

Partners Group Holding AG

Swiss convictions

Recommended since 14.08.2015

24.05.2022



Country CH	Market capitalization (bn) CHF 27.2	Perf. since reco. (%)
Sector Financial Services	Free float 81.9%	Partners Group Holding AG 219.6
Factset PGHN-CH	Closing price CHF 1026.00	Market 25.9
ISIN CH0024608827	ESG Risk score* 19.7 Low risk	

Profile

Partners Group is an asset management firm that specialises in investing in private markets. It operates in the following segments: Private Equity (direct investment in private companies and the secondary market), Private Debt (bespoke financing for companies seeking non-bank finance in the form of senior and mezzanine loans), Private Real Estate (investment in private real estate assets) and Private Infrastructure (private infrastructure assets). The firm was founded in 1996 and has over 1,400 employees working at 22 offices worldwide.

Strengths/opportunities

- Structural growth in private equity within asset allocations.
- Management – which owns 30% of the company – has an excellent track record.
- Programme performance is above the industry average.

Weaknesses/threats

- Highly exposed to foreign exchange risk.
- Risk of programmes being extended at times of crisis -> performance fees deferred.
- Returns eroded by increased competition.

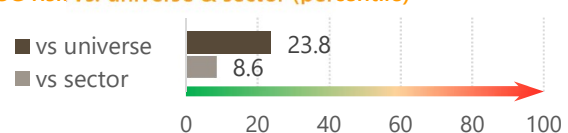
Investment case

- Partners Group has been a global leader in private equity for 25 years and its expertise is hard for new entrants and smaller companies to replicate.
- In the last few years, institutional investors' quest for sustainable returns has prompted them to increase their allocation to private markets (cf. inclusion of private equity in US defined contribution pension fund schemes).
- The long-term nature of its investment programmes (7-8 years) makes the group more resilient, since it is much less subject to financial market volatility.
- For the outlook, management announced a gross demand target of \$22-26bn for 2022. The performance fee target of 20-30% of total revenues has been brought back in line with a normalised level.
- Companies in the portfolio are of superior quality to the industry average. They tend to be less leveraged than the competition and the current environment is giving rise to good long-term investment opportunities.

Valuation

The group's valuation looks high for a financial firm, at over 20x earnings. However, this is in line with direct comparables and is justified by a return on equity (generally over 30%) well above the industry average.

ESG risk vs. universe & sector (percentile)*



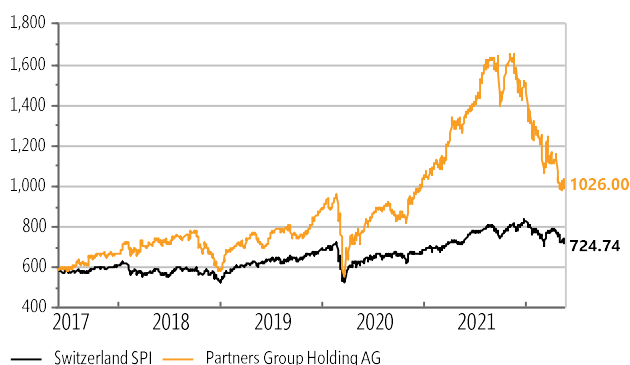
CHF	12/2021	2022e	2023e
Sales revenue (mio)	2'927	2'063	2'393
Sales growth	82.5%	-29.5%	16.0%
EBIT adjusted (mio)	1'773	1'282	1'498
% of sales	60.6%	62.1%	62.6%
Net income (mio)	1'464	1'140	1'324
Net income growth	81.9%	-22.1%	16.2%
FCF/Sales	22.6%	54.7%	50.6%
Net debt/Ebitda	0.0x	-0.9x	-0.8x
Dividend yield	3.2%	3.3%	3.7%
PE	26.9x	24.0x	20.9x
P/BV	13.8x	8.7x	7.8x

