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Moderator: Ayesha Parra
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Operator: Good day everyone, and welcome to Petershill Partners Q1 2022 Trading Update call. At this time, all participants are in a listen only mode. After the speakers presentation, there will be a question and answer session. I'd like to advise all parties that today's call is being recorded, and by remaining on the line, you are represented to the company and Goldman Sachs that you are located outside the United States and are not a US person as defined under regulation S of the US Securities Act of 1933, or you are qualified purchaser as defined under the US Investment Company Act of 1940, and that you are not located in or resident of any jurisdiction where to attend this conference would be constitute - would constitute a violation of the relevant laws of such jurisdiction. Now I would like to hand the conference over to Ayesha Parra from Investor Relations at Petershill Partners . Please go ahead.

Ayesha Parra: Thank you. Good morning and afternoon, and thank you for joining us today to discuss Petershill Partners first quarter 2022 Trading Statement. Before we begin, I'd like to remind you that during this call, we may make a number of forward looking statements which could differ from our actual results materially, and Petershill Partners assumes no obligation to update these statements. A replay of today's call will be made available on the Investor Relations section of our website, along with a copy of our trading statement release.

We encourage investors to consult our site regularly for updated information. Petershill Partners commence conditional trading on the London Stock Exchange on September 28, 2021, on which day the initial acquisition of the portfolio of partner firms by the company was completed. Prior to this date, the company did not trade and therefore does not have reportable results. For completeness and transparency, the Q1 trading statement includes operating metrics for periods

prior to the initial acquisition date, presented as if the company's assets following the initial acquisition of the partner firms had been owned by the company during the historical periods presented. With us today to discuss the company's results for the quarter are Ali Raissi and Robert Hamilton Kelly, Co-Heads of the Petershill team within the operator, Goldman Sachs Asset Management. With that, I'll turn the call over to Rob.

Robert Hamilton Kelly: Thanks, Ayesha. Good morning, everyone. Thank you for joining our call today. It's my pleasure to present here to our partners first quarter trading statement for 2022 with continued strong performance. Our results today and the operating metrics that are providing for this trading update reflect our focus on the growth and profitability of the business during the quarter. In addition to the strong organic growth during the period, we also see further inorganic growth opportunities through the execution of our CapEx like M&A strategy, with five acquisitions completed in the fourth quarter of 2021, and an encouraging pipeline of opportunities for this year, which we would anticipate closing on later in the year.

We believe first quarter AUM growth and partner [inaudible] earnings reflect the resilience of our business model in what are clearly more volatile markets against the background of great economic uncertainty. We built Petershill Partners to be an all weather company, differentiated through the triple strength of the quality of our partner firms, the diversification of our footprint, and the cash based earnings nature of our earnings. We're particularly proud of the strong asset raising shown by our partner firms, which is set to continue driving the growth in our recurring fee base, but also continued generation of performance related earnings.

Starting with total AUM, which is an important metric to the diversification of the business and for performance fee generation in the future. Aggregate partner firm AUM of \$266 billion grew 14% during the quarter, and 55% year over year. Aggregate fee paying AUM is important for the management fee profitability, and grew 16% during the quarter, and 33% year over year to \$184 billion. For the quarter ended 31st of March 2022, there were gross assets raised of \$28 billion,

realizations of \$3 billion [inaudible] to market increase of \$1 billion for a net increase of \$26 billion.

This growth has translated into recurring high quality earnings from our partner funds, with partner additional earnings growing 5% year over year to \$77 million for the quarter, bringing the last 12 months to \$387 million or 41% higher over the same period for the prior year, and positioning the business well for the remainder of this year. Policy related earnings were \$15 million during the quarter, bringing the last 12 months to \$210 million, which is 24% higher over the same period for the prior year. Higher management fees reflected the impact of growth in fee paying partner AUM.

Any one quarter management fee can vary from time to time, particularly in courses like this with significant fee paying AUM raises where fees may not have been turned on for the whole period. And so, our guidance focuses more on the 12 month period. Our last 12 months fee rate, management fee rate remains in line with guidance and expectations. As a reminder, the fee rate of the vast majority of our partner firm products are locked in and fixed when a fund is raised. The increase in partner fee related expenses primarily reflects an increase in the overall number of employees within the partner firms as they executed on their growth strategies, as firms typically hire ahead of significant fundraisers.

Excluding transaction and advisory fees, part of fee related earnings increased 14% year over year to \$49 million. For the quarter ended 31st March 2022, transaction and advisory fees were \$1 million compared to \$7 million for the prior year comparable quarter. The comparable quarter reflects a higher than average amount, while the amount for the current quarter of \$1 million is lower than the historical average. Upon a realized performance fee revenues, which represented direct participation in any upside performance of the partner firm's funds and products, increased 31% for the first quarter to \$17 million, brings the last 12 months to \$133 million.

