H1 2018 at a glance - Financials

Financials

Revenues and **EBITDA** grew in tandem at the rate of 17% to **CHF 659 million** and **CHF 437 million**, respectively.

Sustained fundraising and realizations drive H1 financials

Favorable, long-term underlying client trends buoyed by the expectation of continued private markets outperformance over public markets is expected to remain the driving force behind demand for comprehensive private markets offerings now and in the future. These structural industry dynamics, combined with our stable margins and balance sheet-light approach to business, translated into attractive financial returns for our shareholders.

In H1 2018, revenues rose to CHF 659 million, attributable to an increase in revenues from management fees and solid performance fee development. EBITDA increased in line with revenues by 17% year-on-year to CHF 437 million. Profit increased by 10% year-on-year to CHF 394 million.

AuM growth outpaces revenue growth due to lower late management fees and other income

AuM in CHF grew by 23% year-on-year. Management fees increased by 16%, amounting to CHF 484 million (H1 2017: CHF 418 million). Management fees increased at a lower rate compared to AuM in CHF as late management fees and other income decreased by 23% compared to the previous year, amounting to CHF 43 million (H1 2017: CHF 56 million).[2] This is due to the fact that there were no significant closings of flagship programs in H1 2018. Performance fees continued to remain at

2 Late management fees occur in limited partnership structures, which often 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.

Key financials

	H1 2017	H1 2018	Growth
AuM as of the end of the period (in EUR bn)	57.8	67.1	+16%
AuM as of the end of the period (in CHF bn)	63.1	77.8	+23%
Revenues (in CHF m)[1]	565	659	+17%
Management fees (in CHF m)[2]	*418*	*484*	*+16%*
Performance fees (in CHF m)	*147*	*175*	*+19%*
Management fees as a proportion of total revenues[2]	*74%*	*73%*	
Performance fees as a proportion of total revenues	*26%*	*27%*	
EBITDA margin	66%	66%	
EBITDA (in CHF m)	374	437	+17%
Profit (in CHF m)	359	394	+10%

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 revenues, net, other operating income and share of results of associates.

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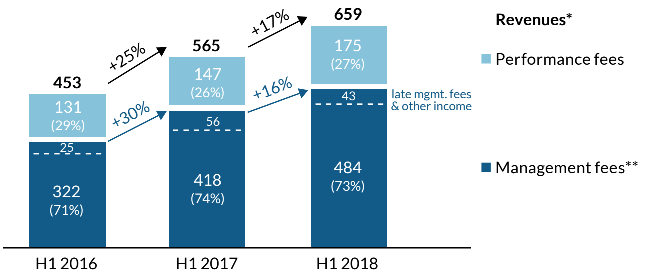
a solid level and amounted to CHF 175 million (H1 2017: CHF 147 million). Overall, total revenues rose to CHF 659 million (H1 2017: CHF 565 million) and increased by 17%.

Revenues
(in CHF m)



* 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.

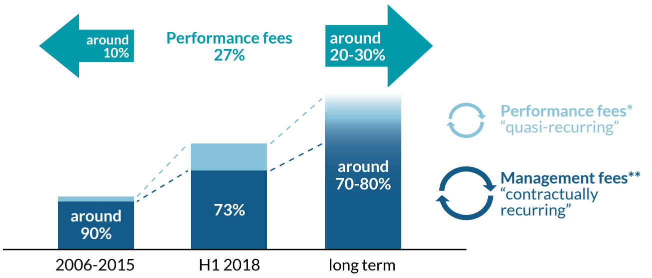
Management fees will continue to be the main source of revenues

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, often with an initial term of 10-12 years for equity and 5-7 years for debt offerings.

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

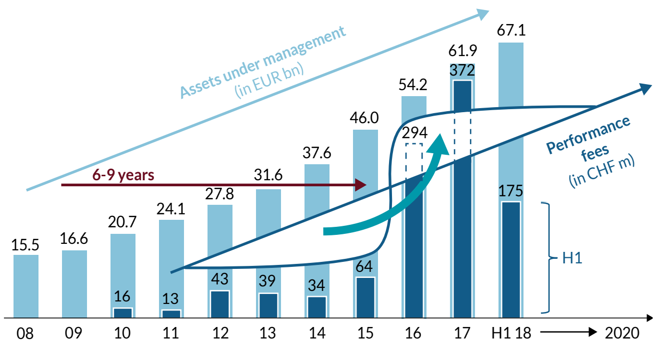
Management fees are contractually recurring



* 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 life cycles of its programs.
** Management fees include recurring management fees and other revenues, net, other operating income and share of results of associates.

