). While the slowdown of hiring confirmed our cost discipline, the average number of FTEs grew by 12% to 1'504 (2019: 1'337 average FTEs), following the intensified hiring throughout 2019 as a result of the strong growth trajectory of AuM.

4 As of 31 December 2020, FTEs amounted to 1'519 (31 December 2019: 1'452).

Total personnel expenses – the main driver of costs for the firm – decreased by 12% during the period. The increase of regular personnel expenses (management-fee related) by 8% to CHF 329 million (2019: CHF 306 million) was more than offset by the decrease in performance-fee related personnel expenses by 45% to CHF 101 million (2019: CHF 185 million), which decreased in line with the development of performance fees (-44%). At Partners Group, performance-fee related personnel costs adjust in line with the development of performance fees as we allocate up to 40% of our recognized performance fees to our teams.

Total operating costs developed in line with revenues (in CHF m)

	2019		2020
Revenues	**1'610**	**-12%**	**1'412**
Total operating costs, of which	-603	-11%	-537
Personnel expenses	-490	-12%	-430
Personnel expenses (regular)	-306	+8%	-329
Personnel expenses (performance-fee-related)	-185	-45%	-101
Other operating expenses	-79	-13%	-69
Depreciation & amortization[1)]	-34	+12%	-38
EBIT	**1'008**	**-13%**	**875**
EBIT margin	62.6%		62.0%
Average FTEs	1'337	+12%	1'504
Year-end FTEs	1'452	+5%	1'519

Note: revenues include management fees and other revenues, net, performance fees, net, and other operating income. Regular personnel expenses exclude performance fee-related expenses. Performance-fee-related personnel expenses are calculated on an up to 40% operating cost-income ratio on revenues stemming from performance fees.

Other operating expenses decreased in line with revenues by 13% and amounted to CHF 69 million (2019: CHF 79 million). During the period, restricted travel activity due to COVID-19 reduced travel and representation expenses by around CHF 15 million. This saving was offset by a total CHF 10 million commitment for COVID-19-related expenses, which included the firm's contribution to a newly created Portfolio Employee Support Fund and the contribution by the Executive Committee, the members of the Board of Directors and by many Partners Group employees, who, in turn, forfeited part of their compensation in 2020. In 2020, this fund addressed the specific needs of more than 12'000 portfolio company employees and their families, in particular for medical expenses, healthcare, childcare and loss of income as a result of government-imposed lockdowns.

2020 at a glance – Financials

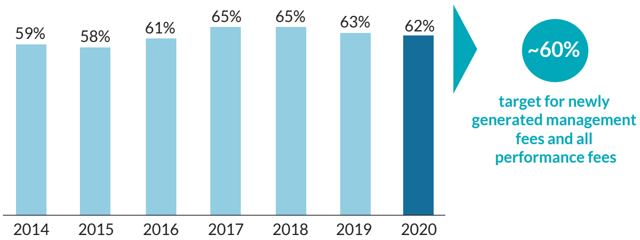
Depreciation & amortization increased to CHF 38 million (2019: CHF 34 million), driven by the depreciation impact of our newly built Denver campus, technology as well as amortization for select fundraising-related costs.

Sustained target of 40% cost-income ratio on new business

In 2020, EBIT decreased by 13% mainly as a result of lower performance fees, amounting to CHF 875 million (2019: CHF 1'008 million) and the EBIT margin remained largely flat at 62.0% (2019: 62.6%), confirming our disciplined approach to cost management.

As in the past, we will continue to steer the firm based on our targeted 40% cost-income ratio on newly generated management fees (assuming stable foreign exchange rates). We also allocate up to 40% of revenues stemming from performance fees to our teams through our long-term incentive programs and/or bonus payments. The remainder (~60%) will be allocated to the firm and its shareholders.

EBIT margin development

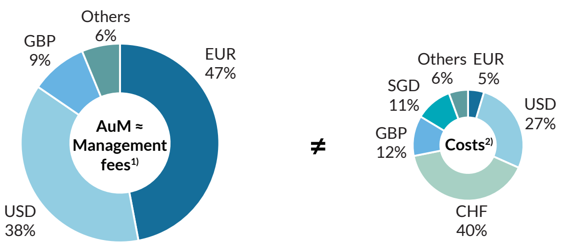


Note: for 2014, non-cash items related to the capital-protected product Pearl Holding Limited were excluded from depreciation & amortization.

Diversified FX exposure

As a globally diversified firm, fluctuations in predominantly the EUR or USD against the CHF affect the absolute amount of revenues and costs and, therefore, also our total EBIT margin.

Currency exposure in 2020



1) Includes management fees and other revenues, net, and other operating income.
2) Includes regular personnel expenses (excluding performance fee-related expenses), other operating expenses as well as depreciation and amortization.