This represents solid performance for revenues in Q1, given historically over 70% of performance revenue is realized towards the end of the year. Petershill partner's financial outlook for 2022 and performance guidance remains unchanged from that given at the time of the full year results in April 2022. We maintain our organic growth guidance of \$40 billion to \$45 billion in fee paying assets raised. I would expect to be at the upper end of that range. With that, I'll pass back to Ali to briefly discuss our outlook.

Ali Raissi-Dehkordy: Thanks, Robin. Thanks, everybody, for joining us. As we maintain with Rob's section, the performance of the company remains in line with our expectations, and the updated guidance provided at the time of the full year results in April of the year. We're confident in the outlook from here. Structural industry themes and the growth of alternatives and private markets, the potential for extending duration, the new avenues such as retail have maintained our industry themes of growth over the medium term. But the need for capital and strategic services that underpin Petershill Partners offering to partner firms have also remained strong, while the nuanced fundraising environment is resulting in differentiation in terms of outcomes for firms seeking capital.

As you saw from Rob's comments, we've had a strong Q1 performance in this regard, with \$28 billion of gross capital raised, and we maintain our confidence in our 2022 target for an organic total gross fee paying AUM asset raise of \$40 billion to \$45 billion. The impact of the nuanced fundraising environment as investors digest the capital raising needs of the industry and navigate inflation and interest rates this year will all be core themes for investors and GP's alike. We believe that Petershill Partners has been built to be well positioned in a changing fundraising and operating environment.

Our diversification across strong partner firms means no reliance on a single raise. Our largest underlying fund represents 5% of aggregated AUM. Our long-term fee related earnings centric model provides resilience against challenges on realizations, performance, and gives visibility to

revenues over time. And exposure to macro real assets and credit speaks to a resilient model well positioned for inflation and rising rates. We believe that the breadth and quality of our partnerships enhance through our value added general partner services and Structured Equity provides a distinctive operating model and platform for continued and differentiated risk adjusted earnings growth.

Notably, we expect continued strong cash flow generation. As you know, we participate in profits alongside or ahead of our partner management teams, not net of their compensation, and so our firms are aligned and incentivized to focus on maintaining profitability. And Petershill Partners PLC maintains its own EBIT margin guidance of 85% to 90%. Petershill Partners expects the current environment to present further opportunities for the company to grow inorganically through further acquisition of partner firm interests. And we aim to continue to be highly selective in identifying attractive acquisitions, accessing the fastest growing areas of alts where we can be most impactful with our capital and our partnerships.

In closing, Petershill Partners gives our investors access to a diversified, resilient, growing group of leading alternative sector specialists, predominantly with long-term lock up capital. Our business differentiates who we can partner with, and how we can influence value creation in them. Our business of providing growth capital and strategic partnership to leading alternative firms with alignment alongside management means we're on a journey with ambitious businesses who aren't looking to exit. We maintain exposed to many of the attractive themes of growth in private alts, but with the benefit of diversification across firms, funds, and sectors that can perform across the cycle. With that, we thank you for joining the call, and we'd like to open it up now for questions.

Operator: Thank you. Ladies and gentlemen, if you would like to ask a question, you can do so now by pressing star, one on your telephone. That's star, one if you would like to ask a question.

We will now take our first question from Hubert Lam from Bank of America. Please go ahead.

Your line is open.

Hubert Lam: Hi, guys. Good morning. I just got three questions. Firstly, on the fund raising that you raised \$20 billion in the first quarter, which is a very impressive amount, it's about 60% to 70% already of your year end targets. For the fundraising in the quarter, can you talk about how many firms contributed to that amount? Which strategies drove the fundraising? And also, and maybe too early, but is the \$40 billion to \$45 billion just too conservative now, just given how much you've raised already in the first quarter? That's the first question.

Second question is on costs. You mentioned that there were higher costs this quarter due to increased hiring. Would you say that this is just a one off for this quarter, or would you expect continued hiring throughout the rest of the year? Are you still expected to hit your FRE margin of 65% to 70% for the full year, just given that you were under that this quarter? And lastly, on the M&A outlook, I know you mentioned that there weren't any this quarter, but it still seems like you're fairly optimistic on the prospects going forward.

Can you just talk a bit about how the M&A environment has changed, whether or not valuations have come down, just given the market sell off, whether or not firms are willing to do more deals now, and also we can discuss the bid ask spread that you're seeing in terms of valuations. Thank you.

