

Partners Group Holding AG

Swiss convictions

Recommended since 14.08.2015

06.12.2024



Country CH	Market capitalization (bn) CHF 34.8	Perf. since reco. (%)
Sector Financial Services	Free float 81.7%	Partners Group Holding AG 305.8
Factset PGHN-CH	Closing price CHF 1302.50	Market 26.1
ISIN CH0024608827	ESG Risk score* 22.0	Medium 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.

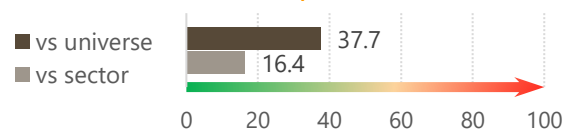
Investment case

- 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.
- 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.
- In terms of outlook, management is targeting robust gross demand of \$20-25bn for 2024. In the longer term, management expects direct investment to account for 25-40% of revenues, thanks to the increase in direct investment as a proportion of the portfolio.

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)*



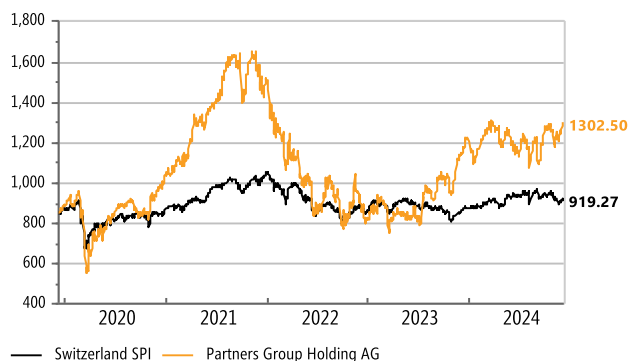
CHF	12/2023	2024e	2025e
Sales revenue (mio)	2 172	2 112	2 534
Sales growth	3.6%	-2.7%	20.0%
EBIT adjusted (mio)	1 260	1 309	1 592
% of sales	58.0%	62.0%	62.8%
Net income (mio)	1 003	1 091	1 325
Net income growth	-0.1%	8.7%	21.4%
FCF/Sales	24.7%	53.0%	49.6%
Net debt/Ebitda	0.9x	0.1x	0.0x
Dividend yield	3.0%	3.2%	3.5%
PE	31.3x	31.3x	26.0x
P/BV	13.0x	13.4x	12.5x

Factset estimates

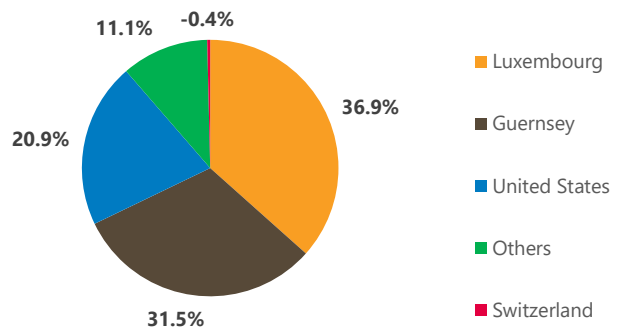
ESG - risks and key points

- 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



Sales breakdown - 12/2023



*: 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.

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