Management fees and our operating costs (excluding performance-fee related expenses) are particularly affected by such currency movements. At the same time, performance fee revenues and performance fee-related expenses are similarly affected by currency movements and are therefore largely EBIT margin-neutral.

During the period, the depreciation of major currencies against the CHF impacted management fees on average by -4.5%. At the same time, these currency movements reduced costs by only 1%. The total EBIT margin was therefore negatively affected by currency movements throughout the period by approximately -2.5%.

Depreciation of major currencies against the CHF

FX rates (average)	2019	2020	Delta
1 EUR = CHF	1.112	1.070	-3.8%
1 USD = CHF	0.994	0.939	-5.5%
1 GBP = CHF	1.269	1.204	-5.1%
1 SGD = CHF	0.729	0.680	-6.6%

Strong performance in underlying portfolio drove financial result

The financial result amounted to CHF 53 million (2019: CHF 30 million):

- CHF 52 million (2019: CHF 61 million): we invest into our own investment programs alongside our clients (see detailed description of balance sheet investments below). During the period, our transformational investing strategy facilitated growth in these investment programs and resulted in an average return across all stages and asset classes of 8% (2019: +10%). For further information see note 5.1. of the notes to the consolidated financial statements.
- CHF 1 million (2019: CHF -31 million): the small positive contribution was driven by positive foreign exchange effects and less hedging and other costs as opposed to last year. This was mainly driven by the lower amount of short-term loans outstanding (treasury management and short-term financing services). Furthermore, the decreasing interest differential between the USD and the CHF reduced our hedging costs during the period.

Corporate taxes amounted to CHF -124 million (2019: CHF -137 million). The tax rate amounted to 13.3% (2019: 13.2%).

2020 at a glance – Financials

In summary, the firm's profit decreased by 11% year-on-year to CHF 805 million (2019: CHF 900 million).

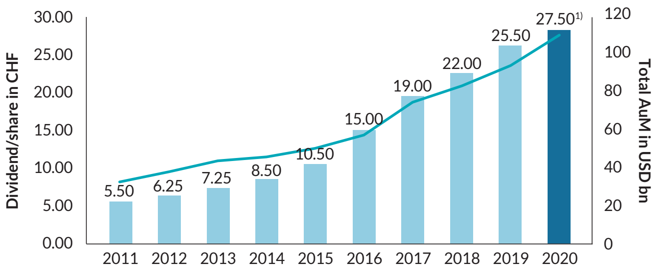
Profit supported by strong portfolio performance
(in CHF m)

	2019		2020
EBIT	**1'008**	**-13%**	**875**
Total financial result, of which	30		53
Portfolio performance	*61*		*52*
Foreign exchange, hedging & others	*-31*		*1*
Taxes	-137		-124
Tax rate	*13.2%*		*13.3%*
Profit	**900**	**-11%**	**805**

Proposed dividend of CHF 27.50 per share (+8%)

Based on the strong development of the business in all asset classes and regions (driven by year-on-year average AuM growth in CHF of 6%), the operating result and their confidence in the sustainability of this growth, Partners Group's Board of Directors will propose an increasing dividend of CHF 27.50 per share (2019: CHF 25.50 per share) to its shareholders at the Annual General Meeting on 12 May 2021. This represents a dividend increase of 8% and a payout ratio of 91% (2019: 76%).

Dividend payments



1) The Board of Directors proposes that a dividend of CHF 27.50 per share be paid for the financial year 2020, subject to the approval of the Annual General Meeting of shareholders to be held on 12 May 2021.

Available liquidity of CHF 2 billion

Our balance sheet remains strong. After a dividend payment of CHF 668 million in May 2020, we have an available liquidity of CHF 2.0 billion and hold a current net cash position of about CHF 1.1 billion as of 31 December 2020 (31 December 2019: CHF 1.0 billion). With this we have sufficient cash available to meet expected operational expenses, as well as to service short-term financial obligations. We furthermore always ensure that we meet our targeted available liquidity level that would also enable us to sustain the firm's operations in a financial crisis scenario and/or a depressed economic environment.

The firm maintains a diverse range of unsecured credit facilities with Swiss and international banks amounting to a total of CHF 865 million as of 31 December 2020 (31 December 2019: CHF 865 million). These credit facilities can be used for general corporate purposes and/or to provide fixed advances, with a primary focus on working capital financing. The facilities are subject to maximum debt covenants which were met throughout the current and prior year. As of 31 December 2020, no credit facility was drawn (31 December 2019: no credit facility drawn).