Ali Raissi-Dehkordy: Thanks, Hubert.

Robert Hamilton Kelly: Thank you, Hubert.

Ali Raissi-Dehkordy: Rob, go ahead.

Robert Hamilton Kelly: So, I'll cover the first two and then maybe Ali, you can touch on the M&A outlook.

So, as we look at the \$28 billion, absolutely it's a strong quarter of fundraising, I think, again, emphasizing the high quality nature of our partner firms that they are continuing to raise capital in a more nuanced environment. It was relatively broad based from across more than ten partner firms contributing to that total. And as you will have seen from more recent public announcements of firms like Clearlake raising \$14 billion on a target of \$0billion. A number of those firms have been outperforming and raising strongly.

I think the - we still reaffirm our \$40 billion to \$45 billion target for the year. Clearly, there are some quarters where a number of firms are closing on fundraisers, and some quarters, which will be quieter. So, our \$40 billion to \$45 billion incorporated an expected strong first quarter. So, I think our guidance is just that we'd expect to be at the upper end of that range that we gave. In terms of expenses, yeah, absolutely. Firms typically expand the team ahead of a significant fundraising, and so you see employee numbers tick up a little bit ahead of that. Clearly, there's ongoing fundraising this year, so potentially more hiring, but we'd likely expect it to slow from what was a relatively rapid hiring pace at the start of this year and late last year. Maybe I'll let Ali touch on the M&A. Yeah, look.

Ali Raissi-Dehkordy: I think we're - from our perspective, we continue to have a sort of an active pipeline. We're being very selective, clearly looking at firms both from the top down basis, and looking at individual assets on a bottom up basis. So, I'd say that selectivity we've always employed, and observations we've made across multiple market cycles. Invariably, the incentive for M&A for our firms tends to be slightly different in that the principals will end up keeping 80% to 90% of their firms. There's clear alignment.

And so, what they're really generally solving for is who can be an impactful partner. And we find that in sort of changing operating environments in periods such as this, this strategic value add that we can deliver to partner firms through our GP operating services carries an incredible

amount of value and clearly more importance. So, we have seen the bid ask spread narrow, but that's really reflective of high quality businesses, our selectivity, and the value that we bring to the table as well.

Hubert Lam: Great. Thank you very much.

Operator: Thank you. We will now take our next question from [inaudible] Campbell from J.P. Morgan. Please go ahead.

Speaker: Hi. Good afternoon. Thank you for the call. Just a few questions. Firstly, in terms of the net management fee rate decline during the quarter, I think you indicated this was to do with the fact that as you on board assets that obviously affects the denominator, and then the earnings don't come through maybe with a slight lag effect, is that the main driver of that? And that net management fee rate, does that also incorporate the transaction advisory fees? That's the first question. So, maybe you want to answer that and I'll comments the next ones.

Robert Hamilton Kelly: Yeah. That's a great point, [inaudible]. Yes, it does incorporate the transaction fees, and so that's one aspect. As I noted, in any one quarter, that rate can fluctuate, particularly in a quarter where we've raised significant fee paying AUM, and you have a few different factors that can play there. Firstly, obviously, firms may not turn their fees on until towards the end of the period, or even at the end of the period, and so you have a higher denominator effect that comes in. And then in any case, around the start of a fundraise - sorry, around the start of a fund, early on, sometimes firms charge fees back to a prior period, which can boost management fee rate. Sometimes they push it off for a couple of months.

And so, any period where you have very significant fee paying AUM, specific quarterly rate can fluctuate, and so it's why we draw back to the last 12 months as really the rate that we focus on and think is the more significant data point.

Speaker: Great. Thank you. And then just thinking about the transaction advisory fees, what are the drivers? Are the drivers of these fees similar to what they would be for an investment bank, i.e. activities around deals, etcetera? So, given the environment at the moment is pretty, pretty subdued around that side of things. Is that the same factors, or is it other drivers of transaction advisory fees for these partner firms?

Robert Hamilton Kelly: That's the - that is the main - so it's around either firms making acquisitions or realization, and so it's M&A around that portfolio. The transaction fees are only charged by a handful of our partner firms, and so it can vary from quarter to quarter. I think you've seen obviously this quarter quite strong partner realized performance fee revenues, so people realizing assets and generating good performance fee revenues, albeit that was from firms who don't charge transaction fees. So, we do expect that to vary from quarter to quarter as I noted, as \$1 million this quarter is low versus the historical average. And so, that can fluctuate from period to period, but it's relatively consistent that we have transaction advisory fee generation for the specific amount can vary from quarter to quarter.