In H1 2018, over two dozen investment programs and mandates from a wide range of vintages continued to pay out performance fees. In 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.

Solid performance fee contribution in H1 2018



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

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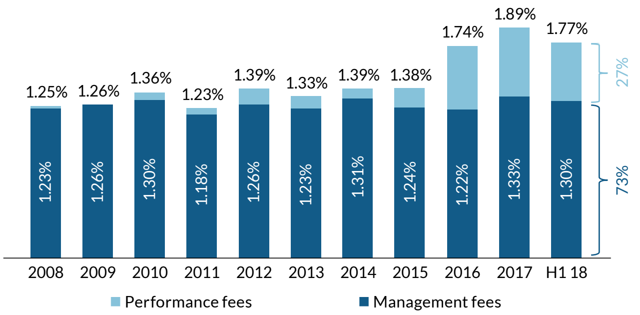
Stable revenue margin on management fees and total revenues

The dominant part of our revenue base is still recurring and based on long-term contracts with our clients, providing highly visible cash flows. In H1 2018, the management fee margin remained largely stable despite lower late management fees and other income, amounting to 1.30% (full-year 2017: 1.33%). Performance fees bring the total revenue margin to 1.77% (full-year 2017: 1.89%) 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 often only start to be earned six to nine years after an investment program commences its investment activities, and only if these are successful.

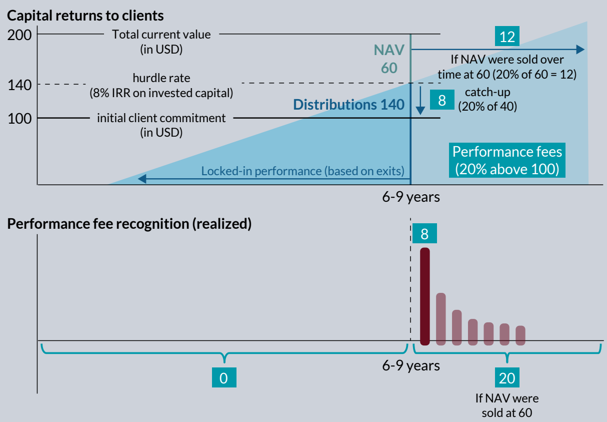
The chart on the right shows the performance fee recognition model of a typical limited partnership program. It shows how distribution activities in client portfolios bring forward the maturity profile of an investment program and increase the likelihood that the required return hurdle is reached.

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, the cumulated distributions received by the client should exceed 140, i.e. the hurdle rate. 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, and 40 x 20% performance fees = 8).

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 (typically 80% to clients; 20% to the investment manager). The example assumes 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.

We further assume that due to the investment manager's value creation activities, the initial client commitment of 100 has translated into a total value of 200, which entitles the investment manager to a total performance fee of 20 (200 total value - 100 initial commitment = 100 value gain, then 100 value gain x 20% performance fees).

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.

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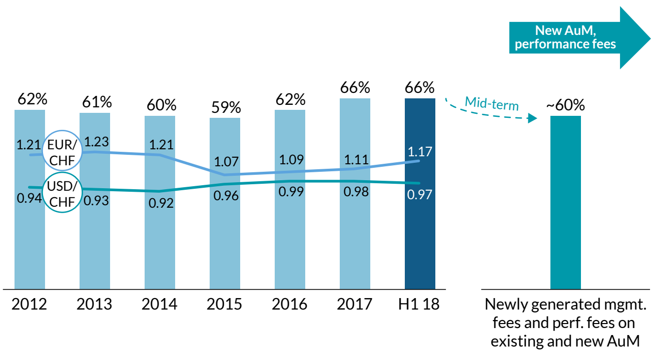
EBITDA margin remains above ~60% target

In H1 2018, EBITDA increased by 17% amounting to CHF 437 million (H1 2017: CHF 374 million). The EBITDA margin remained stable at 66% (H1 2017: 66%), above the firm's mid-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 EBITDA margin is expected to temporarily remain above its mid-term target. With the build out of our investment platform, we aim to continuously hire highly skilled professionals in order to systematically increase our investment capacity and expand our client relationships globally. Based on this ambition, we expect the current margin to revert to its target of ~60% over the mid-term.