Available liquidity of CHF 2 billion on balance sheet
(in CHF m)

	Assets	Liabilities
Cash & cash equivalents	1'228	
Short-term loans	673	
Long-term debt		799
Total net cash	**1'102**	
Undrawn credit facilities	865	
Total available liquidity	**1'967**	

Partners Group has two fixed-rate senior unsecured CHF-denominated corporate bonds outstanding:

- CHF 300 million, coupon 0.15%, maturity on 7 June 2024 (ISIN CH0361532895), issued in June 2017
- CHF 500 million, coupon 0.40%, maturity on 21 June 2027 (ISIN CH0419041287), issued in June 2019

As of 31 December 2020, our long-term, outstanding debt amounted to CHF 799 million (31 December 2019: CHF 799 million).

The proceeds of the bonds that we issued in the past further strengthen the sustainability of our operations in a financial crisis scenario and enable us to optimize the management of our liquidity, in particular, for short-term financing needs arising from our treasury management services offered to our clients. These services allow for efficient use of capital within our investment programs by bridging capital drawdowns and distributions where beneficial for clients (e.g. netting cash-flows to reduce the number of drawdowns and distributions).

2020 at a glance – Financials

As of 31 December 2020, 271 short-term loans (31 December 2019: 278) were outstanding with an average loan amount of CHF 2.5 million (31 December 2019: CHF 3.2 million). The duration of these loans amounted to 1-3 months. The loans are typically secured against unfunded commitments and are, in addition, subject to strict loan-to-value (LTV) rules. In addition, each loan is assigned with a risk specific capacity, which is measured against an overall risk capacity budget.

Continued balance-sheet light approach

As of 31 December 2020, we hold our own investments amounting to a total of CHF 0.7 billion (31 December 2019: CHF 0.7 billion).

The firm's balance sheet investments consist of its financial investments/GP commitments, seed investments and investments in associates. Financial investments/ GP commitments (i.e. our obligation to fund investments alongside clients) typically represent about 1% of assets invested in a closed-ended limited partnership structure and have an aggregated net asset value of CHF 616 million as of 31 December 2020 (31 December 2019: CHF 605 million).

Investments in associates amounted to CHF 25 million as of 31 December 2020 (31 December 2019: CHF 42 million), which mainly represent a stake in Pearl Holding Limited, a mature investment program which continues to wind down via ongoing distributions.

Partners Group also provides seed financing to certain early stage investment programs managed by the firm. The scope of these investments is limited due to the firm's strict balance sheet risk management framework. The underlying assets of these investment programs are typically private market assets valued at the (cash-flow-adjusted) net asset value and they amounted to (net) CHF 51 million as of 30 December 2020 (31 December 2019: CHF 61 million).

Investments alongside clients
(in CHF m)

Financial investments / GP commitment[1)]	616
Investments in associates[2)]	25
Seed investments[3)]	51
Total investments alongside clients from balance sheet	**692**

1) NAV excluding CHF 289.7 million of commitments that were not yet called but may be called over time, typically between one to five years following the subscription of the commitment.
2) Investments in associates described in detail in note 6 of the 2020 Annual Report.
3) Seed investments presented in the annual report as assets and liabilities held for sale.
Note: as of 31 December 2020.

In addition to investing into investment programs alongside clients from our balance sheet, we further align the interests of clients with those of the firm's employees by offering all employees preferential terms to invest alongside our private markets programs via a global employee commitment plan. In line with standard industry practice, such investments charge no management fees and no performance fees.

In total, commitments by the firm's Board of Directors and employees amounted to approximately USD 2.0 billion as of 31 December 2020 (31 December 2019: CHF 1.5 billion), of which USD 1.6 billion (2019: USD 1.2 billion) are committed to closed-ended programs and USD 0.4 billion (2019: USD 0.3 billion) to evergreen programs.

Financial outlook

- **Management fees:** we are moving confidently into 2021 and expect gross client demand of USD 16 to 20 billion, together with around USD -9.5 billion in tail-down effects from the more mature closed-ended investment programs and redemptions from evergreen programs. Fundraising is expected to be balanced across all program types, from customized mandates and the firm's extensive range of evergreen fund solutions to its traditional closed-ended programs. We expect this demand to translate into additional management fees and therefore guide that the management fees in CHF develop broadly in line with the average AuM in CHF.
- **Performance fees:** we continue to guide that full-year performance fees remain within our mid- to long-term guidance of 20-30% as a proportion of total revenues, assuming the market is favorable to exits.
- **Target EBIT margin:** we continue to apply a disciplined approach to cost management and invest in initiatives that support our growth. We therefore steer the operating margin towards our target EBIT margin of ~60% for newly generated management fees (assuming stable foreign exchange rates), as well as for performance fees.
- **Balance sheet:** our balance sheet remains strong. With CHF 2.3 billion in shareholder equity and CHF 2.0 billion available liquidity or CHF 1.1 billion net cash, we feel well-equipped to realize the potential of private markets in different economic environments.