Speaker: Great. Thank you. And then I guess - I know this - the AUN numbers you've given are basically obviously a three month lag, so I guess you can't say too much around the quarter ending March. But just in terms of -just technically in terms of markets being more subdued in Q1 calendar, that wouldn't really affect your fee paying AUM, because I suspect most of your fee paying is either on commitment on - or invested capital. Is that is that correct?

Ali Raissi-Dehkordy: Yes, that's right. And look, I think some of that sort of fundraising activity is clearly - on the private markets firms is activity that is sort of culmination of a quarter or a couple of quarters of work on the firms. So, I think we're - from our perspective, we're also maintaining that guidance. I think there was a previous question on whether the activity we've seen so far in Q1 changes the guidance. I think we're maintaining it at the \$40 billion to \$45 billion.

Speaker: Great. That's - thank you. That's all my questions. Thank you very much.

Ali Raissi-Dehkordy: Thanks, [inaudible].

Ayesha Parra: Thank you. We will now take our next question from Mike Werner from UBS. Please go ahead.

Michael Werner: Thank you very much for the call and the presentation. Just a couple of questions, but first, maybe just a follow up to [inaudible]. With regards to the partner blended net management fee rate, does that include transaction and advisory fees, or is that just purely management fees?

Robert Hamilton Kelly: I'm just confirming it. It does include transaction advisory fees, and so that's obviously one input into a slightly lower rate this quarter. You may remember Q3 of last year, we had elevated transaction fees which contributed to our higher rate. So, that does feed into that quarterly number.

Michael Werner: Okay. Thank you. And then you guys are still guiding for circa or around 1.5% in terms of the full year 2022 partner blended net management fee rate, which is obviously a step up from Q1 levels. Does that guidance imply an expectation that those transaction and advisory fee revenues will improve as we go through this year, or is this purely a function of timing, of capital raising and when the management fees start getting charged?

Robert Hamilton Kelly: It's a great question. Look, I think there's those two factors, and also, I'd say, business mix as well, which I'll touch on. So, yes, as I noted, the transaction advisory fees this quarter are low by historical standards. The second aspect, as I mentioned, is around periods of

significant fee paying asset raising, the timing of those turning on can make it - can skew the number in a single quarter, but on a last 12 month basis, we'd expect that to normalize.

And then you also have a business mix aspect where we have strong growth in private equity partner firms, and also the core focus of our CapEx like M&A, and those firms tend to also have higher management fee rates than other alternative asset classes. And so, when you look across those three, we still reaffirm that management fee rate to be stable at about 1.5% on an organic basis.

Michael Werner: Okay. Thank you. And then again, I'm a bit confused here, so I apologize. With regards to the fee paying partner AUMs that we see for Q1 in 2022, \$184 billion, that is again, kind of the calendar year end last year AUMs. And that's ultimately what drives the calculation of the management fee rate. So, the \$28 billion in terms of gross inflows that you saw in Q1 of this year doesn't actually impact the net management fee rate, does it, or it does?

Robert Hamilton Kelly: It, may it impact it from a perspective of the denominator effect. So it's - we're looking at an average AUM across the period, and so it does impact that in terms of the average AUM across the period.

Michael Werner: Okay. So the average AUM is actually the real Q1 2022 with no three-month lag? Is that correct?

Robert Hamilton Kelly: No. It's based - we've got the calculations and the numbers laid out in the back of that - of the quarterly release, but it's based on the average between the start and end of period, but on a three month lag as well. So, it's based on the numbers that you see in the appendix in the trading statement.

Michael Werner: Okay. So the numbers are on a three month lag, but those with the AUM numbers that are used again for the fee rate calculation don't yet include the \$28 million - \$28 billion - excuse me, that was raised in Q1 because we'll see that in the next quarter because of that -

Robert Hamilton Kelly: That'll include them. If you think about the average being the start of period or start of quarter plus the end of quarter divided by two. So, they're impacting them in that they're included in the end of period AUM number.

Michael Werner: Okay. So, at the end the period is not lag three months. That end up period is March, right? Actual March, not lagged.

Robert Hamilton Kelly: No, it's all based on the same data set. So, based on that total fee paying AUM, the \$184 billion.

Michael Werner: Okay. Thank you.

Operator: If we are -

Ali Raissi-Dehkordy: Sorry. Go ahead, Emma.

Operator: Just as a reminder, if you would like to ask a question, you may press star, one. There are currently no questions in the queue at this time.

Robert Hamilton Kelly: Right. Thank you, Emma. Well, thanks everybody for joining us on the Q1 results call. Please feel free to reach out to the team should you have any further questions. And with that, we appreciate your time today. Thanks.

Operator: Ladies and gentlemen, that will conclude today's conference. You may now all disconnect.