EBITDA margin development and outlook



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

The number of professionals working at Partners Group grew by 12% to 1'088 employees by the end of H1 2018 (H1 2017: 973). Total personnel expenses – the main driver of our expenses – increased by 16% and were in line with revenues, which grew by 17%.

Costs grew in line with revenues (in CHF m)

	H1 2017		H1 2018
Revenues	565	+17%	659
Total costs, of which	-191	+16%	-222
Personnel expenses	*-163*	*+16%*	*-189*
Operating expenses	*-29*	*+15%*	*-33*
EBITDA	374	+17%	437
EBITDA margin	*66%*	*+0%-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.

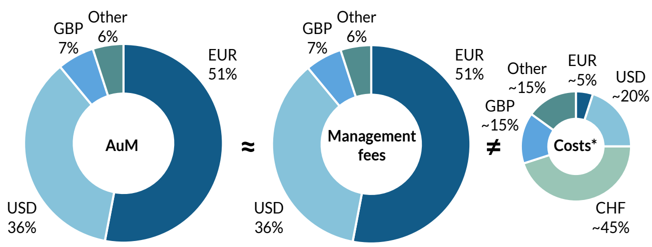
The allocation of revenues stemming from performance fees to our professionals through our long-term compensation programs was in line with our target EBITDA margin of ~60%, i.e. we allocate ~40% of performance fees to our teams and ~60% remain with the firm and its shareholders.

Continued diversification of AuM, revenues and cost base anticipated

Despite growing our business internationally, our revenues still primarily derive from EUR- and USD-denominated investment programs and mandates. Today, however, nearly half of our cost base is CHF-denominated. In recent years, our team has grown at a higher rate outside Switzerland as we have built our investment presence around the world. This is slowly diversifying our global footprint further and will reduce our CHF cost base in relative terms over time. As a result, the foreign exchange impact on the EBITDA margin deriving from the CHF-denominated cost base contrasted with EUR/USD-denominated revenues is expected to reduce even further in the future.

Fluctuations in the EUR or USD against the CHF can affect the absolute amount of revenues and costs and cause our EBITDA margin to deviate from its mid-term target. During the period, the CHF depreciated by 9% against the EUR (average rate H1 2018 vs. H1 2017). This positively affected revenues stemming from management fees (51% of the firm's management fees is EUR-denominated). Less affected by the foreign exchange movement in H1 2018 was the firm's cost base (~5% is EUR denominated and 45% is CHF-denominated).

Currency exposure in H1 2018



*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.

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Financial result driven by value creation in client portfolios; negative foreign exchange result and higher taxes slightly muted profit growth

The financial result amounted to CHF 17 million (H1 2017: CHF 30 million). We invest into our own investment programs alongside our clients (typically around 1% of the program's size). The positive performance of these investments was again the main contributor to the financial result and amounted to CHF 28 million in H1 2018 (H1 2017: CHF 24 million).

Foreign exchange, hedging & others amounted to CHF -11 million in H1 2018 (H1 2017: CHF 6 million). Corporate taxes increased to CHF -51 million in H1 2018 (H1 2017: CHF -38 million). Both were the main drivers behind the slightly muted profit growth in H1 2018.

In summary, the firm's profit increased by 10% year-on-year to stand at CHF 394 million (H1 2017: CHF 359 million).

Profit development
(in CHF m)

	H1 2017		H1 2018
EBITDA	374	+17%	437
Total net financial result, of which	30	-44%	17
Portfolio performance	*24*	*+17%*	*28*
Net exchange differences, interest & others	*6*	*n/a*	*-11*
Taxes	-38		-51
Profit	359	+10%	394

Net liquidity of CHF 1 billion

Partners Group's balance sheet remains strong. After a dividend payment of CHF 506 million in May 2018, we hold a current net liquidity position of about CHF 1.0 billion as of 30 June 2018. The net liquidity position comprises cash & cash equivalents and short-term working capital facilities for investment programs provided by the firm, net of borrowings.