Factset estimates

ESG - risks and key points

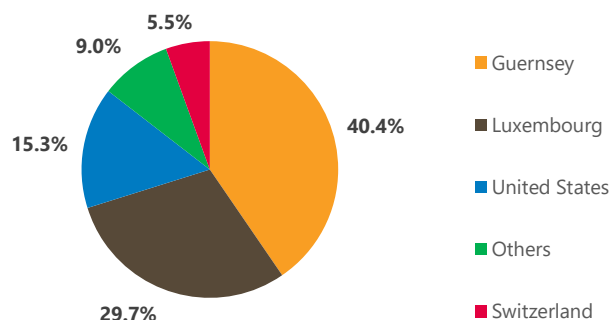
- The group is exposed to a moderate level of risk in relation to the governance of some products sold to clients. Management could be more transparent about investments.
- Partners is not up to sector best practice levels in its management of human capital.
- Partners is a signatory of the UN's Principles for Responsible Investment and applies an ESG filter at the highest level of its decision-making.

5-year performance vs SPI



Source: FactSet

Sales breakdown - 12/2021



*: see overleaf

Source: Factset, Sustainalytics

Glossary

Satellite

From 2015, B&Cie separates its investment recommendations into Core Holdings (higher organic growth potential, high free cash flow, ROCE in excess of the cost of capital and balance sheet efficiency throughout the cycle) and Satellite Recommendations, which do not meet the above criteria but are likely to outperform in the short-to-medium term.

ESG Risk Score

At B&Cie, we take particular care to ensure that the companies in which we recommend investing are sustainable. Accordingly, our selection process takes account of risks relating to environmental, social and governance (ESG) issues. This approach is underpinned by research from Sustainalytics, the global leader in ESG and corporate governance analysis, whose methodology aims to identify major controversies and risks and assess a company's ESG risks relative to both its sector and the investment universe as a whole. The corresponding score is expressed as a percentile: the lower the overall risk score, the lower the risk within the investment universe.

b-Digital, b-Transition & b-Well

Over and above the conventional geographical and sectoral approaches to asset management, at B&Cie we believe the world of tomorrow is being shaped by structural trends. We have identified three main megatrends: ongoing digital globalisation of the economy; economic transition, particularly in the energy sector; and the quest for wellness. We believe selecting and investing in companies that play an active role in these transformations should lead to more resilient portfolios that generate higher long-term returns. Our investment recommendations in the digital globalisation space are labelled "b-Digital", those in the economic transition space "b-Transition" and those in the wellness space "b-Well". A given recommendation may fall under more than one theme, in which case it will carry the relevant matching labels.

Offices & Branches

Bordier & Cie Genève

Rue de Hollande 16
CH-1204 Genève
Case postale
CH-1211 Genève 3
T + 41 58 258 00 00
F + 41 58 258 00 40

Bordier & Cie Berne

Spitalgasse 40
Case postale
CH-3001 Berne
T + 41 58 258 07 00
F + 41 58 258 07 10

Bordier & Cie Nyon

Rue de la Porcelaine 13
CH-1260 Nyon
Case postale 1045
CH-1260 Nyon 1
T + 41 58 258 07 50
F + 41 58 258 07 70

Bordier & Cie Zurich

Talstrasse 83
CH-8001 Zürich
T + 41 58 258 05 00
F + 41 58 258 05 50

Bordier & Cie (France) S.A.

1, rue François 1er
75008 Paris – France
T + 33 1 55 04 78 78
F + 33 1 49 26 92 48

Bordier & Cie (Uruguay) S.A.

Edificio Beta 3, oficina 102
Zonamerica
91600 Montevideo
Uruguay
T + 598 2 518 2700
F + 598 2 518 2703

Bordier & Cie (Singapore) Ltd

CapitaGreen #14-00
138 Market Street
Singapore 048946
T + 65 6239 9999
F + 65 6239 9998

Bordier Bank (TCI) Ltd

Leeward Highway
Caribbean Place
Providenciales
Turks and Caicos
T + 1 649 946 45 35
F + 1 649 946 45 40

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